Revenue's Strategy On Combating the Illicit Tobacco Trade (2011-2013)

One of Revenue's main strategies for 2011-2013 is to "target and confront those who do not comply" with their obligations under tax and duty regulations. Underpinning this strategy, Revenue has prioritised specific business programmes focusing on stemming tobacco[1] smuggling.

The illegal trade in tobacco products is one of the most serious threats to the Irish Exchequer. It also militates against the Government's anti-smoking policies. A key objective of Revenue is to deter people from engaging in the smuggling of tobacco products and reduce the availability of contraband on the Irish market. This will deter criminal activity, protect legitimate business and employment, increase tax and duties for the Irish Exchequer and reduce the health threat from illicit cigarettes.

The illicit trade in cigarettes is an international problem and, as such, countries cannot tackle the challenges posed in isolation to the global context. While the measurement of the scale of the illicit trade is difficult in any country, it is tentatively estimated that illicit cigarettes accounted for approximately 14% of all cigarettes consumed in the State in 2009 based on an independent survey carried out for Revenue and the Office of Tobacco Control. This represents a potential loss of €200 million in excise duty for the Irish Exchequer.

Revenue employs a number of programmes, which all play a part in tackling the illicit tobacco trade. These programmes focus on border and inland operations and internal distribution chains, and include anti-smuggling initiatives, intelligence gathering and analysis, investigation and prosecution. Revenue's objectives include improved coverage of risks, increased targeting of tobacco smuggling and prosecution of those involved in any aspect of the illicit tobacco trade. These programmes are designed to complement each other, and target the supply and demand sides of the market for contraband tobacco in Ireland.

The strategy of the Revenue Commissioners for tackling this illicit trade is multi-faceted and is set out below under various strategic headings.

[1] *Tobacco products include cigarettes, cigars, fine-cut tobacco for the rolling of cigarettes and other smoking tobacco as defined by Section 71 of Finance Act 2005*

Strategy 1	Strategic Actions
	Revenue, in partnership with other Government agencies, will focus on reducing the demand for contraband tobacco.
Reduce Demand for Contraband Tobacco	• Educate the public on the negative aspects of contraband, i.e. tax loss, criminality and increased health risks. • Optimise media coverage for prosecutions, significant seizures and enforcement initiatives.

Strategy 2	Strategic Actions
	Revenue will take steps to ensure that the legitimate trade remains compliant.
Maintain Compliance of Legitimate Trade	• Ensure existing controls continue to be efficient and effective and contribute to fair trading conditions for all legitimate traders, while minimising the compliance burden. • Improve communications with, and intelligence gathering from, legitimate traders. • Closely monitor the excise duty collection figures for both cigarettes and other tobacco products. • Increase visits to targeted retailers to verify sales figures and test the legality of tobacco products being sold.

Strategy 3	Strategic Actions
	Revenue will deliver more effective and visible interventions through enhanced capability and better deployment of its resources.
More Effective and Visible Interventions	• Maintain resources currently deployed in combating the illicit trade and periodically enhance those when required. • Continue to review the effectiveness of detection processes and technologies to ensure that performance is optimised. • Improve and increase the use of profiling and intelligence, and implement the agreed recommendations from the 2010 profiling conference. • Increase the number of inland and frontier operations, including national and regional blitz-type operations, resulting in increased seizures of illicit tobacco products and associated assets such as cash and modes of transport. • Increase the use of analytics and trend analysis to inform the nature and frequency of interventions. • Increase the use of assessments as an enforcement tool.

Strategy 4

Increase Cooperation

Strategic Actions

Revenue will further develop cooperation and intelligence sharing at organisational, national and international level.

- At Organisational Level: Build on cooperation at inter Regional/Divisional level, and utilise maximum flexibilities in the deployment of staff on control and enforcement activities.
- At National Level: Further develop cooperation with:
    - Other State agencies, including the Criminal Assets Bureau, An Garda Síochána, the Department of Social Protection and the Office of Tobacco Control.
    - Trade bodies, including Irish Tobacco Manufacturers Advisory Committee and RGDATA.
    - Airline/shipping/transport companies, port and airport authorities, and their agents.
- At International Level: Maintain strong relationships with the European Anti-fraud Agency (OLAF) and other Tax and Customs Administrations, and continue to support and influence the agenda of the Framework Convention on Tobacco Control (FCTC).

Strategy 5

Increase Prosecutions

Strategic Actions

Revenue is committed to prosecuting all serious cases of tobacco tax evasion.

- Increase the number of summary prosecutions taken and the number of indictable cases referred to the DPP for prosecution.
- Review and put in place more effective identification measures that target cases suitable for prosecution.
- Assess the effectiveness and deterrent value of prosecutions, penalties and seizures of modes of transport.

How Revenue will deliver and evaluate this strategy

Revenue will implement this strategy through the development and execution of annual corporate action plans. The Board and MAC will continue to be the key drivers at corporate level. The BMEX will provide leadership and direction to the delivery of these strategies at operational level. It will also be responsible for evaluating the performance of the operational Regions/Divisions in the delivery of this strategy through the annual corporate plans. The Regional/Divisional Assistant Secretary will be responsible for implementing the plans within the Region/Division and reporting on progress, outcomes, etc., to the BMEX.

Revenue will provide appropriate support for the key strategies outlined in this document. Revenue will measure the outputs and outcomes of the various strategies to establish their effectiveness and provide a basis for the continuous adjustment of these strategies. The extent of the illicit tobacco trade will be estimated and changes in this trade tracked over time to provide an outcome based measure of performance. The number of operations, their results and their efficiency and effectiveness will be measured and evaluated. The number of prosecutions will continue to be a key indicator of performance. Revenue will also measure the cost and effectiveness of resources allocated to countering the threat from tobacco smuggling, with the objective of ensuring optimum deployment and maximum effectiveness.