



Pre-Budget 2027 Submission

**Protecting retailers
from Ireland's
booming tobacco
black market**

June 2026

www.retailersagainstmuggling.ie



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Executive Summary

Cost of business challenges are posing a serious risk to the ongoing viability of many local retailers in communities around Ireland. Recent years have seen sustained increases in labour and energy costs, alongside rising compliance costs for businesses. This includes the imminent introduction of a €1,800 annual registration fee to sell tobacco and vaping products, adding further regulatory and cost burdens to already stretched small retailers. For retailers operating more than one store, this is just the minimum cost, as each store will be subject to a licensing arrangement.

However, the greatest threat facing many retailers - including local convenience stores, newsagents and forecourts - is the significant loss of tobacco retail trade caused by the growing volume of cheaper, untaxed and illicit tobacco products circulating across the Irish market.

For many small retailers, the margin generated from nicotine products is a key component of overall business viability, often helping to sustain the sale of lower-margin everyday goods alongside a limited number of higher-margin product lines that collectively keep these businesses operational.

Ireland now has the highest excise rates on nicotine products in the European Union. Consumers can readily access tobacco products through cross-border purchases, travel retail, and an established illicit market, with polling evidence in this submission indicating price as a primary driver of black-market purchasing behaviour.

Increases in TPT are contributing to both a policy failure in terms of stalled reductions in smoking prevalence, and a market failure reflected in the growing share and value of illicit tobacco consumption

They are also increasing the notional tax gap calculated by the Revenue Commissioners, indicating growing inefficiency in the tax base.

The Revenue Commissioners' Illegal Tobacco Survey 2025 found that 38% of cigarette packs in circulation had no Irish excise duty paid, either due to illegality or purchase outside Ireland. In the Roll-Your-Own (RYO) tobacco market, the figure rises to 45%.

Retailers Against Smuggling (RAS) contends that Ireland's high Tobacco Product Tax (TPT) rates are a key driver of illicit trade. As TPT has increased, so too has both the proportion of non-taxed cigarettes in circulation and the estimated value of the untaxed market - now estimated at between €790 million and €845 million.

At the same time, Ireland's official smoking rate (Healthy Ireland) has stalled at approximately 17%, suggesting repeated tax increases are simply displacing smokers to illicit and non-Irish duty paid products.

RAS acknowledges increased enforcement activity by the Revenue Commissioners at airports but is concerned this is not matched by equivalent action at ports. Only approximately one-in-fifty freight arrivals were x-ray screened in 2025, despite the scale of illicit trade. Greater enforcement prioritisation at ports is therefore required to address the supply of illicit tobacco products into the State.

Based on the data-led analysis set-out in this submission, Retailers Against Smuggling calls on Government to:

- * Freeze tax on all tobacco and vaping products in Budget 2027.
- * Provide for additional x-ray scanners and frontier staff at ports to target increases in the percentage of Ro-Ro and Lo-Lo arrivals to a minimum of 4%.

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.

Our spokespeople



Benny Gilsean

With over forty years' experience in the grocery trade, Benny Gilsean is an Irish retail expert. In 1965, Benny moved from Oldcastle to work in wholesale and opened his first and only shop on Emmet Street, right opposite Croke Park in November 1973.



Phillip Craddock

Having spent over 20 years working in the fitted kitchen industry, Philip decided to pursue a new career path. In 2010, he made a move into retail, and now runs his own successful store in Loughlinstown, Co. Dublin.

1. The Challenges facing Irish Retailers

Recent years have seen sustained cost increases across the economy, including rising labour and energy costs, alongside increased regulatory and compliance burdens for retail businesses. This includes the imminent introduction of a €1,800 annual registration fee to sell tobacco and vaping products for each retail premises, which will further add to operating costs for small retailers.

Cost-of-business pressures are therefore posing a serious risk to the ongoing viability of many local retailers in communities across Ireland.

However, the biggest threat to many retailers comes from the massive loss of tobacco retail trade as a result of the substantial volume of cheaper, illicit and non-Irish duty paid tobacco products which are flooding into this country, and which make up a substantial proportion of the tobacco in circulation among Irish consumers.

According to the Convenience Store and Newsagent Association (CSNA), tobacco products account for up to 15% of turnover in small convenience stores, and up to 25–30% of turnover in garage forecourts and newsagents. The loss of this trade therefore has a material impact on business sustainability.

Tobacco sales not only generate direct revenue and margin for retailers, they also drive footfall into retail stores resulting in additional purchases.

From a rural perspective, this issue is particularly significant. For many rural convenience stores and forecourts, tobacco sales generate the margin that makes the overall business viable, cross-subsidising lower-margin staples that communities depend on. Where illicit trade displaces legitimate tobacco purchases, it does not simply reduce one revenue line, it can undermine the commercial foundation that keeps the whole shop open.

The OECD highlights that local retail outlets function as essential service anchors in rural Ireland, supporting both economic activity and social cohesion. The OECD Rural Policy Review of Ireland 2026 emphasises the importance of maintaining access to everyday services in rural communities, such as local retailers, as a means to maintaining the viability of our rural towns and villages.

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 shop.



Illegal tobacco and vape products are now flooding the Irish market, while enforcement challenges continue to contribute to the growth of the black economy. The result is that legitimate retailers like myself and the Irish taxpayer are being undermined, with excise revenues stalling as more people purchase non-Irish duty paid products abroad or through the blackmarket.

Benny Gilsenan, Retailer and RAS National Spokesperson

Small newsagents, convenience stores and forecourts across Ireland rely heavily on the sale of tobacco and vape products to help offset the extremely low margins on services such as fuel sales. Continued increases in excise are not only driving our customers towards the growing black market, but are also undermining legitimate local businesses that serve communities.

Phillip Craddock, Retailer and RAS National Spokesperson

2. Ireland is awash with illegal and untaxed tobacco products – while the smoking rate has stopped falling

The publication on 7 May 2026 of the Revenue Commissioners' Illegal Tobacco Products Research Survey 2025 – independently conducted by IPSOS MRBI – found that 38% of cigarette packs in circulation had no Irish excise duty paid as they were either illegal or purchased outside Ireland. This has increased steeply from 21% in 2021.

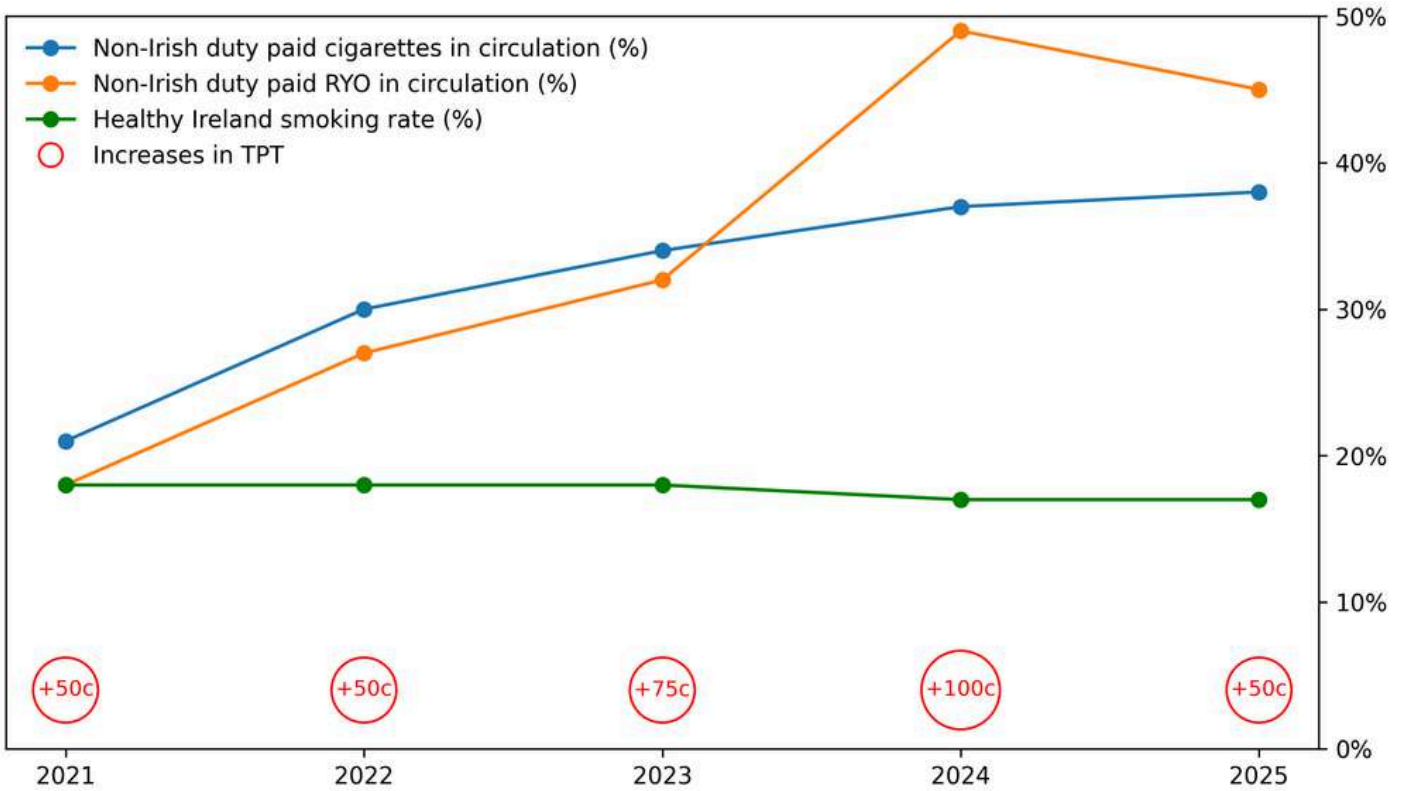
28% of cigarettes in circulation in 2025 were illegal – more than double the proportion recorded in 2021

In the case of the Roll-Your-Own (RYO) tobacco market, the proportion of products in circulation with no Irish duty paid was 45%.

The Revenue Commissioners' survey concludes that the scale of illegal cigarette sales (excluding RYO) in 2025 resulted in €648 million in lost taxes to the Exchequer.

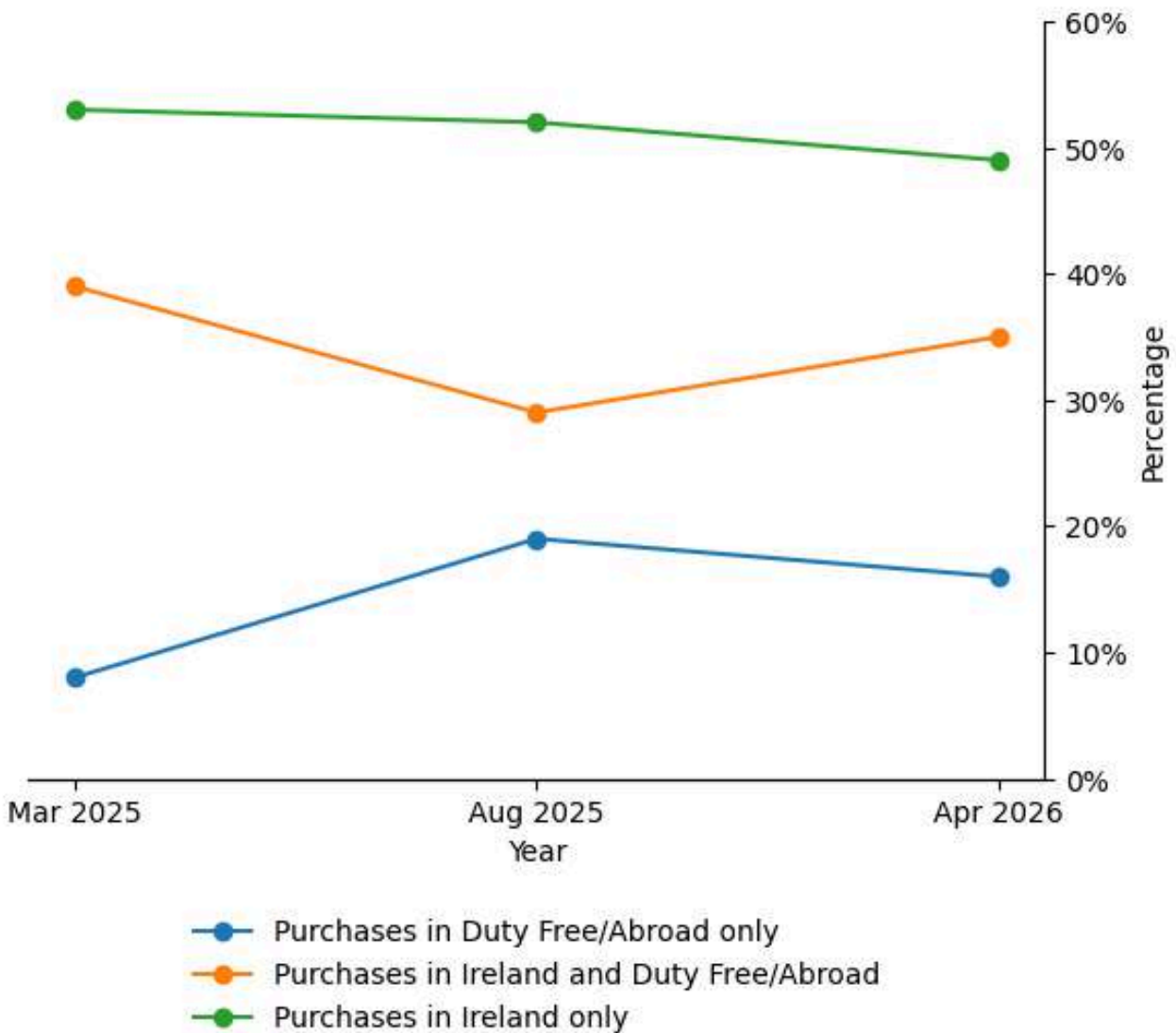
Chart 1 demonstrates that as Ireland's TPT rate has increased sharply over recent years so has the proportion of non-taxed cigarettes and RYO tobacco in circulation. The chart highlights the clear relationship between TPT increases and the growth in the black market for tobacco products.

However, the graph indicates a further trend. Ireland's official (Healthy Ireland) smoking rate has stopped falling and is static at 17%. This is the same smoking rate as in 2019. Since then, the TPT on a pack of 20 cigarettes has increased by a cumulative €4.25. The Government's policy of increasing TPT as a public health measure to reduce smoking has clearly failed. This failure is even more stark in the context of the Government's previous target of achieving a "tobacco-free Ireland" – defined as a smoking prevalence rate of less than 5% – by 2025.



3. Ireland’s high TPT rate is driving consumers to buy more tobacco from abroad, travel-retail, or from the black market in Ireland

Polling conducted by Amarách Research on behalf of RAS (minimum samples of 1,000 on each occasion) found that the proportion of all those purchasing cigarettes who purchased solely in Ireland has shown a gradual yet consistent fall, and now over 50% of those purchasing cigarettes are purchasing some or all while abroad or in travel-retail (see Chart 2 below).



Polling conducted in April 2026 provided details on the markets from which travellers are bringing tobacco into Ireland, with Spain, the Canary Islands and the United Kingdom leading the way, with the majority of products originating from the UK being purchased in duty-free. RAS has provided details of these findings to the Revenue Commissioners.

RAS acknowledges and welcomes the significant steps taken by Revenue Commissioners in strengthening controls over tobacco products. The move to a clearer enforcement framework, whereby quantities exceeding permitted thresholds will result in seizure of the full amount of tobacco products, represents an important strengthening of Ireland's excise control regime.

However, given that the RAS-commissioned research points to a clear concentration of cross-border sourcing through a small number of identifiable routes, RAS has recommended to Revenue Commissioners that an explicitly targeted, intelligence-led enforcement approach focused on these high-risk entry routes, particularly from Spain, the Canary Islands and the United Kingdom, is required.

While the research finds that 84% of those who purchased cigarettes, purchased at least some in Ireland, 39% of these consumers reported buying from informal sources (i.e. not registered mainstream retailers) including family and friends, social media and black-market sellers.



39%
of consumers who purchased cigarettes in Ireland purchased some or all from **informal sources.**

This poll finding shows that price is a major driver of consumer black-market purchases and further validates the finding that increases in TPT are leading to increases in purchases of illegal and non-taxed tobacco products.

Of those who purchase through informal sources,

75% paid less than €18 for a pack of 20

61% paid less than €16 for a pack of 20

48% paid less than €14 for a pack of 20

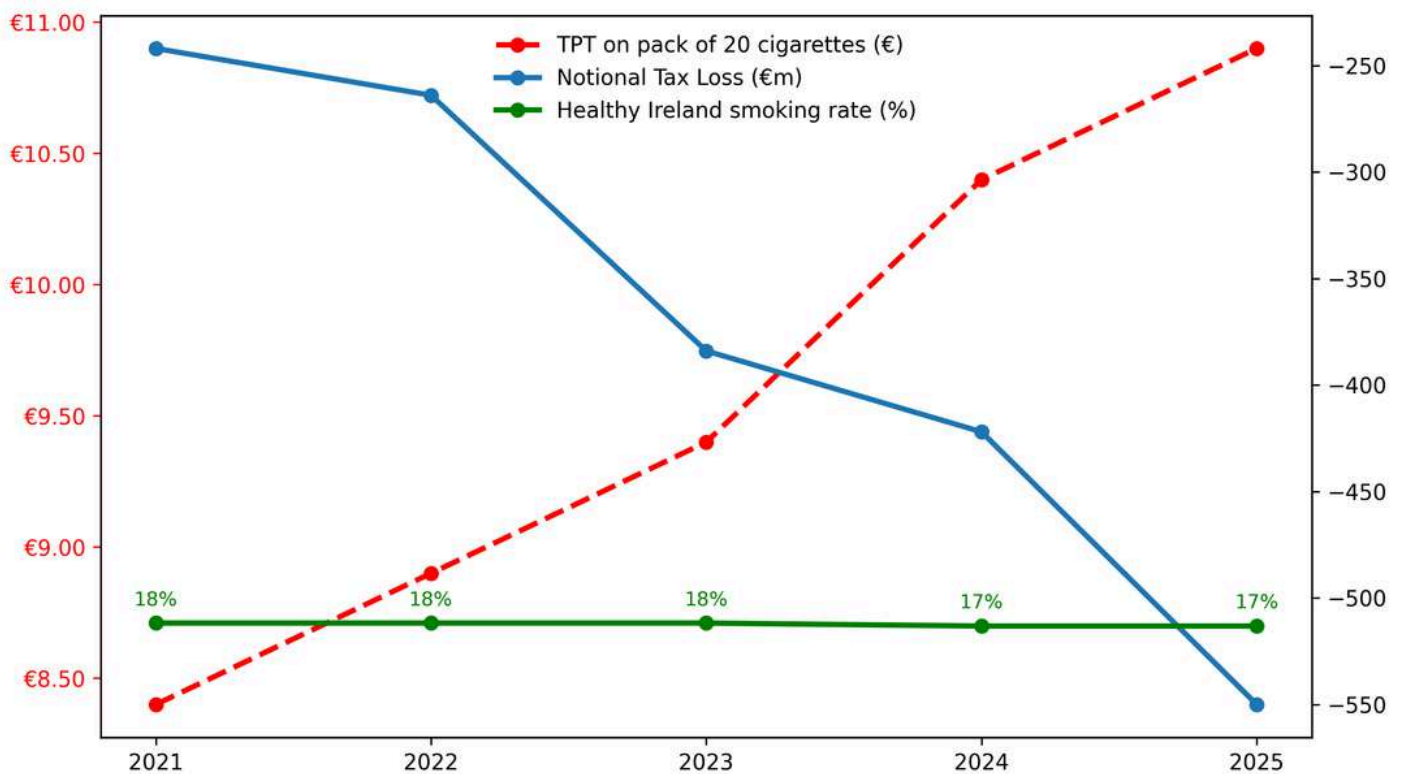
34% paid less than €12 for a pack of 20

4. Increases in TPT are leading to increasing tax losses

Chart 3 demonstrates how TPT increases are being matched by increases in the notional tax loss to the exchequer as calculated by the Revenue Commissioners.

Between 2021 and 2025, the estimated notional tax loss more than doubled while TPT on a pack of 20 cigarettes increased substantially. **This points to a serious inefficiency in tax policy.**

In the context of the tightening fiscal space facing the Government in Budget 2027, it makes no sense to pursue further TPT increases which will invariably lead to greater tax losses.



Revenue Commissioners estimate that illegal cigarette sales alone cost the Exchequer €648 million in lost tax revenue in 2025.

In a reply to a recent parliamentary question, the Minister for Finance indicated that the taxed tobacco market in Ireland – on which excise duty was paid – had a total retail value of €1.38 billion in 2025. **If this taxed market accounts for 62% of all tobacco in circulation, RAS estimates that the untaxed tobacco market was worth approximately €845 million in 2025.**

5. Only one in fifty freight arrivals to Irish ports were x-ray scanned in 2025

RAS acknowledge the increase in enforcement activity by the Revenue Commissioners at Irish airports. However, RAS is concerned that this has not been matched by increases activity at Irish ports.

As set-out in chart 4, only one-in fifty freight arrivals to Irish ports were x-ray scanned in 2025 and the total number of incoming Ro-Ro and Lo-Lo units which were subject to x-ray scanning in 2025 were approximately 7,400 lower than in 2023. Overall, the percentage of arrivals being scanned is low at 2.0-2.9%.

	Aggregate Ro-Ro & Lo-Lo unit arrivals into Irish ports (minus empty units) (source: CSO)	X-ray scans	Scanning Rate
2022	867,842	19,096	2.20%
2023	849,499	24,900	2.90%
2024	878,184	18,419	2.10%
2025	898,518	17,549	2.00%

RAS notes that x-ray scanning rates in the United States average 4%.

Given the large proportion (28%) of illegal cigarettes in circulation in Ireland, there should be a priority focus on scanning more freight arrivals to clamp-down on smuggling into Ireland of illegal tobacco products by criminal gangs.

6. Recommendations

Based on the data-led analysis set-out in this submission, Retailers Against Smuggling calls on Government to:

- **Freeze tax on all tobacco products in Budget 2027**
 - This would help disrupt the growth in the illegal and untaxed tobacco markets; would support legitimate Irish retailers who are losing business; and would help arrest increases in notional tax losses to the Exchequer.
 - This proposed freeze should also apply equally to TPT on cigarettes and fine-cut/roll-your own tobacco.
 - A similar freeze should apply to E-Liquid Product Tax.
- **Provide for additional x-ray scanners and frontier staff to be deployed at Irish ports – to target increases in the percentage of Ro-Ro and Lo-Lo arrivals to a minimum of 4%.**

The evidence points to a clear cost of inaction. Continued increases in Tobacco Products Tax, without a corresponding disruption of the illicit market, risk accelerating further retailer closures in communities across Ireland.

At the same time, the Exchequer will continue to sustain growing tax losses as consumers shift towards untaxed and illegal products. The data proves that further TPT increases are unlikely to deliver any additional public health gain, given that smoking prevalence has remained broadly unchanged despite successive tax increases in recent years.

A more balanced approach, combining a freeze in TPT with stronger enforcement at ports and borders, is therefore necessary to protect legitimate retailers, safeguard tax revenues, and target the illicit tobacco trade more effectively.

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