



Pre-Budget 2026 Submission

**Tackling Ireland's out-
of-control tobacco
black market**

June 2025

www.retailersagainstsmuggling.ie



About us

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 decision makers of the impact of smuggled alcohol, tobacco products and solid fuel on legitimate local retailers in Ireland.

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Submission for Budget 2026

Ireland's tobacco black market is out of control. In 2024:

- Total losses in tax on tobacco products were an astounding €934 million.
- Ireland's untaxed cigarette market was worth a staggering €790 million; €550 million of this was accounted for by illegal cigarettes.
- The Revenue Commissioners seized less than one in five of all illegal cigarettes in circulation in Ireland last year.

Ireland has the highest excise rate on tobacco in Europe, and this is fuelling Ireland's tobacco black market.

Despite an increase of more than 25% in airport passenger arrivals and a more modest increase in port freight arrivals since 2022, the number of Revenue Frontier staff has declined by nearly 15%. This has hamstrung Ireland's capacity to effectively detect and enforce smuggling, including breaches of duty-free and travel allowances.

The average fine imposed for tobacco smuggling convictions over the past five years was a pitiful €2,581. The current level of fines does not provide a meaningful or effective deterrent to smuggling.

Retailers Against Smuggling believes Budget 2026 provides an opportunity for the Government to take justified and determined action to tackle Ireland's tobacco black market. RAS proposes action on three fronts:



1. Introduce a freeze on Tobacco Product Tax



2. Recruit 250 additional frontier staff and purchase additional scanners to detect illegal tobacco and to enforce duty-free and travel allowances



3. Increase the fines and prison sentences for court convictions for illegal smuggling

Introduction

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

Context

Ireland's untaxed cigarette market

The publication on 30 April 2025 of the Revenue Commissioners' Illegal Tobacco Products Research Surveys 2024 – independently conducted by IPSOS MRBI – found that 37% of cigarette packs in circulation had no Irish excise duty paid as they were either illegal or purchased outside Ireland. This marked an increase of 3% on 2023. In the case of the Roll-Your-Own (RYO) tobacco market, the proportion of products in circulation with no Irish duty paid was 49%, comprising 36% illegal products and 13% legally sold in other countries and brought into Ireland.

The Revenue Commissioners' survey concludes that the scale of illegal cigarette sales in 2024 resulted in €590 million in lost taxes to the exchequer. RAS estimates that a further €249 million was lost on the 11% travel purchases of cigarettes, and that a further €95 million was lost in taxes on RYO tobacco,¹ bringing the total losses in tax on tobacco products to an astounding €934 million.

In a reply to a recent parliamentary question, the Minister for Finance indicated that the taxed cigarette market in Ireland – for which excise duty was paid – had a total retail value of €1.34 billion in 2024. If the taxed market accounted for 63% of all cigarettes in circulation, this means the black-market cigarette market was worth €550 million in 2024. Another €230 million worth of cigarettes were brought into Ireland that were legally sold in other countries or through travel retail and brought into Ireland. RAS estimates that the total retail value of the untaxed tobacco market was worth approximately €790 million in 2024.

The context is clear. The Revenue Commissioner's own independently-conducted research points to the Government having lost control of a large swathe of Ireland's tobacco market. The previous three years have all seen the highest levels of illicit tobacco levels ever recorded in Ireland according to Revenue's annual survey. For RYO, just under half the market is now NIDP, which includes a staggering 36% illicit rate. The levels of tax avoidance and illegality represent a serious market failure and an egregious threat to the state, which must be taken much more seriously by the Government.

¹ Based on a conversion factor of 0.75g RYO to cigarette and loss on excise and VAT

Factors driving Ireland's tobacco black market

1

Excise increases have incentivised black market purchasing

Repeated annual increases in the rate of Tobacco Product Tax (TPT) – with the increases having jumped from 50 cents annually, to 75 cents in Budget 2024, and €1 in Budget 2025 – have incentivised consumers to buy from illicit sources, in turn normalising black market activity. This trend was confirmed by polling commissioned by RAS in March 2024 which found that 37% of the population were open to buying cigarettes, tobacco, or vapes from unofficial or irregular sources if the price was substantially lower.

Ireland now has the highest excise rates on tobacco in the European Union, and Irish consumers can easily purchase tobacco products from third countries. Polling commissioned by RAS found that between March and November 2024 the proportion of all those purchasing cigarettes who purchased while abroad increased from 45% to 58%. RAS is particularly concerned that large volumes of tobacco products may be being brought into Ireland – in breach of duty-free limits and travel allowances – from jurisdictions such as Great Britain, Romania, and the Canary Islands.

In total, exchequer receipts from Tobacco Product Tax (TPT) have consistently declined over recent years, from €1.3 billion in 2021 to €976 million in 2024. In that period the official Healthy Ireland smoking rate has declined by only 1% while the population has increased. Retailers Against Smuggling contends that the fall in TPT revenue is predominantly due to increases in purchasing of untaxed tobacco products from either the Irish black market or from abroad or travel-retail.

2

Failures to increase staffing and scanning resources is allowing too much smuggling to go undetected, including breaches of duty-free and travel allowance

Retailers Against Smuggling is concerned that many of the 'legal' cigarettes currently being brought into Ireland are entering in breach of duty-free and travel allowances. In reply to a recent parliamentary question, the Minister for Finance noted the number of individual customs inspections conducted on incoming air and sea passengers is not recorded. RAS believes not enough is being done to ensure duty-free limits and travel allowances are being enforced.

In the case of illegal tobacco, Retailers Against Smuggling welcomes the doubling in the value of seizures of illegal tobacco achieved by the Revenue Commissioners in 2024. RAS believes this proves that when given the necessary resources, the Revenue Commissioners can effectively address smuggling. However, the Revenue Commissioners' seizures of illegal cigarettes were valued at €96 million in 2024. This was significantly less than one in five of all illegal cigarettes in circulation in Ireland last year (based on the illegal market being valued at €550 million as discussed above). While increased seizures are welcomed, they represent only the tip of the iceberg.

Retailers Against Smuggling believes a key reason for the increases in illegal and non-duty paid tobacco in circulation in Ireland is the failure to increase staffing and scanning resources to keep pace with arrivals of both passengers and freight. Table 1 below shows the changes in passenger arrivals into Irish airports, aggregate freight arrivals into Irish ports, and the number of Revenue Frontier staff between 2022 and 2024. **Despite a large 25.6% increase in airport passenger arrivals and a more modest increase in port freight arrivals, the number of Revenue Frontier staff has declined by 14.6%.**

Furthermore, while the volume of port freight arrivals has remained more consistent, in response to a parliamentary question, the Minister for Finance indicated that in 2023 there were 24,900 scans of incoming freight units conducted by the Revenue Commissioners' mobile x-ray scanners and backscatter van, representing a scan of only 1 in every 35 units, or 2.8%.

Table 1	2022	2023	2024	Change 22-24
Passenger arrivals into Irish airports (source: CSO)	16,303,383	19,585,640	20,478,916	25.6%
Aggregate Ro-Ro & Lo-Lo unit arrivals into Irish ports (source: CSO)	894,952	878,018	905,921	1.2%
Revenue Frontier staff (source: PQ reply)	632	625	540	-14.6%

3

Ineffectiveness of currently permitted penalties for tobacco smuggling convictions

Based on recent replies to parliamentary questions by the Minister for Finance, Retailers Against Smuggling has assessed that the average fine imposed for tobacco smuggling convictions over the past five years was €2,581 (see Table 2). RAS believes this is a wholly ineffective deterrent. The total value of fines imposed for tobacco smuggling convictions over the past five years was €735,000. Given that notional tax loss to the exchequer from illegal tobacco was estimated to be nearly €1 billion, the value of fines imposed equates to less than 0.1 of 1%—of the overall notional tax revenue lost to the exchequer.

Table 2 Source: PQ replies 5 Feb & 2 Apr 2025	No. of Summary Convictions	No resulting in fines	Total fine imposed	Average Fine
2020	41	37	€98,500	€2,662
2021	52	50	€119,800	€2,396
2022	61	50	€124,000	€2,480
2023	87	80	€204,000	€2,550
2024	75	68	€189,277	€2,783
Average Fine				€2,581

Implications for legitimate retailers and communities

Recent years have seen cost increases across the economy, including continuous rises in labour and energy costs as well as increased compliance costs for retail businesses. Retailers will soon face the excessive burden of the planned €1,800 annual registration fees to sell tobacco and vaping products.

However, the biggest threat to many retailers – including local convenience stores, newsagents and forecourts – comes from the massive loss of tobacco retail trade as a result of the out-of-control untaxed tobacco market which is now worth €790 million. Tobacco sales not only generate direct revenue and margin for retailers, they also drive footfall into retail stores resulting in additional purchases.

If the Government does not act to crack down on Ireland's untaxed tobacco market, then many legitimate retailers will close, resulting in local communities losing their local retail outlet.

At a broader societal level, smuggling is an issue that Ireland can no longer afford to ignore. Smuggled goods pose significant risks to public health and safety. As smuggled goods are not subject to regulatory or quality control, there is a risk they may contain inferior, illegal, or harmful substances, endangering consumer health and safety. Furthermore, smuggling can generate significant profits for criminal organisations which, in turn, are often used to fund other criminal activities, such as human trafficking, money laundering, terrorism, and other forms of organised crime.

Budget 2026

Retailers Against Smuggling believes Budget 2026 provides an opportunity for the Government to take justified and determined action to tackle Ireland's untaxed cigarette market. RAS proposes action on three fronts:



1. Introduce a freeze on Tobacco Products Tax



2. Recruit 250 additional frontier staff and purchase additional scanners to detect illegal tobacco and to **enforce duty-free and travel allowances**



3. Increase the fines and prison sentences for court convictions for illegal smuggling

Proposal 1

Introduce a freeze on Tobacco Products Tax

In response to parliamentary questions in March 2024, the then-Minister for Finance noted that “the Government is aware that high prices and taxes may make Ireland an attractive location for the illicit trade of tobacco products and therefore tobacco smuggling remains a high priority area.” However, the Minister also noted that “the Programme for Government commits to increasing the excise duty on tobacco to further discourage smoking.”

Retailers Against Smuggling notes that the newly adopted Programme for Government did not retain the previous commitment to ongoing increases in excise duty on tobacco. **In the context of the new Programme of Government, Retailers Against Smuggling proposes that the Government introduce a freeze on excise duty on tobacco products in a bid to halt the growth of Ireland’s untaxed tobacco market.**

Each year as part of the budget planning process, the Tax Strategy Group (TSG) in the Department of Finance prepares an assessment of the additional revenue which may be generated by an increase in Tobacco Products Tax (TPT). Cumulatively, the TSG estimates for each of 2022–2024 forecast additional TPT receipts (based on the rate increase eventually announced in the subsequent Budget) totalling €185 million over the three years. However, the cumulative decline in actual TPT receipts in those three years was €342 million, meaning a gap of €527 million between the estimate and the actual receipts.

This gap, of course, is on top of the loss of taxation amounting to an estimated €934 million in 2024 resulting from Non-Irish Duty Paid tobacco products.

Based on the above, RAS submits that the proposal to freeze TPT would have no cost to the exchequer but may result in reduced future losses, and possibly even an increase in revenue.

Proposal 2

Recruit 250 additional frontier staff and purchase additional scanners to detect illegal tobacco and to enforce duty-free and travel allowances

As set-out above, the number of Revenue Frontier staff has declined by 14.6%. In order to address the current gaps and to meet the increase in inbound arrivals, particularly in airport passenger arrivals, **Retailers Against Smuggling proposes that the Revenue Commissioners recruit 250 additional frontier staff to provide a visible and effective deterrent and enforcement capacity at Ireland's ports and airports.** About a third of this recruitment would be needed to replace the net staff losses since 2022, with the remaining recruitment required to address the significant increase in airport arrivals in those years, with the aim of bringing the staff-to-arrivals ratio back to where it was in 2022. RAS estimates this would cost €10-12 million in its first full year.

In addition to recruiting staff, Retailers Against Smuggling proposes that the Revenue Commissioners step-up:

- (i) Increased checks on passengers arriving from outside the EU and from non-fiscal territories of the EU (such as the Canary Islands) to ensure compliance with travel and duty-free allowances.
- (ii) Increased intelligence-led checks of passengers arriving from within the EU from locations (such as Romania) where, based on intelligence and experience, there is a clear profile of persons arriving from those locations regularly carrying goods in excess of travel and duty-free allowances.

In terms of freight, Retailers Against Smuggling believes that the current rate of approximately only 1-in-35 freight unit arrivals into Irish ports being scanned is insufficient given the size and scale of the €400 million illegal tobacco market in Ireland. A higher level of scanning is required to more effectively clamp-down on the smuggling of illegal tobacco into the state. RAS understands that the 25,000 scans conducted in 2023 involved three mobile container scanners and a backscatter van.

Retailers Against Smuggling propose that the Revenue Commissioners purchase three additional mobile container scanners and an additional backscatter van to double the number of scans of Ro-Ro and Lo-Lo arrivals into Irish ports. Based on costs set out in previous parliamentary question replies, RAS estimates this would cost €4 million.

Proposal 3

Increase the fines and prison sentences for court convictions for illegal smuggling

To provide a more meaningful and effective deterrent to tobacco smuggling, Retailers Against Smuggling believes that Budget 2026 – and particularly the accompanying Finance Bill – provide a timely opportunity to increase the fines and prison sentences for court convictions for illegal smuggling.

Retailers Against Smuggling proposes that the Finance Act 2005 be amended to increase the maximum penalties for those found guilty of an offence relating to the offer, sale or delivery of non-duty paid tobacco, as follows:

- **To increase the maximum fine, on summary conviction, from €1,900 to €5,000.**
- **To increase the maximum fine, on conviction on indictment, from €12,695 to €50,000.**
- **To increase the maximum term of imprisonment, on conviction on indictment from 5 years to 10 years.**

In legislative terms, this proposal would amend the Finance Act 2005 as follows:

- Amend section 78 (5) (a) by substitution of “€5,000” for “€1,900”.
- Amend section 78 (5) (a) by substitution of “€50,000” for “€12,695”.
- Amend section 78 (5) (b) by substitution of “10 years” for “5 years”.

While sentencing is a matter for the judiciary, this proposed change would send a strong signal from the Government and the Oireachtas that tobacco smuggling is unacceptable and will be tackled harshly. The only cost to the exchequer from this change would arise from increased prison time. The change could lead to increased revenue through increased fines.



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