



PRE-BUDGET 2023 SUBMISSION

Submitted to:
Minister for Finance, Paschal Donohoe TD

Thursday, 15th September 2022



Retailers Against Smuggling (RAS) represents over 3,000 small and medium sized retailers across the country. RAS aims to generate widespread awareness amongst the public, media, and decisionmakers of the impact of smuggled alcohol, tobacco products and solid fuel on legitimate local retailers in Ireland.

Our Budget 2023 Key Asks



In the context of the spiralling cost-of-living crisis and the risk of fuelling demand for a rapidly growing black market, **no further excise increases should be placed on tobacco products**



Ensure ports and airports are adequately resourced to **fully enforce the permitted personal allowances on non-Irish duty paid products** that can be brought into Ireland

Our corporate supporters



An overview of black-market activity in Ireland

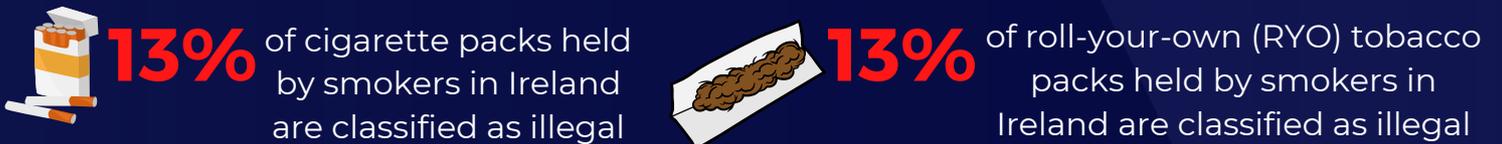


"RAS members are witnessing first-hand how the skyrocketing cost-of-living is forcing Irish consumers into making radical decisions on how and where they spend hard-earned income. For many, the black market has for the first time become the only realistic option for purchasing high excise items such as alcohol, solid fuel, and tobacco products.

"In particular, we've seen how year-on-year excise increases placed on tobacco products have resulted in them becoming an exceptionally lucrative commodity for organised crime gangs. A record year for cigarette and tobacco seizures by Revenue in 2021 shows the extent to which sophisticated criminals are taking advantage of household cost-of-living pressures and rapidly growing demand for the black market in Ireland. A trend which RAS members have seen continue to escalate throughout 2022 as the crisis deepens.

"Revenue have expressed the view that increases in excise may not lead to increased yields, as higher cigarette prices in Ireland could reduce demand due to greater incentives to purchase non-Irish duty paid tobacco products. This is a view which retailers fully concur with. Therefore, in the context of spiralling costs and a challenging operational environment ahead, Budget 2023 must avoid any measures which will negatively impact key revenue streams for retailers including an excise hike on tobacco products."

Benny Gilshan
Retailers Against Smuggling, National Spokesperson



 **€264m**

The notional loss to the exchequer on 22.7 million illegal cigarette packs

Source - Revenue Tobacco Products Research Survey 2021

Why Budget 2023 should not include a further excise increase on tobacco products

Persistent excise increases on tobacco products in annual Budgets continue to cause harm to the retail sector. Applying a further excise increase on tobacco in Budget 2023 will:

- Drive more hard-pressed consumers to the black market as they try to grapple with the soaring cost-of-living, directly impacting both the retail sector and the Exchequer.
- Ensure Ireland remains a key target for organised crime gangs who recognise the financial reward vs risk of a growing illicit tobacco market.
- Further widen the gap between the price of duty paid tobacco vs what's available on the black market, creating unfair competition and financial loss for registered and legitimate retailers.

Budget 2023 - Key Ask 1

In the context of the spiralling cost-of-living crisis and the risk of fuelling demand for a rapidly growing black market, **no further excise increases should be placed on tobacco products**

A record year in 2021 for major seizures of cigarette and tobacco products, suggests the extent to which growing black market demand is being exploited by organised crime gangs. RAS continues to argue that current Government policy of placing annual excise increases on tobacco products is making illicit tobacco trade a more lucrative and appealing market for these gangs. This is further fuelled by a cost-of-living crisis which is forcing consumers towards the black market due to duty paid tobacco products sold by registered retailers becoming too expensive.



Summary of 2021 Revenue cigarette and tobacco seizures Vs 2020 Tobacco smuggling on a sharp rise

 **57** Major seizures announced (up 73%)

 **14** Seizures were valued over €1,000,000 (Up 133%)

 **38.2 tonnes** of tobacco seized (up 438%)

 **€67.6m** Estimated retail value of seizures (Up 83%)

 **60.6m** Cigarettes seized (up 26%)

Source - Revenue Annual Report 2021 & Revenue Press Office

The sheer magnitude of seizures that Revenue continues to report throughout 2022 vindicates retailer concerns that tobacco smuggling is on a sharp rise. So far this year there have been six seizures with estimated retail values over €1 million. One seizure alone of 9,000,000 cigarettes at Dublin Port was valued at €6.8 million, representing a potential loss to the Exchequer of €5.3 million.

In addition to the record level of seizures, Revenue's Tobacco Products Research Survey 2021 found that 21% of cigarettes in consumers' possession were illicit or non-Irish duty paid. This was in a year during which travel was restricted significantly for a number of months. The vast quantities of illicit tobacco product successfully making it onto the black market is having a direct impact on retailers as product filters down to smaller distribution networks at a more local level.



The perspective on black market activity from Irish retailers in the community

Customers have already told me they will buy from the illicit trade to save money.

It is obvious that the price difference is affecting my sales. During the Covid lockdown my sales were up considerably as the illicit market was not there. Unfortunately, now it is back and my sales have decreased hugely.

Disposable income is going to go and consumers have to make choices for their pocket.

Many locals buy tobacco from illegal sources.

Too much tax on tobacco and the higher the prices go the more people who will switch. Why pay over twice the price for the same product when it is freely available in every town in Ireland.

Van going around the estates with illegal tobacco.

Source - RAS Retailer Sentiment Survey 2022





Budget 2023 - Key Ask 2

Ensure ports and airports are adequately resourced to **fully enforce the permitted personal allowances on non-Irish duty paid products** that can be brought into Ireland



A full return to international travel this year and the reintroduction of duty-free shopping between the UK and the EU following the end of the Brexit transition period are having a significant impact on Irish retail tobacco sales. With Ireland ranked as the most expensive country in Europe to purchase duty paid tobacco, consumers are understandably taking advantage of the option to purchase cheaper product outside the State while travelling and bringing it back.



8% of cigarette packs & **5%** of roll-your-own (RYO) tobacco packs

held by smokers in Ireland are found to be non-Irish duty paid

Source - Revenue Tobacco Products Research Survey 2021

“ Customers are honest about getting the ferry to Britain just to avail of the duty free

Sales of tobacco products increased massively during lockdown as there wasn't the same volume of tobacco coming into the country. Since airports opened it's gone back to what it used to be. ”

Tobacco allowances for travellers to Ireland from EU & non-EU countries

	From EU countries	From non-EU countries
Cigarettes	800 (40 packs)	200 (10 packs)
RYO Tobacco	1kg	250g

Source - Gov.ie: Trading in tobacco, cigarettes, and other goods

To protect key revenue streams for both retailers and the Exchequer, it is critical that ports and airports are adequately resourced to ensure the permissible allowances set out by Customs for bringing non-Irish duty paid products into the country are fully enforced.

Retailers are concerned that these allowances are being exceeded with individuals bringing in much larger quantities than what is permitted for personal consumption or to pass on to friends and family.

There is also considerable apprehension amongst retailers that many people are bringing in large quantities of non-Irish duty paid product for resale on the black market through the practice of 'ant smuggling'. Ant smuggling is typically carried out by smugglers travelling on low-cost airlines to purchase cigarettes in countries where it can cost as little as €2 for a pack of 20 cigarettes, and then selling these on for profit.



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