



Tackling tobacco smuggling

Quarter 3 and 4 outputs (October 2014 to March 2015)

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 – building on our success](#)

The strategy has been boosted by a £25m re-investment from the Government's 2010 Spending Review. This is part of over £900 million investment aimed at tackling organised crime, tax evasion and avoidance.

Our strategy to tackle tobacco smuggling has been highly effective in reducing the illicit cigarette trade from 22 per cent in 2000-01 to 10 per cent, and from 61 per cent to 39 per cent for hand-rolling tobacco.

To build on this success HMRC and UK Border Force published a refreshed strategy for tackling tobacco smuggling in March 2015 which explains how we will continue to catch, and punish those in the illicit tobacco trade.

For more details visit [Tackling illicit tobacco: from leaf to light](#)

HMRC estimates the size of the illicit market using tax gap data which are reported annually, each Autumn. The latest report is: [Tobacco Tax Gap Estimates 2013-14](#)

Tobacco strategy outputs delivered

1. Cigarette seizures

Quarter 3 – October to December 2014

	Volume (sticks)	Revenue value (£)
Overseas	249.6m	76.6m
Border	124.8m	38.3m
Inland	23.8m	7.3m
Total	398.2m	122.2m

Quarter 4 – January to March 2015

	Volume (sticks)	Revenue value (£)
Overseas	360.7m	110.7m
Border	79.9m	24.6m
Inland	6.8m	2m
Total	447.4m	137.3m
Year end (2014-15)	1.7bn	542.7m

2. Hand-rolling tobacco seizures

Quarter 3 – October to December 2014

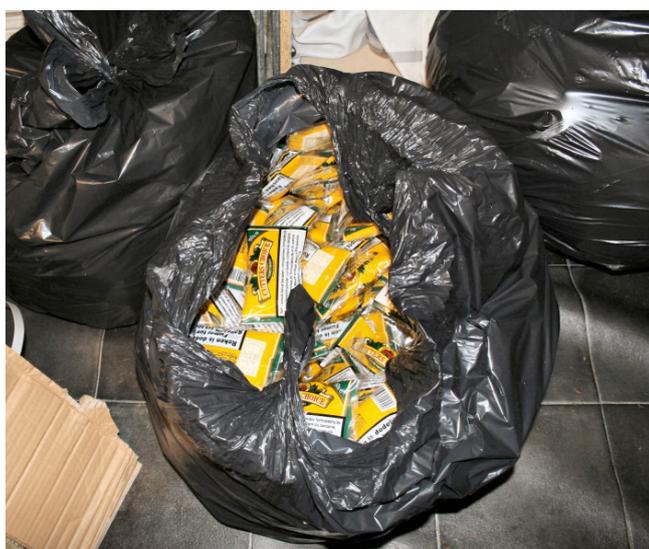
	Volume (tonnes)	Revenue value (£)
Overseas	0.8	0.2m
Border	65.8	15.5m
Inland	5.4	1.3m
Total	72	17m

Quarter 4 – January to March 2015

	Volume (tonnes)	Revenue value (£)
Overseas	0.2	0.1m
Border	57.7	13.6m
Inland	21.7	5.1m
Total	79.6	18.8m
Year end (2014-15)	313	73.8

Case study

In October a gang of four were jailed for a combined 11 years and three months after an investigation by HM Revenue and Customs. Officers from HM Revenue and Customs together with officers from Sussex Police and South East Regional Organised Crime Unit raided an illegal tobacco factory in Southampton and seized around three tonnes of hand rolling tobacco. The estimated loss to the Exchequer is around £612,000 in unpaid duty and VAT.



In February Border Force officers stopped and searched a trailer belonging to an owner of a transport company at Hull docks when he arrived from Rotterdam. The search uncovered nearly three million cigarettes concealed behind pallets of office furniture. The case was referred to HMRC to investigate and he was charged with fraudulent evasion of duty.

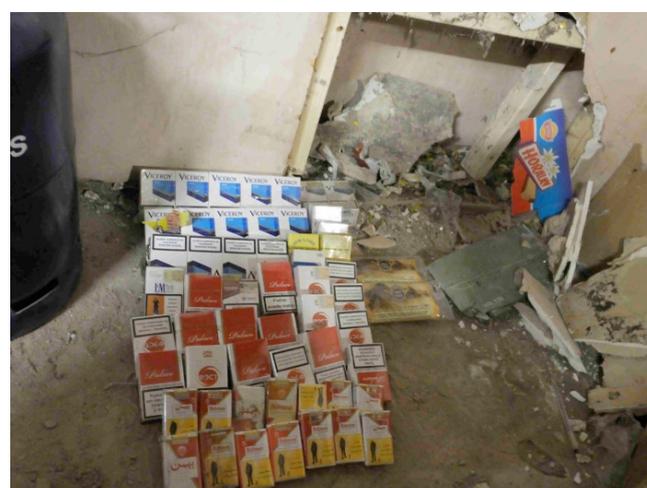
3. Criminal investigations

Criminal enforcement activity*	Q3 Total	Q4 Total	Year end (2014-15)
Number of individuals prosecuted	99	150	417
Number of individuals convicted	64	53	237
Number of tobacco related confiscation orders	13	6	36
Value of tobacco related confiscation orders	£0.4m	£0.2	£1.4m
Revenue loss prevented	£92.2m	£205.6m	£968.1m

* 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.

Case study

In November around 25 officers from HM Revenue and Customs, with support from Oldham, Rochdale, Salford and Trafford Council Trading Standards and Greater Manchester Police visited 25 retail premises and self-storage units. The visits as part of HMRC's Tobacco Taskforce activity, led to the seizure of over 1.2 million cigarettes and nearly 70 kilos of hand rolling and shisha tobacco. Two tobacco dogs and their handlers helped officers uncover cigarettes hidden in various parts of the shop.



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	Q3 Total	Q4 Total	Year end (2014-15)
Number of assessments for tobacco products duty issued	251	546	1,376
Value of tobacco products duty assessments issued	£1,237,829	£2,168,296	£7,648,172

Wrongdoing penalties	Q3 Total	Q4 Total	Year end (2014-15)
Number of tobacco related wrongdoing penalties issued	240	505	1,339
Value of tobacco related wrongdoing penalties issued	£506,550	£726,326	£2,463,001

The above data in RED is for November 2014, as there were technical issues with data management sources. Unfortunately we have been unable to report on the December data. This has however, been rectified for quarter 4 and year end.

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

Trade Press

In November the Independent Retail news magazine reported on the ongoing action by JTI to remove tobacco gantries from shops found guilty of selling illicit tobacco. The report also encouraged retailers that were aware of other shops selling illicit products to call the Customs Hotline.

In February the Independent Retail news magazine reported on a number of seizures from independent stores across the country by customs and police officers warning that action will be taken by enforcement agencies if they sell contraband tobacco and alcohol from their stores. It also reported on the JTI partnership with Crime-stoppers charity which aims to make it easier for retailers and consumers to pass on information about the illegal tobacco trade to relevant enforcement agencies.

HMRC multi-agency events

Extensive coverage was gained for the joint operation by HM Revenue and Customs, Warwickshire Police and Driver and Vehicle Standards Agency Operation in Bishop's Waltham Hampshire. The operation discovered an illegal tobacco factory after HMRC officers arrested two men at Warwickshire Police-led road check, where a van containing half a tonne of processed tobacco was found. Investigations are continuing. Revenue protected £300,000.

Widespread coverage was gained for the joint operation by HM Revenue and Customs, Trading Standards, Staffordshire Police Licensing team and three tobacco dogs and their handlers as part of the Tobacco Taskforce activity. Following visits to 43 retail premises, public houses and self-storage units it resulted in over 25 thousand cigarettes, 12.6 kilos of hand rolling tobacco and 19.5 litres of alcohol being seized as well as one commercial vehicle.

Regional/local campaigns to raise awareness

JTI continued its regional media engagement programme leading to campaigns against the illegal tobacco trade in the Daily Record (Scotland), Plymouth Herald, Yorkshire Evening Post, Wakefield Express, Sheffield Star and the West Midlands Express & Star. A number of these campaigns were supported by radio infomercials.

Over this period (October 2014 to March 2015) JTI removed gantries from eight retailers found to be selling illegal tobacco.

As part of its *Suspect it? Report it!* anti-illicit trade campaign, Imperial Tobacco have embarked on an awareness campaign designed to highlight locations in which illicit tobacco is now increasingly being targeted by criminals.

In October Imperial Tobacco released a short film, portraying a retailer worryingly observing illicit tobacco being sold outside of his shop and the criminality factor which has infiltrated the community which he serves. The message to the trade is clear – Don't let these criminals harm your business or community.

Philip Morris Limited launched a trial education programme in January for independent retailers in Manchester. 250 retailers were approached based on their tobacco sales and customers of which 198 shopkeepers signed up. At the end of the trial retailers were quizzed on their knowledge about problems associated with illicit trade, 91 retailers successfully passed the test.

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**