



Tackling tobacco smuggling

Quarter 1 outputs (April to June 2013)

HMRC and Border Force published a comprehensive strategy for tackling tobacco smuggling in 2011 to address the source, supply and demand for illicit tobacco products in the UK.

For more details visit [Tackling Tobacco Smuggling strategy - building on our success](#)

The strategy has been boosted by a £25 million re-investment from the Government's 2010 Spending Review which is aimed at tackling organised crime, tax evasion and avoidance.

The latest estimates for 2010/11, are that the UK illicit cigarette market is 9% and 38% for hand-rolling tobacco, which are the lowest recorded measures of the illicit market since measurements began in 2000. HMRC estimates the size of the illicit market using tax gap data which are reported annually, each Autumn. The latest report is [Measuring Tax Gaps 2012](#).

Tobacco strategy outputs delivered this quarter

1. Cigarette seizures

	Volume (sticks)	Revenue value (£)
Overseas	305,000,000	87,000,000
Border	88,000,000	25,000,000
Inland	10,000,000	3,000,000
Total	403,000,000	115,000,000

2. Hand-rolling tobacco seizures

	Volume (tonnes)	Revenue value (£)
Overseas	15.3	3,400,000
Border	78.2	17,700,000
Inland	9.5	2,100,000
Total	103	23,200,000

Case study

In May, HMRC gained good press coverage for the seizure of 10 tonnes of tobacco disguised as tea from China. Five men were caught unloading the goods from a self storage unit in North Wales and have subsequently been arrested. Investigations are continuing. The potential revenue loss was £2.2 million.

Local BBC coverage and print of the joint blitz activity with Trading Standards in Nottingham in May which resulted in the seizure of 39,000 cigarettes and 1.3kg of hand-rolling tobacco from four shops with the assistance of a tobacco detector dog. The potential revenue loss was £20,000.

3. Criminal investigations

Criminal enforcement activity*	
Number of individuals prosecuted	134
Number of individuals convicted	85
Number of tobacco related confiscation orders	7
Value of tobacco related confiscation orders	£0.1m
Revenue loss prevented	£51.9m

Case Study: Operation Hornbeam

In June, eight men were sentenced to a total of more than 20 years for flooding the North of England with more than 150 million cigarettes and 2 tonnes of tobacco. The men were arrested in early 2011 as part of a HMRC investigation. Officers uncovered the gang's "safe house" discovering large amounts of cash and the gang's all important customer order books in an under-floor safe, hidden beneath a spring loaded tile on the kitchen floor. Officers also found paperwork, receipts and phone records along with forensic evidence linking all the gang members to the illegal operation. The potential revenue loss was £26 million.

4. Civil penalties

In addition to criminal prosecutions HMRC uses a range of sanctions and penalties to penalise anyone handling illicit tobacco products, to recover unpaid duty on seizures made at the border and inland to improve compliance.

Tobacco products duty assessments	
Number of tobacco related wrongdoing penalties issued	525
Value of tobacco related wrongdoing penalties issued	£3,500,256
Wrongdoing penalties	
Number of assessments for tobacco products duty issued	475
Value of tobacco products duty assessments issued	£1,060,495

*Please note however that convictions do not necessarily relate to the prosecutions started in this period, since outcomes to cases will depend on the time taken for them to be processed through the judicial system.

In the news

HMRC aims to maximise the use of free media:

- to broaden the knowledge and awareness of enforcement action and penalties, in order to increase its deterrent impact
- to raise awareness and understanding of illicit tobacco products and change behaviour
- to encourage the public and businesses to pass on information and intelligence on the illicit market.

HMRC illicit tobacco media coverage in the quarter – 491 articles and broadcasts.

Trade press

Retail trade media coverage of [Operation Yardam](#), which involved the seizure of 3.6 million cigarettes in 2011. The illicit goods which were concealed behind pallets of loose slate that were discovered by the Police on a surveillance operation at an industrial estate when they were being transferred from a sea container to two vans. Investigators found that an innocent company's details had been used as a cover for the load, but instead of being delivered to Ipswich the pallets were diverted to an industrial unit in Tilbury. The defendant received a 5 year prison sentence. The potential revenue loss was £925,000.

The Asian Trader reported on the 2 year imprisonment of a smuggler who had hidden illicit tobacco in parcels of glass panels. The first seizure was made in August 2012 and the second while the defendant was on bail for the first offence. In total over 35kgs of smuggled hand-rolling tobacco was seized. The potential revenue loss was £8,000.

High profile HMRC events

Extensive media coverage including radio, print, web and Twitter of the sentencing of a Chinese national to two years imprisonment. Between May and August 2012, 750kg of hand-rolling tobacco was smuggled from China in 2kg parcels. Police officers arrested the individual at a mailbox address after the discovery of illicit tobacco by a courier firm. The judge recommended deportation after the jail term has been served. The potential revenue loss was £171,000.

High profile joint multi-agency events

Operation Hedgehunter HMRC and Border Force are supporting a multi-agency operation launched in the North West aimed at encouraging people working in the haulage industry and the general public to report hauliers who are operating outside of the law and industry regulations. This high profile awareness-raising campaign aimed at truck drivers and other motorway users encourages the reporting of information about illegal or suspicious activity anonymously to Crimestoppers. Leaflets are being placed by Border Force officers in the passports of truck drivers going through security checks at key ports. Business cards are also being handed out in cafes and garages in the region's main motorway truck stops.

Good regional coverage of the joint operation in Lincolnshire between HMRC and Police which resulted in the seizure of 100,000 cigarettes and 28kgs of hand-rolling tobacco from four shops. The illicit tobacco goods were found within complex concealments with the aid of a tobacco detector dog. Three search warrants were also executed at residential premises and one arrest was made. Enquiries are continuing. The potential revenue loss was £30,000.

Help HMRC tackle tobacco smuggling

To report any kind of excise fraud or tax evasion you can call or email HMRC with the information, in confidence

Customs Hotline **0800 59 5000**

Online **www.hmrc.gov.uk**