

Headline	'Malaysia lost RM4.8b to illicit cigarette trade last year'		
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## EXCISE DUTIES

# 'Malaysia lost RM4.8b to illicit cigarette trade last year'

**KUALA LUMPUR:** The illicit cigarette trade cost Malaysia almost RM4.8 billion in excise duties last year.

This was among the findings presented during the unveiling of a report by Oxford Economics, titled "The Economics of the Illicit Tobacco Trade in Malaysia", at The Majestic Hotel Kuala Lumpur yesterday.

The report, which was commissioned by British American Tobacco, quantified the amount of potential tax revenue loss through the illicit tobacco market and also highlighted the wider and less obvious economic consequences of the trade.

It was presented by Oxford Economics Europe and Middle East economic impact consulting director Pete Collings.

"The problem has become an endemic and has grown significantly in the last 10 years," he said.

From the report, it was found that 59 per cent of Malaysia's cigarette market last year was illicit.

The illicit cigarettes include those that were legally produced elsewhere and then smuggled into the country.

The other types were the "illegal whites", which made up about 44 per cent of all cigarette consumption last year, originating from Vietnam, Indonesia and the Philippines, illegal *kretek* (tobacco and clove cigarettes) (over 10 per cent) and packs with fake tax stamps (about five per cent).

Collings said the problem became more rampant after the hike in excise duty in 2015, adding that the most recent data suggested that Malaysia was among the highest ranked in the world for this problem.

He said this issue had caused a loss of tax revenues from legit-

imate channels, the undermining of health policies and money being used to fund more illegal and corrupt activities.

"The wider and more subtle impact was the replacement of legal operations with illegal business, which had resulted in the closure of two cigarette manufacturing facilities, costing the Malaysian economy up to 5,750 jobs," Collings said.

Four panellists were also invited to provide insights into the issue.

They were Kenneth Head, who was responsible for the International Monetary Fund programmes for supporting customs administrations' reform in the region, David Lum, a Criminal Investigations Attaché of the United States Internal Revenue Service based at the US Consulate General in Hong Kong, Datuk Seri Akhbar Satar, criminologist and the former Transparency In-



(From left) United States Internal Revenue Service Criminal Investigations Attaché David Lum, former Transparency International Malaysia president Datuk Seri Akhbar Satar, International Monetary Fund programmes for supporting customs administrations' reform head Kenneth Head and Malaysian Industrial Development Finance Bhd group managing director Datuk Charon Wardini at the unveiling of a report by Oxford Economics in Kuala Lumpur yesterday. PIC BY NADIM BOKHARI

ternational Malaysia president and Datuk Charon Wardini, Malaysian Industrial Development Finance Bhd group managing director.

In reacting to the report, Akhbar called for the formation of a task force consisting of members from the Customs, police, Domestic Trade and Consumers Affairs Ministry, Health Ministry, Bank Negara Malaysia and the Malaysian Anti-Corruption

Commission.

"The officers need to be selected among those with high integrity and sufficient training," said Akhbar.

"The corruption perception index will be affected if the government is not taking action. This is a pressing issue that needs to be addressed as the illegal activities could also be used to finance terrorism-linked activities," said Akhbar.