



# **Beyond the headlines:** the reality of illicit tobacco in the UK

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## Acknowledgements

This report has been reviewed by Dr Allen Gallagher, Co-Director, Tobacco Control Research Group, University of Bath and Dr Duncan Thomas, Policy and Knowledge Exchange Lead, Tobacco Control Research Group, University of Bath.

# Foreword

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**John Herriman, Chief Executive of the Chartered Trading Standards Institute (CTSI)**

Illicit tobacco and crime on our high streets have become increasingly prominent concerns. There is no denying the challenges facing Britain's high streets, or the harm caused by criminal businesses operating within our communities. But amid growing concern about illicit tobacco, an important success story is being overlooked. As this report shows, tobacco companies with a vested interest in exaggerating the problem have helped fuel the perception of a black market spiralling out of control, while the extraordinary progress made by enforcement agencies over the last two decades has received far too little recognition. **This report sets the record straight.**

The UK is entering a transformative period for tobacco control. The introduction of the smokefree generation policy signals the beginning of the end of the harms caused by tobacco. Combined with wider measures to reduce smoking, it presents an unprecedented opportunity to accelerate progress towards a smokefree society.

Trading standards services will play a pivotal role in making this ambition a reality. Every day, officers across the country work to disrupt criminal supply chains, protect communities from illicit tobacco and ensure that businesses comply with the law. As the measures in the Tobacco and Vapes Act come into force, effective enforcement will be essential to maintaining public confidence and ensuring that the black market continues to decline.

Predictably, the tobacco industry has responded to the legislation by warning that stronger regulation will fuel a surge in illicit trade. Similar arguments have been deployed against almost every significant tobacco control measure introduced over the last three decades.

Yet the evidence presented in this report tells a different story. Over the last 30 years the UK has increased tobacco taxes, implemented world-leading standardised packaging and introduced increasingly robust tobacco control regulations. Contrary to industry warnings that these measures would boost illicit consumption, the UK's illicit tobacco market is now only a fraction of the size it was at the turn of the century.

This has not stopped tobacco manufacturers from loudly insisting that the illicit trade is at a record high, despite all the evidence to the contrary. These misleading claims undermine the significant progress made over recent decades, much of it driven by the dedication and hard work of trading standards officers across the country.

Let's be clear. Illicit tobacco remains a serious concern and a major part of the work of trading standards. However, the UK has one of the most effectively controlled illicit markets in the world. That success has been built through sustained investment, strong partnerships between national and local enforcement agencies, and a relentless focus on reducing demand for legal and illegal tobacco by driving down smoking rates. The answer is not to take our foot off the gas.

# Foreword cont.

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Instead, we must maintain our world-leading illicit tobacco strategy while strengthening the tools available to enforcement agencies. The illicit market evolves in response to our efforts to disrupt it, and we see increasingly sophisticated criminal networks operating on our high streets and online. Measures such as retail licensing, enhanced closure orders and national demand-reduction campaigns will significantly strengthen the UK's response. But effective enforcement must go hand in hand with wider efforts to create a smokefree society. Fewer people smoking means less demand for tobacco and consequently, a smaller illicit market.

The UK does not face a choice between tackling illicit tobacco and reducing smoking. To succeed, we must do both.

# Executive summary

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This report provides an evidence-based assessment of the UK illicit tobacco market. It has been produced by Action on Smoking and Health (ASH)<sup>1</sup> and endorsed by the Illicit Tobacco Partnership<sup>2</sup> and the Chartered Trading Standards Institute (CTSI)<sup>3</sup>. It draws on national data, international reporting, regional insights and independent academic evidence to:

- **Provide an overview of the UK illicit tobacco market**
- **Describe the UK's approach to illicit tobacco enforcement**
- **Set out recommendations to strengthen the UK's enforcement efforts**
- **Scrutinise tobacco industry claims about the illicit market**
- **Describe how tobacco companies exploit concerns about the illicit trade**

Illicit tobacco remains a significant challenge in the UK, but the evidence shows that it is neither out of control nor increasing at the scale claimed by tobacco companies. The UK has one of the best-controlled illicit tobacco markets in the world and is seen as a global exemplar of what is possible in a high tax, high regulation market. This success has been underpinned by a long-standing enforcement strategy led by HMRC, Border Force and Trading Standards. According to HMRC estimates, illicit tobacco accounts for around 15% of all tobacco consumption, while the number of illicit cigarettes consumed each year has fallen by almost 90% since 2000.

The success of the UK's approach demonstrates that high tobacco taxes and strong tobacco control policies do not inevitably lead to increased illicit trade, despite repeated tobacco industry claims to the contrary. Evidence from the UK, the World Bank and the WHO shows that effective enforcement and supply chain controls have a much greater impact on the illicit market than tobacco taxation.

Alongside this, sustained reductions in smoking have substantially reduced demand for both legal and illegal tobacco and must remain a central pillar of the UK's response to the illicit market. Analysis presented in this report shows that achieving 1% smoking prevalence by 2040 would result in the UK illicit tobacco market shrinking by around 90%, with around 1 million fewer people purchasing illicit tobacco.

Tobacco manufacturers and the organisations they fund have claimed that the black market is currently “*out of control*” and will be further exacerbated by tax rises, the smokefree generation policy and other regulatory measures<sup>4</sup>. The evidence cited in this report shows this narrative to be false and highlights why the tobacco industry is not a credible voice on the illicit trade, particularly given its long history of complicity. Notably, industry-funded estimates overstate the size of the illicit tobacco market by around threefold, raising serious questions about the reliability of industry claims.

While the UK has made significant progress in recent decades, illicit tobacco continues to fund organised crime, undermine public health and deprive government of tax revenue. To address these challenges, this report calls for continued investment in enforcement, stronger local, regional and national action against illicit sales and organised crime, the introduction of tobacco retail licensing, and a relentless focus on reducing smoking prevalence.

# Recommendations

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## Maintain and refine what works

1. **Maintain current levels of funding for local, regional and national illicit tobacco enforcement activity until at least 2029.**
2. **Implement the current HMRC illicit tobacco strategy** and publish an evaluation ahead of renewing the strategy in 2029.
3. **Support all local authorities to use the Track and Trace referral scheme** to enable HMRC to enforce penalties against retailers who break the law.
4. **Develop insight and evidence-led national campaigns** to reduce demand for illicit tobacco, generate intelligence, and increase quit attempts.
5. **Continue to show international leadership** by working with countries, particularly across Europe, to implement the lessons from the UK's successful efforts to reduce the illicit tobacco market and support the development and implementation of the Illicit Trade Protocol.

## Strengthen our approach to tackling illicit tobacco

6. **Conduct and publish surveys of smokers** broken down to regional level to better understand the population of smokers purchasing illicit tobacco and support more effective enforcement and engagement activity.
7. **Introduce a comprehensive tobacco retail licensing scheme** with strict penalties for retailers who sell illicit products or sell to children. The scheme should be integrated with the national tobacco Track and Trace system to strengthen supply chain controls.
8. **Revise Economic Operator ID (EOID) regulations to require publication of tobacco retailer EOIDs** to support enforcement and communications activity.

## Address the wider factors which contribute to the illicit trade

9. **Restore Trading Standards funding to pre-austerity levels**, alongside the £10 million a year already committed to illicit tobacco and vapes enforcement.
10. **Ensure Regional Organised Crime Units and the National Crime Agency are actively engaged in illicit tobacco enforcement.**
11. **Boost efforts to tackle criminality on the high street by strengthening Closure Order powers** to enable Trading Standards and the police to shut down shops selling illicit tobacco.

# Recommendations cont.

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## Reduce the demand for illicit tobacco by ending smoking

The only way to eliminate the demand for both legal and illegal tobacco is to support the 4.9 million smokers in the UK to quit and ensure no one starts. The government should:

- 12. Implement the smokefree generation policy** to phase out smoking for future generations.
- 13. Publish a new tobacco control strategy** setting out measures to support the 4.9 million UK smokers to quit.
- 14. Introduce a polluter pays levy on tobacco manufacturers** to raise sustainable funding for tobacco control activity and prevent the industry from manipulating prices to maximise their profits.

The tobacco industry argues that stronger enforcement, rather than “*excessive taxation*”, is the solution to illicit trade, which is why manufacturers consistently oppose tax rises on tobacco on the grounds that they will exacerbate illicit sales.<sup>5 6 7</sup> However, there is no good evidence that freezes or cuts to tobacco taxes would have the desired effect. Tobacco taxes would need to be virtually eliminated for legal cigarettes to compete with a pack of illegal cigarettes being sold for £3 to £5. In the 1990s, when tobacco taxes in the UK were considerably lower, the average price for a pack of legal cigarettes was around £2.50. Despite this, the UK had an illicit market which was out of control, while other low tax jurisdictions around the world continue to have much larger illegal markets than the UK. Cutting tobacco taxes would reduce the incentive to quit smoking and increase overall tobacco consumption, potentially driving up demand for illicit tobacco.

# 1. What is illicit tobacco?

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## Illicit tobacco encompasses four categories of products:

- **Smuggled, non-duty paid:** Legally manufactured products which are diverted and sold illegally somewhere other than their intended destination. This can also include duty-free cigarettes which are sold on the black market rather than being kept for personal use. Tobacco companies have historically participated in the smuggling of their own products to undermine public health policies and maximise their profits.
- **Counterfeits:** Illegally manufactured products which look like genuine tobacco brands and are typically smuggled into the UK.
- **Cheap/illicit whites:** Foreign brands lawfully produced in one country but usually intended for smuggling into another.
- **Other illegally produced products:** Products which are manufactured and sold illegally but are not counterfeits.

According to HM Revenue & Customs (HMRC), the UK illicit market is currently dominated by counterfeit and cheap white cigarettes, which are virtually all manufactured outside the UK and smuggled in as finished product. Legally manufactured cigarettes that have been diverted from the legal supply chain make up a smaller but still significant part of the market<sup>8</sup>. The illicit market for hand-rolling tobacco is largely composed of both counterfeit product that is illegally produced within the UK, and genuine product smuggled in from those European countries with lower duty rates. The illicit tobacco market in the UK has changed significantly since 2000. Historically it was made up of genuine UK brands of tobacco smuggled from lower-priced EU countries, much of this facilitated by tobacco manufacturers.<sup>9</sup>

The illicit tobacco trade has strong links with organised crime and proceeds from illicit sales often fund the smuggling of weapons, drugs and people. Sellers often target children, increasing the risk that they will become addicted to smoking<sup>10</sup>. Illicit tobacco sales also deprive the Government of significant tax revenue that could be spent on public services. Crucially, the availability of illicit tobacco undermines the impact of public health measures by reducing the financial incentive to quit smoking.

For further information see: Tobacco Tactics. Illicit Tobacco Trade.

## 2. How big is the illicit market in the UK?

According to HMRC, an estimated 12% of all cigarettes consumed in the UK in 2024-25 were illicit, amounting to 1.9 billion cigarettes. For hand-rolling tobacco (HRT), the illicit market share was 19%, amounting to 1.1 million kg of HRT or around 2.2 billion cigarettes (assuming 0.5 grams of tobacco per cigarette). In total, illicit tobacco accounts for around 15% of all UK tobacco consumption.

Since the publication of the first UK illicit tobacco strategy in 2000, there have been significant declines in both the share and volume of illicit tobacco on the UK market. Between 2000-01 and 2024-25, the number of illicit cigarettes consumed in the UK declined by almost 90% – amounting to 13 billion fewer illicit cigarettes consumed per year – alongside an 81% decline in illicit HRT.

**Figure 1: UK illicit market for cigarettes and HRT (2000-01 – 2024-25)**

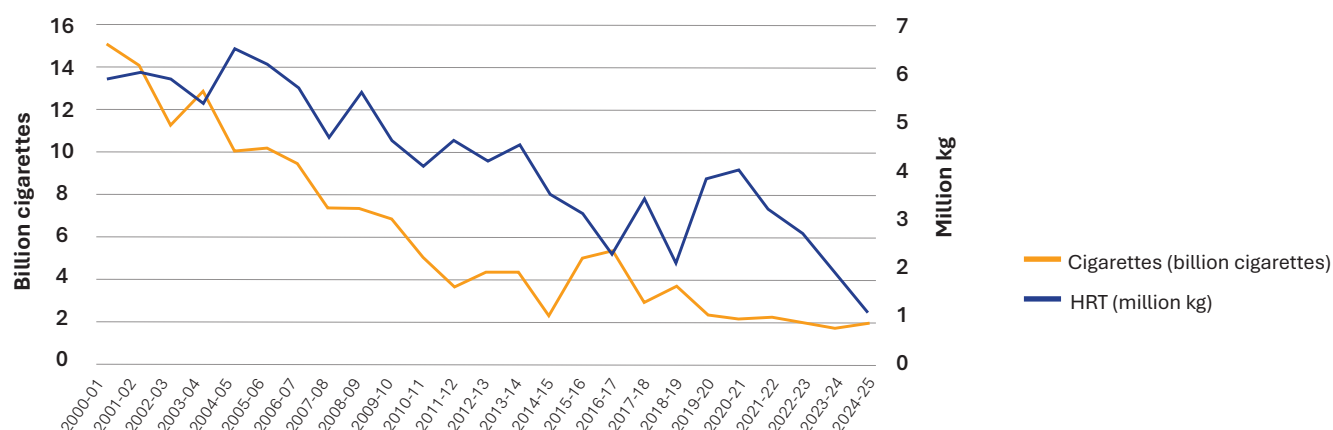
|                                          | 2000-01                 | 2024-25                |
|------------------------------------------|-------------------------|------------------------|
| <b>Cigarettes (illicit volume)</b>       | 15.1 billion cigarettes | 1.9 billion cigarettes |
| <b>Cigarettes (illicit market share)</b> | 20%                     | 12%                    |
| <b>HRT (illicit volume)</b>              | 5.9 million kg          | 1.1 million kg         |
| <b>HRT (illicit market share)</b>        | 61%                     | 19%                    |

Source: HMRC. Measuring tax gaps tables. June 2026

Between 2000-01 and 2024-2025, the annual tobacco duty gap (the amount of tax revenue lost due to the illicit trade) declined from £2.6bn to £1.3bn, or from 25% of theoretical tax owed to 14.2%. Putting the 2000-01 prices in today's money shows an even starker decline, from £5bn to £1.3bn.

This progress has been driven by an effective, long-running enforcement strategy led by HMRC, Border Force and Trading Standards. Alongside this, smoking prevalence has declined substantially – from around 27% in 2000 to 9.8% in 2025 – driven by successive tobacco control strategies and above inflation tax increases which have reduced affordability<sup>11 12</sup>. This has significantly reduced public demand for both legal and illegal tobacco.

**Figure 2: UK illicit tobacco consumption (2000-01 – 2024-25)**



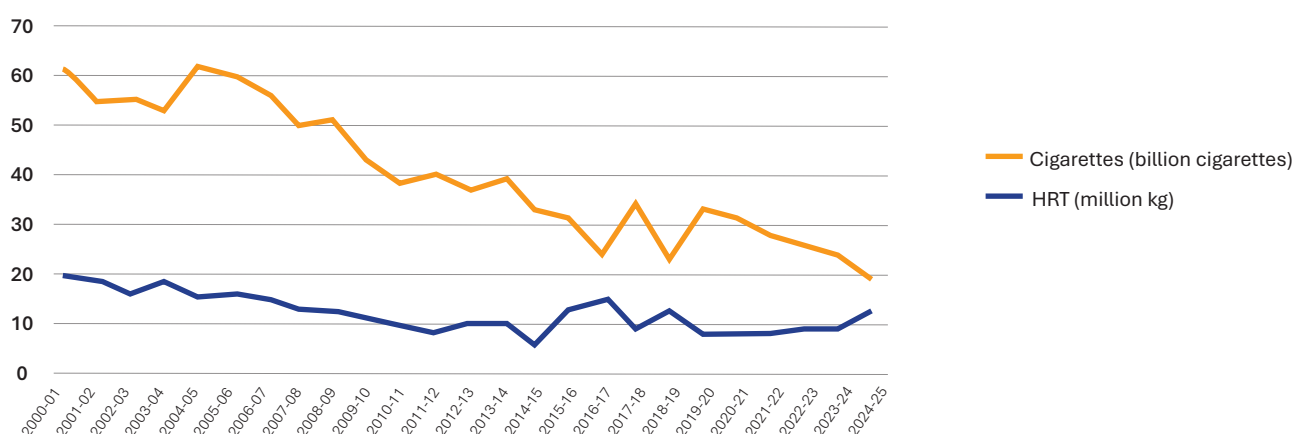
Source: HMRC. Measuring tax gaps tables. June 2026

Two key measures can be used to understand the size of the illegal market:

1. Levels of illicit consumption
2. Illicit market share

Illicit consumption is a measure of the amount of illicit tobacco smoked in the UK and therefore indicates the absolute size of the illicit market. The illicit market share is the proportion of total tobacco consumption made up of illicit products. This is an important measure, but it can be influenced by changes in overall tobacco consumption. For example, there was small increase in the illicit market share for cigarettes between 2022-23 and 2023-24. This did not reflect higher illicit consumption but rather a decline in total cigarette consumption, meaning illicit products accounted for a larger share of a smaller market. Put simply, if legal tobacco consumption declines faster than the consumption of illicit cigarettes, the illicit market share will increase – even if the absolute quantity of illicit tobacco consumed is in decline. Tobacco companies often seize on increases in the illicit market share to misleadingly claim that illicit sales are increasing.<sup>13</sup>

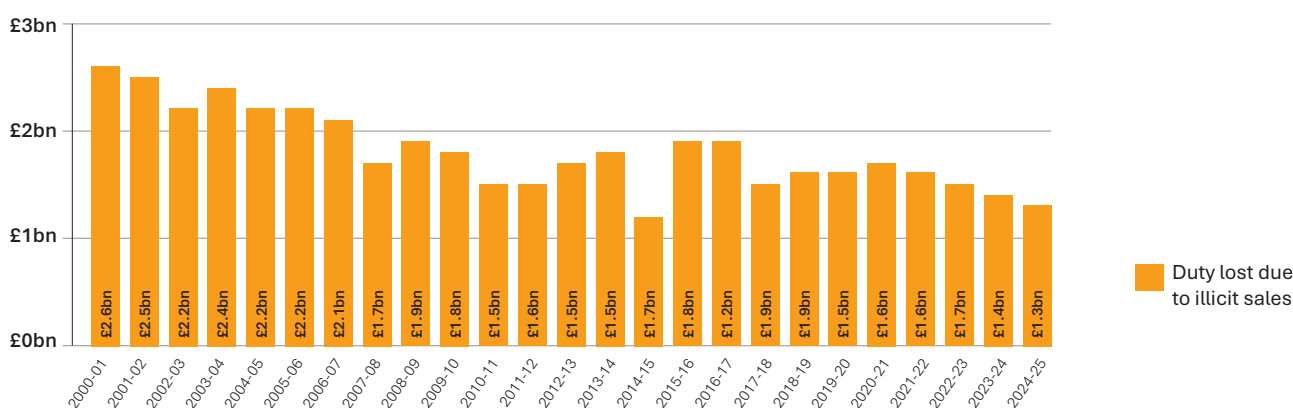
**Figure 3: UK illicit market share for cigarettes and HRT (2000-01 – 2024-25)**



Source: HMRC. Measuring tax gaps tables. June 2026

The tobacco duty gap is the amount of tax revenue lost due to the illicit trade. This has declined from £2.6bn in 2000-01 to £1.3bn in 2024-25, or from around £5bn to £1.3bn in today's money. Rising tobacco duties have helped keep overall revenue from tobacco (and the value of revenue losses) relatively stable over time, despite falling smoking rates.

**Figure 4: UK tobacco duty losses due to the illicit trade (2000-01 – 2024-25)**



Source: HMRC. 3. Tax gaps: Excise (including alcohol, tobacco and oils). June 2026.

# 3. Estimating the size of the illicit market

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## HMRC methodology

Since 2000, HMRC has published annual estimates of the size of the UK illicit market for cigarettes and HRT, and the amount of tax revenue lost due to the illicit trade. This approach is summarised in Appendix 1, with a detailed methodological annex available online.<sup>14</sup> Put simply: Illicit consumption = total consumption minus legal consumption.

## Strengths of the HMRC approach

- **Internationally recognised:** HMRC's illicit tobacco estimates are widely cited by independent academic and economic sources, including the World Bank.<sup>15</sup> Despite the inherent uncertainty of modelling the illicit trade, HMRC's methodology to estimate the tax gap has been widely commended. The Office for Statistics Regulation has praised HMRC's approach,<sup>16</sup> and the International Monetary Fund said HMRC produced ***“one of the most comprehensive studies of the tax gap available internationally.”***<sup>17</sup> In contrast, tobacco industry-funded research has been widely criticised by independent experts for overstating the size of the illicit market to further the industry's own lobbying objectives.
- **Transparency:** HMRC uses a transparent methodology and publicly available data from reputable sources. The data tables are published in full online to enable scrutiny and any changes in methodology are clearly indicated and explained. This contrasts with tobacco industry-funded research into the illicit trade which has been criticised for a lack of transparency, reliance on unverified tobacco industry data and misrepresenting both the findings and pre-existing data.
- **Consistency:** HMRC's general approach has remained consistent since the first publication in 2001, meaning that it can be used to track changes in the illicit market over time. The methodology has been modified to take account of changes to data collection. Each year, previous estimates are re-estimated using the revised methodology, to ensure that they are comparable over time.

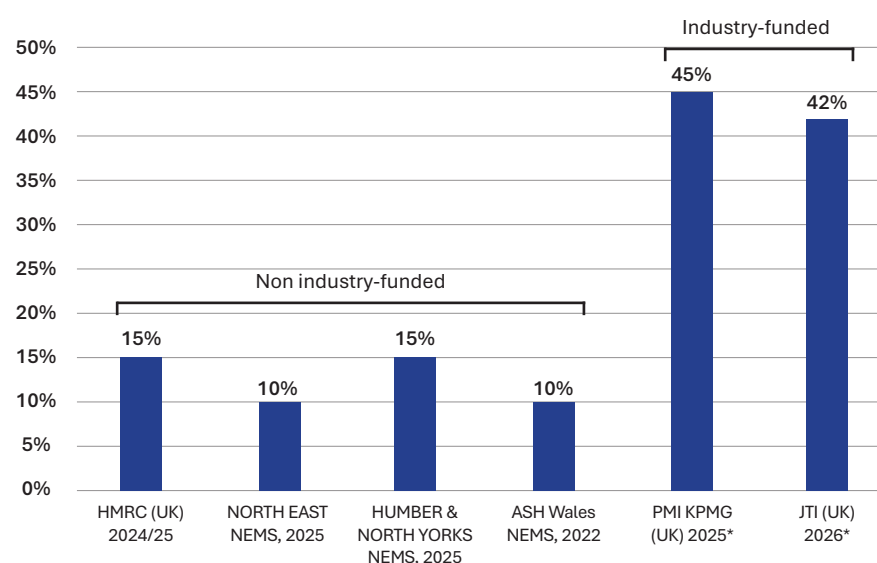
## Tobacco industry-funded research

The tobacco industry has a long track record of overstating the size of the illicit market and regularly funds flawed research in countries across the world purporting to show significant increases in illicit trade. A review of tobacco industry-funded data on illicit sales found that industry research overestimates the size and nature of the illicit market by between 17% to well-over 100%, compared to independent estimates.<sup>18</sup> The authors concluded that: *“The primary purpose of tobacco industry-funded data on the illicit tobacco trade seems to be to serve as a platform for the industry’s lobbying and public relations strategies.”*

A notable example of this is the Philip Morris (PMI)-commissioned KPMG reports on illicit cigarette consumption in Europe. KPMG’s 2026 report estimated that 45% of cigarettes consumed in the UK were illicit, three times higher than official estimates from HMRC.<sup>19</sup> The PMI-KPMG reports have been criticised by independent experts for consistently overestimating levels of illicit consumption, being over reliant on unvalidated tobacco industry information, being insufficiently transparent and misrepresenting both the findings and pre-existing data.<sup>18</sup> They include a disclaimer stating that *“this report is not suitable to be relied on by any party (other than [PMI])”* and that any person or entity other than PMI *“who reads this Report and chooses to rely on it (or any part of it) will do so at their own risk.”*

For example, the most recent PMI-KPMG report estimated that 22.6 billion manufactured cigarettes (including duty and non-duty paid) were consumed in the UK in 2025. This is substantially higher than estimates based on representative national surveys which put manufactured cigarette consumption at 14-16 billion in 2024/25 (see Appendix 2). Factoring in rolling tobacco (HRT), which accounts for 40-50% of all tobacco consumption, the KPMG estimate implies HRT consumption equivalent to 18-22 billion cigarettes, bringing total tobacco consumption to approximately 40-45 billion cigarettes. This would equate to 11-12 million UK smokers and a smoking prevalence of around 20% (based on current average daily consumption of 9.9 cigarettes per smoker) or a highly implausible average daily consumption of around 20 cigarettes per smoker. This is double the 9.8% estimated by the ONS and substantially higher than the ~15% recorded in the Smoking Toolkit Study. This suggests that KPMG data may substantially overestimate both overall tobacco consumption and illicit consumption.

**Figure 5: Comparison of industry and non-industry funded estimates of the illicit market share for tobacco (cigarettes + HRT)**



\* Only includes manufactured cigarettes, not HRT

The PMI-KPMG reports are heavily reliant on a method known as Empty Pack Surveys (EPS) which consists of collecting discarded cigarette packs from public spaces and bins and analysing them to see what proportion are illicit. This is then used to create an estimate of overall illicit consumption. This approach has several limitations, such as being unable to distinguish between foreign cigarettes that have been smuggled into the country vs those which have been imported legally. Key methodological information is often not disclosed by the industry, while the timing and location of the surveys can also skew the results dramatically. For example, surveys conducted during the tourist season will find more foreign packs, while surveys conducted in areas with high smoking prevalence or known illicit tobacco activity are more likely to identify illicit products.<sup>20</sup> Empty Pack Surveys are also used in independent peer-reviewed research but with measures in place to mitigate these limitations e.g. ensuring appropriate sample collection in both rural and urban areas and tourist hotspots etc.

Japan Tobacco International (JTI) have also published multiple surveys which appear to substantially overestimate the size of the illicit market. In their response to the latest national illicit tobacco estimates, JTI claimed that 42% of cigarettes and 61% of rolling tobacco consumed in the UK were illicit, based on their own unpublished pack swap survey.<sup>21</sup> This compares to official HMRC estimates showing that 12% of cigarettes and 19% of rolling tobacco are illicit.

JTI has also recently claimed that 31% of people in the UK have been offered illicit tobacco, leading to media headlines such as: *'Research shows illegal tobacco offered to nearly a third of UK public'*.<sup>22</sup> This appears to refer to the general population, rather than just smokers. Although it's possible that the figure refers specifically to smokers but has been presented in a way that inflates the size of the problem. JTI don't specify who carried out the survey, what the methodology was, what the sample size was or how the questions were worded. For comparison, a recent survey of smokers in the North East of England, commissioned by Fresh, found that 32% of smokers in the region had been offered illegal tobacco, most of them infrequently.<sup>23</sup> Generalising this figure to the UK as a whole would equate to roughly 3% of the total population (around a third of smokers), not 31%. On that basis, JTI's estimate appears to overstate the scale of the problem by 90%.

## 4. How many people buy illicit tobacco?

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In addition to monitoring the size of the illicit market, it is also important to understand how many people purchase illicit tobacco, how frequently they do so, and how readily available illicit products are.

There has been an increase in the proportion of smokers reporting that they have purchased illicit tobacco since 2022, although this varies by region. However, as of March 2025 – the most recent data available – this does not appear to have translated into an increase in the overall size of the illicit market. This could suggest that many smokers who buy illicit tobacco do so infrequently or have relatively low levels of tobacco consumption. Increases in illicit purchasing may have been partly offset by declines in smoking prevalence and smoking frequency.

### National estimates

A recent study using data from the Smoking Toolkit Study (STS) found that over 1 in 5 (23.1%) adult smokers in Britain had recently purchased illicit tobacco in April 2025. This is an increase from June 2023, when 12.2% of smokers had recently purchased illicit.<sup>24</sup> The main illicit sources of tobacco reported by the study included tobacco bought cheaply from friends, reported by 6.9% of participants, and tobacco sold ‘under the counter’ from otherwise legal outlets such as newsagents, corner shops and off licences, reported by 6.8% of participants. A third (32.8%) of respondents reported cross-border purchasing (legally bringing tobacco products into the United Kingdom that were purchased from a country with low/no duty).

Unpublished data from the International Tobacco Control survey shows that the proportion of UK smokers who recently bought tobacco that *has been smuggled, lacks proper health warnings or doesn't have all government taxes paid* rose from 13% in 2022 to 16% in 2024.<sup>25</sup> Among those that had bought untaxed tobacco, there was a substantial increase in the proportion saying all or nearly all of their tobacco was untaxed, rising from 23% in 2022 to 40% in 2024. Around a quarter (26%) of smokers said they made special effort to buy less expensive tobacco.

Data from the 2026 ASH/YouGov Smokefree GB survey found that 17% of smokers had bought tobacco that has been smuggled, lacks proper health warnings or doesn't have all government taxes paid in the last 6 months, compared to 13% in 2019.

A 2022 survey of adult smokers in Wales commissioned by ASH Wales, carried out by the market research agency NEMS, found that a quarter of current smokers have purchased illegal tobacco. This is unchanged since the previous survey in 2013. The survey estimated that 10% of tobacco consumed in Wales was illicit, a small decrease from 12% in 2014.

## Regional estimates

A regional survey of 3,000 adults carried out in the North East in 2025 found that 21% of smokers had bought illicit tobacco, while 32% had been offered illegal tobacco, most of them infrequently.<sup>23</sup> Frequency of illicit purchase is at the lowest level on record, with 1 in 4 (25%) of smokers who buy illicit getting it on a weekly basis compared to 1 in 3 (33%) in 2023. The survey estimated that 10% of all tobacco consumed in the region was illicit, compared to 15% in 2009.

A similar survey carried out in Humber and North Yorkshire in 2025, found that 25% of smokers bought illicit, with illicit accounting for almost half (45%) of their total tobacco consumption. The overall illicit market share was estimated to be 15%.<sup>27</sup>

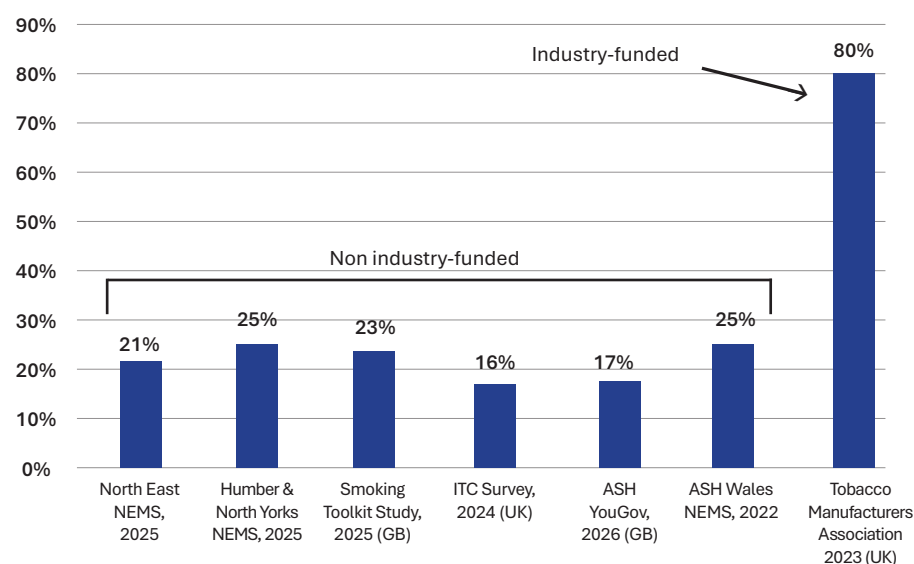
Similar data is not available for other regions, although HMRC is exploring wastewater testing to provide a more granular overview of illicit tobacco consumption.

These contrasting trends demonstrate that patterns of illicit tobacco use vary across the UK. Whereas illicit tobacco purchasing appears to have increased nationally, in the North East it has declined, likely reflecting the success of the region's long-standing strategic approach to illicit tobacco as part of the collaborative Fresh programme.

## Tobacco industry estimates

Surveys funded by the tobacco industry consistently report much higher rates of illicit purchasing than surveys carried out by independent organisations. For example, a Tobacco Manufacturers Association (TMA) poll of 12,000 smokers in 2023 found that 80% of those surveyed bought tobacco in the last year that was not subject to UK tax – this includes both illicit and duty-free/cross-border purchases.<sup>28</sup> This is more than three times higher than non-industry funded estimates. As described above, the industry has a track record of funding research which significantly overestimates the size of the illicit market to further their lobbying against tobacco control measures, particularly taxation. The TMA does not publish the full methodology or data from their surveys to enable scrutiny of the findings, in contrast to independent researchers and HMRC.

**Figure 6: Comparison of industry and non-industry funded estimates of the proportion of smokers who purchase illicit or untaxed tobacco**



## 5. What impact do tobacco taxes have on the illicit market?

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According to the World Bank and the WHO, tobacco taxes are the single most effective measure for reducing cigarette consumption and smoking prevalence.<sup>15 29</sup> The evidence shows that tax increases do not have a significant impact on the illicit market, provided that they are accompanied by a comprehensive enforcement strategy and supply chain controls. Other factors influencing the size of the illicit market include enforcement capacity, geography (e.g. borders with other countries), and levels of corruption.

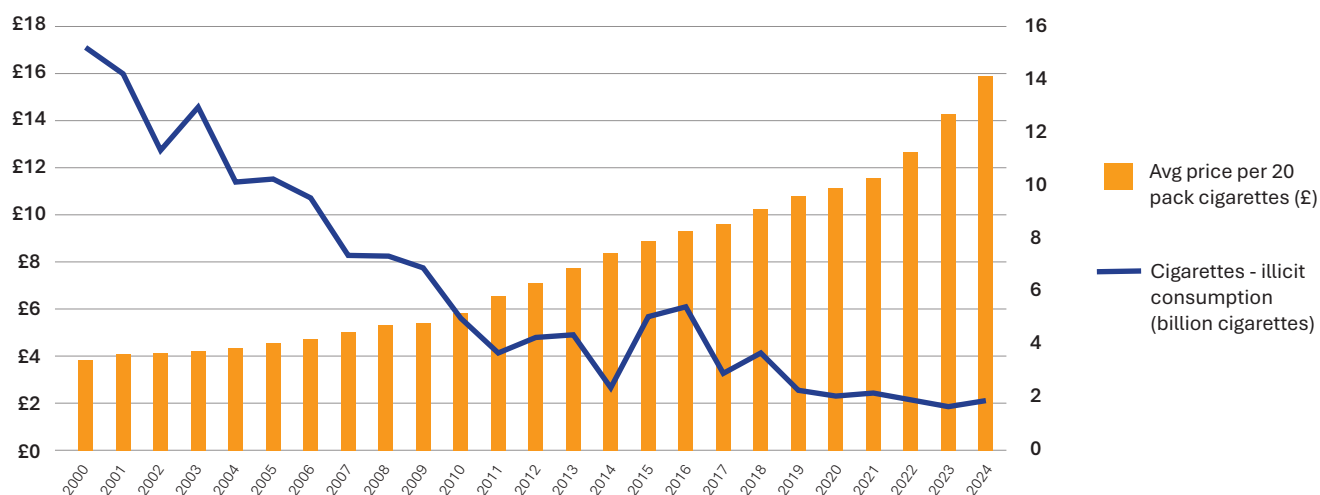
To quote the World Bank: “*Contrary to tobacco industry arguments, **taxes and prices have only a limited impact on the illicit cigarette market share at country level.** Evidence indicates that **the illicit cigarette market is relatively larger in countries with low taxes and prices, while relatively smaller in countries with higher cigarette taxes and prices.** Non-price factors such as governance status, weak regulatory framework, and the availability of informal distribution networks appear to be far more important determinants of the size of the illicit tobacco market*” [emphasis added].

Tobacco taxation has played a key role in reducing smoking prevalence in the UK since the 1990s. The UK government currently has an annual tobacco tax escalator in place of 2% above RPI inflation, with an additional one-off increase scheduled for 1 October 2026 to maintain the price differential with vaping products following the introduction of the Vaping Products Duty.<sup>30</sup>

Tobacco excise taxes raise around £9bn a year in government revenue, but the revenue generated is far outweighed by the costs of smoking to the public finances and the wider economy. Smoking costs the UK public finances £19.7bn each year, made up of lost economic productivity, increased social security spending and increased spending on public services like the NHS.<sup>31</sup> The overall cost of smoking to society in the UK is around £53.2bn. Reversing the productivity losses caused by smoking can deliver rapid benefits to the public finances through lower welfare spending and a broader tax base. An immediate gain is the shift in consumer spending from tobacco to other goods and services, most of which generate greater economic value and support more jobs in the UK than tobacco products.

Tobacco companies have consistently lobbied against increases in tobacco taxation, claiming that it drives smokers into the illicit market.<sup>32</sup> The experience of the UK and other jurisdictions show that this narrative is false. The biggest impact of tobacco tax increases has been to reduce the number of people smoking. **The number of illicit cigarettes consumed in the UK has fallen by almost 90% since the turn of the century, while the price of an average pack of cigarettes has more than tripled.**

**Figure 7: Cigarette prices and illicit cigarette consumption in the UK (2000 - 2024)**



Source: HMRC. Measuring tax gaps tables. June 2026; ONS. RPI: Ave price - Cigarettes 20 king size filter. June 2026.

## 6. What is the UK doing to tackle the illicit market?

### Illicit tobacco enforcement

The first UK illicit tobacco strategy was published in 2000, following a significant growth in the illicit market in the 1990s, fuelled by tobacco manufacturers (see Facilitating the smuggling of their own products). Illicit tobacco enforcement is handled at a UK-wide level and led by HMRC and Border Force. This four nations approach ensures that smugglers cannot exploit inconsistent enforcement across regions/nations.

The latest UK illicit tobacco strategy was published in 2024 and is supported by over £100 million in new funding until 2029. It has two key aims: (1) to reduce demand for illicit tobacco and (2) tackle organised crime to reduce community harm.<sup>8</sup> This involves targeting the demand for illicit trade (the consumers that criminals seek to exploit) as well as the supply (the criminals themselves).

Retail-level enforcement activity is delivered through Operation CeCe, a joint HMRC-National Trading Standards operation which has been working to seize illicit tobacco since January 2021. Since 2024-25, this activity has been supported by an additional £10 million from DHSC for illicit tobacco and vapes enforcement led by Trading Standards in England.

Due to this increase in enforcement activity, HMRC and Border Force seized record quantities of illicit tobacco in 2025-26, totalling 1.9 billion cigarettes and 157,000 kg of rolling tobacco.<sup>33</sup> Increased numbers of seizures are often misrepresented by tobacco companies as evidence of a growing black market when in reality they are a result of more effective enforcement.

#### The WHO Illicit Trade Protocol

The Protocol to Eliminate Illicit Trade in Tobacco Products (or Illicit Trade Protocol) is a protocol of the World Health Organisation Framework Convention on Tobacco Control (FCTC) – a global public health treaty designed to end the tobacco epidemic. The Protocol was created to set out a framework for eliminating the illicit trade in tobacco products, largely in response to transnational tobacco companies facilitating cigarette smuggling.<sup>34</sup> At the start of this century, a third of global cigarette exports were disappearing from legal supply chains and the industry's own documents showed that smuggling was a core part of their business strategy, used to undermine government tax policy – a strategy that research indicates continues to this day.<sup>35</sup>

To address this, the Protocol recommends that Parties establish a global Track and Trace system – connecting individual country or regional-level systems – to monitor the movement of tobacco products throughout all stages of the supply chain and identify where illicit activity or smuggling has occurred. The UK is a party to the Illicit Trade Protocol and has a strong track record of implementing its recommendations. Within the EU, the UK was part of the EU-wide Track and Trace system, and following Brexit established its own system.

## Supporting more people to quit smoking

There are currently an estimated 4.9 million smokers in the UK, disproportionately concentrated in the most disadvantaged communities. The only way to eliminate the demand for both legal and illicit tobacco is to support these people to quit smoking. Analysis by ASH suggests that, assuming the illicit market share remains unchanged, achieving the Smokefree Action Coalition target of 1% smoking prevalence by 2040 would result in:

- The UK illicit tobacco market being around 90% smaller than it is today.<sup>36</sup>
- Less than 130,000 smokers still purchasing illicit tobacco, compared to 1.13 million in 2025.<sup>37</sup>
- Annual illicit tobacco consumption, including both factory-made and hand-rolled cigarettes, falling to fewer than 420 million cigarettes, compared with 4.1 billion in 2024-25.<sup>38</sup>

Since 2000, the UK and devolved governments have introduced a series of measures that have significantly reduced smoking rates, from 27% to 9.8%. These include sustained investment in stop smoking services, bans on tobacco advertising and indoor smoking in public places, standardised packaging, tax rises to reduce affordability, and the exclusion of tobacco companies from health policymaking.

The current government has continued this approach by passing the Tobacco and Vapes Act and increasing funding for stop smoking support. The Act includes measures to create a smokefree generation, strengthen the regulation of tobacco products, and restrict the marketing and promotion of vapes and other nicotine products.

## Creating a smokefree generation

The headline measure in the Tobacco and Vapes Act is the smokefree generation policy which will prohibit the sale of tobacco to anyone born on or after 1st January 2009. Much of the tobacco industry lobbying against the Act has focused on the impact that phasing out the sale of tobacco will have on the illicit market. Tobacco companies and the organisations they fund have claimed that the policy will lead to a surge in illicit sales and have called for it to be dropped.<sup>39 40 41</sup>

This has been the standard industry response to almost every tobacco control policy introduced in the UK over the last 30 years, including standardised tobacco packaging in 2015.<sup>42</sup> These predictions have consistently proven false; the illicit market has continued to decline and is currently at the lowest level on record.

## Tobacco retail licensing

The Act also gives the government powers to introduce a retail licensing scheme for the sale of tobacco, vapes and non-medicinal nicotine products. Retail licensing will strengthen controls on the supply chain for tobacco and vapes and support efforts to crack down on illicit and underage sales.

## 7. How do tobacco companies exploit the illicit trade?

The ‘big four’ transnational tobacco companies have a history of exploiting the illicit tobacco trade to undermine public health policies and maximise their profits. They falsely portray themselves solely as victims, claiming that tax hikes and regulations fuel illicit trade, despite strong international evidence debunking this. These companies then shift blame entirely onto counterfeiters and organised crime, deflecting attention from their own role – even though research has indicated that their products account for around two-thirds of the global illicit tobacco trade. <sup>43 44</sup>

### Facilitating the smuggling of their own products

Tobacco manufacturers have a track record of facilitating the smuggling of their own products to undermine the impact of tobacco taxes and standardised tobacco packaging. In 2000, British American Tobacco (BAT) was accused of benefitting “*from black marketeering on a massive scale,*” with senior executives funnelling huge numbers of cigarettes into the illicit market, and in some countries, knowingly advertising and promoting “*smuggled cigarettes to improve [BAT’s] market share*”. <sup>45</sup> A common strategy used by tobacco manufacturers has been to deliberately oversupply markets along known smuggling routes, knowing that much of their stock will end up in the black market. For example, in 2014 BAT was fined by HMRC for oversupplying Belgium with UK-manufactured tobacco, raising concerns that much of this product would then be smuggled back into the UK. <sup>46</sup> A recent study analysing internal BAT documents from 2000–2014 found evidence that the company continued to work with distributors linked to smuggling and supplied products to poorly regulated markets in Africa and the Middle East, despite publicly partnering with authorities to tackle illicit trade. <sup>47</sup>

In 2025, the French National Committee Against Smoking (CNCT) accused tobacco manufacturers – particularly Philip Morris – of deliberately oversupplying certain European markets with tobacco products to encourage “*parallel exports - including illegal ones.*” <sup>48</sup> They highlighted the example of Luxembourg, where between 2019 and 2024, tobacco sales increased by 53 million tons, enough for each inhabitant (smokers and non-smokers) to smoke 21.5 cigarettes per day, 36 times more than in the United Kingdom. At the same time, tobacco sales decreased by 31 million tons in France and 28 million tons in Belgium. The CNCT concluded that “*these findings confirm that parallel markets are not a phenomenon imposed upon [tobacco companies], but an integral component of manufacturers’ business models.*” <sup>49</sup>

Although tobacco companies present themselves solely as victims, they continue to profit from the sale of illicit tobacco. They make money when they sell to distributors, regardless of whether their product then enters the illegal market, and they also benefit from the increased demand driven by the availability of cheap, illicit tobacco. <sup>50</sup> The availability of artificially cheap illicit tobacco products makes young people more likely to initiate smoking, keeps existing smokers hooked, and drives higher consumption, particularly among lower income groups, widening health inequalities.

### Fuelling the illicit market in the UK in the 1990s

The UK government first introduced a tobacco tax escalator in 1993, with the explicit aim of reducing smoking. The response from tobacco manufacturers was to fuel a parallel market of cheap smuggled cigarettes, which sustained their profits while undermining government revenues.<sup>51</sup>

According to a 2008 High Court judgement: “Exports from the UK to Andorra [...] increased from 13 million cigarette sticks in 1993 to 1.52 billion in 1997. Between 1995 and 1997, Gallaher’s [acquired by Japan Tobacco International in 2007] exports to Andorra increased by a factor of 6, whilst those of Imperial Tobacco increased 35-fold. This volume of imports was such that **every Andorran man, woman and child, would have had to be smoking about 140 cigarettes a day to match the number of cigarettes imported.** Large quantities of these imports must have been smuggled out of Andorra. Cigarettes made in Gallaher’s factory in Ballymena could return to the UK in a week” [emphasis added].<sup>52</sup>

By 1999 it was estimated that more than one in five cigarettes smoked in the UK was smuggled, and that if no action was taken this would rise to more than one in three within a few years.<sup>53</sup> Tobacco companies argued the solution was to stop increasing taxes. Instead, the UK government implemented a comprehensive anti-smuggling strategy, while continuing to increase taxes to drive down smoking prevalence. As evidence from the World Bank and HMRC shows, the UK strategy has been highly successful at reducing the illicit market while achieving one of the fastest reductions in smoking prevalence in Europe.

## Exploiting concerns about the illicit trade to further their lobbying efforts

Tobacco companies routinely present themselves as partners in tackling the illicit trade in a cynical attempt to rehabilitate their brand and influence policymakers. They have utilised a highly effective strategy to turn “the issue of cigarette smuggling from a PR disaster into a PR triumph” where they claim to be both the victim of the illicit trade and part of the solution.<sup>42</sup> This strategy has several components:

1. Funding research which inflates the size of the illicit market
2. Lobbying policymakers to weaken regulations
3. Presenting themselves as partners in tackling the illicit trade

### Funding research which inflates the size of the illicit market

Tobacco companies fund or carry out flawed research that exaggerates illicit trade levels. They then proactively brief this out to the media and policymakers to further their lobbying efforts, for example when they “hyped” smuggling fears ahead of the introduction of standardised tobacco packaging.<sup>54 55</sup> The PMI-funded KPMG reports are one of the most notable examples of this (see Tobacco industry-funded research).

Despite their complicity in tobacco smuggling and long history of misleading Parliament and the public about the harms of their products, tobacco industry narratives and evidence are too often taken at face value, particularly by the media.

Media coverage typically includes comments from industry spokespeople or industry-linked retailers calling for stronger enforcement while blaming taxes and regulations for the illicit trade. There are numerous examples of this tactic being employed to help the industry lobby against the Tobacco and Vapes Act:

- ***“The sale of illegal cigarettes signals a deeper problem with UK high streets.”*** BBC investigation citing *“data from investigators working for an [unspecified] international tobacco company.”*<sup>56</sup>
- ***“Huge number of smokers buying illegal tobacco will rise even higher with generational ban, says TMA.”*** Survey funded by the Tobacco Manufacturer’s Association<sup>57</sup> (TMA) covered in Talking Retail. TMA members include BAT, JTI and Imperial Brands.<sup>58</sup>
- ***“Illicit tobacco and vape trade fuelling organised crime in London, Philip Morris Warns.”*** PMI-funded KPMG reports on the illicit market covered in *Convenience Store*.<sup>59</sup> These have been widely covered in other publications including *Forecourt Trader*<sup>60</sup>, *Civil Service World*<sup>61</sup>, *Better Retailing*<sup>62</sup> and *Grocery Trader*<sup>63</sup>.
- ***“Illicit tobacco found to be rife in Coventry.”*** *Grocery Trader* report on an undercover operation by JTI.<sup>64</sup> The article includes a quote from a JTI official: *“A very real concern is that the proposed generational ban will only exacerbate a problem which is already at risk of getting out of control.”*
- ***“Retailer concern that generational ban will harm business.”*** JTI survey of retailers reported in *Convenience Store*. The article includes a quote from a retailer echoing JTI’s comms lines who was also cited in the TMA submission to the Tobacco and Vapes Act: *“We’re already battling a growing illicit tobacco problem across the country, and I have no doubt that this ban would simply hand more of the UK tobacco market into the hands of criminals.”*<sup>65</sup>

## Lobbying policymakers to weaken regulations

Industry lobbying efforts have significantly increased since the announcement of the smokefree generation policy in October 2023, with the i reporting that the tobacco industry had been *“inundating MPs with lobbying material in a bid to persuade them to oppose the changes”*.<sup>66</sup> Tobacco companies regularly host events and parliamentary receptions to lobby policymakers. For example, in October 2024 Conservative MP Sir Christopher Chope chaired an illicit tobacco and vapes parliamentary reception sponsored by JTI. The invitation stated that the *“reception will provide an opportunity to see first-hand the scale of illegal tobacco across the UK, and better understand why Trading Standards needs stronger enforcement powers and more funding to effectively counter the booming trade in illegal tobacco.”*

Both JTI and PMI sponsored fringe events at the 2024 Labour and Conservative Party conferences.<sup>67 68</sup> These consisted of discussion panels involving MPs, industry representatives and speakers from organisations that have received industry funding like the Federation of Independent Retailers.<sup>69 70</sup>

## Using third parties and front groups

Tobacco companies often work with third parties or proxies who will give them a platform or echo industry talking points. This includes think tanks like the Adam Smith Institute (ASI) and Institute of Economic Affairs (IEA) – who have previously taken funding from tobacco manufacturers but do not disclose this funding to the public – and media publications like the Spectator and the New Statesman who have hosted events sponsored by PMI.<sup>71 72 73</sup> In November 2023, the IEA published a briefing paper titled *‘Prohibition 2.0: Critiquing the Generational Tobacco Ban’* which echoed the industry narrative that phasing out the sale of tobacco would drive illicit trade and “bolster criminal gangs”.<sup>74</sup>

Tobacco companies also fund retail groups like the Federation of Independent Retailers who have a history of campaigning against tobacco control measures. Independent retailers serve as useful messengers for the industry, offering a facade of ‘grassroots’ opposition to tobacco control measures – as demonstrated by leaked industry documents.<sup>75 76</sup>

During the passage of the Tobacco and Vapes Act, tobacco manufacturers argued that the legislation will harm small retailers and paid for advertising urging retailers to lobby against it.<sup>77 78</sup> Independent retailer Paul Cheema has been a prominent voice in the media opposing the Act and is the founder of the *‘Protect Your Store, Have Your Say’* campaign, which encouraged retailers to write to the government to oppose the legislation.<sup>79</sup> The campaign materials echo tobacco industry claims about the impact of the Act on the illicit market. Cheema is the Chairman of the retailer platform C-Talk which has worked with Philip Morris<sup>80</sup> – this is not disclosed on the campaign website or in any of the associated media coverage. In 2025, Cheema received the ‘Responsible Retailer of the Year’ award, sponsored by Imperial Brands, for his work on illicit tobacco and vapes.<sup>81</sup>

As a result of these lobbying efforts, industry narratives and data are regularly cited by parliamentarians during parliamentary debates and in the media. For example, in March 2024 *Labour List* published an article written by the former Labour MP Virendra Sharma – sponsored by JTI – which criticised the smokefree generation policy and repeated industry arguments on the illicit trade.<sup>82</sup> During Report and Third Reading debates for the Tobacco and Vapes Act, several MPs repeated tobacco industry narratives on the illicit market and cited data from industry research: “Some 83% of smokers report purchasing tobacco not subject to UK tax in 2024”, “it is inevitable that the generational smoking ban will lead to an increase in the illegal tobacco market.”<sup>83</sup>

## Presenting themselves as partners in tackling the illicit trade

The industry has a long history of presenting themselves as partners in tackling the illicit trade and seeking to collaborate with local and national government and enforcement agencies. Tobacco companies also fund private investigators to carry out illicit enforcement activity which is widely briefed to the media.<sup>84 85 86</sup> At face value, this might seem like a mutually beneficial move – governments want to stop tax evasion and smuggling, and the companies want to protect their market share from counterfeiters. However, the industry has complex motives when it comes to the illicit trade. Tobacco manufacturers can benefit from illicit tobacco sales in two ways: directly, through the sale of their own products on which duty is not paid; and indirectly, by weakening the effect of tobacco control measures and keeping people hooked on cigarettes. It is only in the industry's commercial interests to tackle the black market if it is reducing the volume of tobacco they can sell. It is therefore unsurprising that sometimes, far from supporting enforcement efforts, manufacturers seek to undermine them to gain commercial advantage.<sup>87</sup> For example, analysis of leaked industry documents has revealed that tobacco companies sought to take control of track and trace – a global anti-smuggling system – to avoid regulatory scrutiny and reduce their excise tax liabilities.<sup>88</sup>

### Article 5.3 of the WHO Framework Convention on Tobacco Control (FCTC)

The FCTC is an international health treaty - signed by the UK - which commits countries to taking action to eliminate the harm caused by tobacco. Article 5.3 of the FCTC requires signatories to protect health policy from the vested interests of the tobacco industry. It reads: *"In setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law."* Article 5.3 is a recognition of the irreconcilable conflict of interest between public health and the commercial interests of tobacco manufacturers. The UK has a strong track record in implementing Article 5.3 despite repeated industry attempts to influence policymakers and establish partnerships with public bodies.

Tobacco companies have also used partnerships with enforcement agencies to rehabilitate their public image and influence health policymaking. Since the late 1990s, tobacco manufacturers have signed more than 100 memoranda of understanding (MoUs) with customs, police and other enforcement agencies. This is often alongside the provision of training, intelligence and other forms of support to enforcement officials. Tobacco companies have used these voluntary MoUs to pre-empt more stringent regulation of the illicit trade and as a form of Corporate Social Responsibility. One review of tobacco industry MoUs found no evidence that they reduce illicit sales and concluded that such partnerships lack transparency, risk undermining Article 5.3 of the WHO Framework Convention on Tobacco Control and provide the industry with privileged access to policymakers and enforcement bodies.<sup>89</sup>

## 8. Appendices

### Appendix 1: HMRC tobacco tax gaps formula

The amount of illicit tobacco consumed in the UK is estimated using the following formula:

- **Illicit consumption = total consumption – legitimate consumption**

**Total consumption** is calculated using estimates of cigarette/HRT smoking prevalence and levels of consumption from national survey data such as the ONS Opinion and Lifestyle Survey. This is combined with estimates of the size of the adult population and an uplift factor to account for under-reporting.

**Legitimate consumption** is calculated by combining UK duty paid consumption, cross-border shopping and duty free. Estimates of UK duty paid are taken directly from HMRC returns. Cross-border shopping is based on a survey of air and sea passengers, while duty free estimates are based on commercial data.

**Illicit consumption** is calculated by subtracting legitimate consumption from total consumption, leaving an estimated remainder which is believed to be “non-tax paid” or illicit tobacco. Illicit tobacco is then split between cigarettes and hand-rolled, and both measures are expressed in bands, with upper and lower ranges accounting for smokers who consume both types, as well as a central range which represents the longer-term trend.

**Revenue losses** are calculated by combining illicit market data with information on duty rates and VAT.

### Appendix 2: Comparison of industry- and non-industry-funded estimates of illicit tobacco consumption and purchasing

|                                    | Total manufactured cigarette consumption | Total RYO cigarette consumption *** | Total cigarettes consumed (including RYO) | Illicit cigarettes consumed* | Illicit market share (including RYO) | % of smokers who buy illicit |
|------------------------------------|------------------------------------------|-------------------------------------|-------------------------------------------|------------------------------|--------------------------------------|------------------------------|
| HMRC (UK) 2024/25                  | 16.1 billion                             | 10.6 billion                        | 26.7 billion                              | 1.9 billion                  | 15%                                  | n/a                          |
| North East NEMS, 2025              | n/a                                      | n/a                                 | n/a                                       | n/a                          | 10%                                  | 21%                          |
| Humber & North Yorks NEMS, 2025    | n/a                                      | n/a                                 | n/a                                       | n/a                          | 15%                                  | 25%                          |
| Smoking Toolkit Study (GB) 2024/25 | 14 billion                               | 14.9 billion                        | 28.9 billion                              | n/a                          | n/a                                  | 23.1%****                    |
| ITC Survey (UK) 2024               | n/a                                      | n/a                                 | n/a                                       | n/a                          | n/a                                  | 16%                          |
| ASK YouGov (GB) 2026               | n/a                                      | n/a                                 | n/a                                       | n/a                          | n/a                                  | 17%                          |
| ASH Wales NEMS, 2022               | n/a                                      | n/a                                 | n/a                                       | n/a                          | 10%                                  | 25%                          |
| PMI KPMG (UK) 2025                 | 22.64 billion                            | n/a                                 | 22.64 billion*                            | 10.2 billion**               | 45%                                  | n/a                          |
| JTI (UK) 2026                      | n/a                                      | n/a                                 | n/a                                       | n/a                          | 42%                                  | n/a                          |
| TMA (UK) 2023                      | n/a                                      | n/a                                 | n/a                                       | n/a                          | n/a                                  | 80%                          |

\* Only includes cigarettes, not RYO

\*\* Counterfeit, contraband and legal non-domestic

\*\*\* Assuming 0.5 tobacco per cigarette

\*\*\*\* Refers to 2025

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