



World Health Organisation
Framework Convention on Tobacco Control

Swedish Customs answer to the questionnaire 2010, World Health Organisation Framework Convention on Tobacco Control

Smuggling of cigarettes

Already after six months of 2010, the seizures of cigarettes by Swedish Customs exceeded the total amount of cigarettes seized in 2009. In the first nine months of 2010, the amount of seized cigarettes was 66.3 million cigarettes, compared to 56.7 million seized cigarettes in total for 2009. In addition, also the seizures in 2009, 56.7 million cigarettes seized, were a clear increase compared to 2008, 24.4 million cigarettes seized.

There is no clear answer to the dramatic increase in seizures in 2009 and 2010. Two possible answers are, however, that the smuggling of cigarettes to Sweden has increased and that the Swedish Customs have become more effective in the combat of smuggling of cigarettes.

It is also possible that the increase in smuggling of cigarettes can be explained by a shift of criminal activities by many OCG. From high risk – high profit, e.g. drugs, to low risk – high profit, e.g. smuggling of cigarettes. The sentence for smuggling five kg heroin is between 8 to 14 years in Sweden. Compared to this the sentence for smuggling of approximately 10 million cigarettes, which correspond to the same profit as for five kg heroin, is maximum six years. Highest sentence up to date for smuggling of cigarettes is five years and 9 months for smuggling of 28 million cigarettes.

The majority of the smuggled cigarettes in 2010 and 2009 are either counterfeited cigarettes or so-called Cheap Whites brands. The counterfeit cigarettes come almost exclusively from China, but some also comes from Russia. The Cheap Whites cigarettes are smuggled from Russia, the Middle East, and China.

Swedish Customs have no possibility to give any reliable figures about the amount of genuine cigarettes seized in 2009 or the first six months of 2010 compared to counterfeit cigarettes seized. The estimation for both 2010 and the six first months of 2010 is that a majority of the seized cigarettes are counterfeited. For example in the first six months of 2010, 35 million cigarettes out of 61.1 million seized cigarettes were counterfeit.

There has been a shift in the production countries for the seized cigarettes. In 2010, most of the seized cigarettes originate from China and Philippines. However, cigarettes are still smuggled from Russia, Ukraine, Poland, the Baltic States and the Middle East.

Sweden is a transit country for smuggling from Eastern Europe to Norway, Denmark and the UK and from China to the UK. The most likely destinations of the seized cigarettes are the Scandinavian market, especially Norway, and the United Kingdom market.

Smuggling of other types of tobacco

Most of the seizures of hand rolling tobacco in Sweden are small. The biggest seizure of hand rolling tobacco in 2009 was 52.5 kg. In total 974 kg hand rolling tobacco were seized in 2009. This was a small increase compared to 2008, 904 kg hand rolling tobacco seized. During the period between January and June 2010 a total of 228 kg of hand rolling tobacco have been seized. There is no specific explanation to the decrease in seizures 2010.

Last year, 2009, 928 kg of snus were seized, which was an increase compared to 2008, 475 kg of snus. This year only 377 kg of snus have been seized between January and June. There have also been big seizures of snus in 2009, 237 kg in August in the Port of Gothenburg. There is no specific explanation to the decrease in seizures 2010.

Illegal trade of Tobacco – Excise/VAT fraud

The problem with excise/VAT fraud in connection to illegal trade of tobacco continues to be a problem in Sweden. The packs of cigarettes are still sold to a price which is not possible if the excise and VAT have to be properly paid.

The discovered cigarettes during 2009/2010 are genuine and made according to Swedish regulation. The cigarettes are manufactured both within EU and outside according to information on the packages. Common for all the brands are that they are not known before in Sweden.

The cigarettes are bought tax-free (no excise or VAT paid) from a small but legal tobacco manufacturer inside EU or in a third country. The cigarettes are then transported with correct documents to Sweden. In Sweden the cigarettes are either transported to tax warehouse and then diverted or are diverted before they arrive to the tax warehouse. When the cigarettes arrive to the bonded tax warehouse the Administrative accompanying document, AAD, are signed and sent back to the seller. In the next phase the cigarettes are sold to small wholesalers or directly to tobacco retail shops. The company who bought cigarettes do not report any excise duty or VAT. Instead the company goes bankrupt. This type criminal project runs over six to nine months.

The criminal networks behind the fraud use both front companies. The front companies apply and get a permission to have a tax warehouse. It is important that no one in the front company have any criminal history. Because of this the criminal network uses front men or intermediaries in the front company.

Threat assessment

The assessment is that the threat somewhat has increased. The decrease in the legal sales of cigarettes in 2007 and a nearly stable consumption level in 2008 are the two most important factors that the illegal trade with cigarettes, both smuggling and excise fraud, is estimated to still increase. Also the large seizure made both in 2009 and 2010 is another factor of interest.

It have been established that more and more well known members of the organized crime in Sweden have become more involved in the smuggling of cigarettes. This may be explained by a shift of criminal activities by many Organised Crime Groups (OCG). From high risk – high profit, e.g. drugs, to

low risk – high profit, e.g. smuggling of cigarettes. The sentence for smuggling five kg heroin is between 8 to 14 years in Sweden. Compared to this the sentence for smuggling of approximately 10 million cigarettes, which correspond to the same profit as for five kg heroin, is maximum six years. Highest sentence up to date for smuggling of cigarettes is five years and 9 months for smuggling of 28 million cigarettes.