



## ACS Submission - Inquiry into state of illicit trade in the UK

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the All-Party Parliamentary Illicit Trade Group's call for evidence to inform its inquiry into the state of the illicit trade in the UK. ACS represents 33,500 local shops across the UK, including the Co-Op, Spar UK, Nisa Retail and thousands of independent retailers. For more information about ACS, please see Annex A.

Alcohol and tobacco are both important product categories for convenience retailers, representing on average 14.3% and 15.4% of sales respectively in the UK convenience market<sup>1</sup>. Therefore, the non-duty paid alcohol and illicit tobacco trade impacts the convenience sector by undercutting legitimate retailers and driving footfall away from their stores. Currently the Exchequer loses an estimated £3.8bn in alcohol and tobacco tax revenue due to illicit sales<sup>2</sup>.

ACS is a member of HMRC's Joint Alcohol and Tobacco Consultation Group (JATCG). As part of ACS' work with JATCG, we supported and promoted the Alcohol Wholesaler Registration Scheme which was introduced last year and produced guidance for our members on how to spot alcohol duty fraud<sup>3</sup>. Currently, ACS is working with the JATCG to help inform the development and implementation of tobacco track and trace regulations in the UK, which must be introduced by 20 May 2019.

ACS believes that targeted and strong enforcement activity remains the key to tackle the non-duty paid alcohol and illicit tobacco trade. We believe the best and most effective response is to remove illicit retailers' viability to trade rather than seeking prosecution such as extending the scope of offences for Restricted Premises Orders to include the sale of illicit tobacco. This submission not only explores the scale of non-duty paid alcohol and illicit tobacco but recommendations for the government to consider how to tackle the non-duty paid alcohol and illicit tobacco trade.

Please see below for a summary of our recommendations:

- **Recommendation 1:** Trading standards and licensing authorities should work closer together to remove alcohol licences from retailers selling non-duty paid alcohol
- **Recommendation 2:** The government should evaluate the effectiveness of the Alcohol Wholesale Registration Scheme to determine whether further intervention is required to tackle the non-duty paid alcohol market.
- **Recommendation 3:** Extending Restricted Premise Orders and Restricted Sales Orders to include illicit tobacco as an offence.

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<sup>1</sup> ACS Local Shop Report 2017

<sup>2</sup> [HMRC: Measuring Tax Gaps 2017](#)

<sup>3</sup> [ACS Duty Fraud Guide](#)

- **Recommendation 4:** Additional powers to trading standards officers to sanction retailers by using the Customs & Excise Management Act 1979 (CEMA) and better intelligence sharing.
- **Recommendation 5:** More effective sanctions should be made available to trading standards officers, including the revocation of alcohol licences for selling illicit tobacco.

## **Non-Duty Paid Alcohol**

### *Introduction*

Despite the introduction of the alcohol licensing system in 2005, there remains a significant problem with the extent of non-duty paid across the UK. The non-duty paid alcohol trade cost the Exchequer £1.3bn in 2015-16<sup>4</sup>. Since alcohol tax gap figures were recorded, there has been a steady increase in the tax gap rate for alcohol, with it increasing by 57% from £830m in 2008-09 to £1.3bn in 2015-16<sup>5</sup>.

The government already has a range of interventions to tackle the non-duty paid alcohol trade, including criminal prosecution, using the Licensing Act 2003 to review a retailer's alcohol licence, and more recently, the introduction of the Alcohol Wholesaler Registration Scheme.

### *Criminal Prosecutions*

Latest data suggests that there were only 14 arrests and 15 convictions<sup>6</sup> between October 2015 and March 2016 for non-duty paid and illicit alcohol offences. Given the scale of the non-duty paid and illicit alcohol trade, this is far too low. ACS believe that removing a retailer's viability to trade rather than seeking prosecution is a more effective way to tackling the non-duty paid and illicit alcohol trade.

### *Removing Alcohol Licences – Non-Duty Paid Alcohol*

In a survey of independent convenience retailers, 67% agreed that retailers that are found selling non-duty paid alcohol or tobacco should have their alcohol licence removed<sup>7</sup>. ACS supports the introduction of tougher penalties for retailers that engage in the non-duty paid alcohol market and greater funding for police, HMRC and trading standards to tackle this issue.

Licensing authorities do have the power to remove alcohol licences from retailers who participate in the sale of non-duty paid alcohol, however this power is not often used. A Local Government Association (LGA) survey found that the majority, just under seven in ten respondents, had not used the Licensing Act to seek revocation<sup>8</sup>.

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<sup>4</sup> [HMRC: Measuring Tax Gaps 2017](#)

<sup>5</sup> [HMRC Measuring Tax Gaps 2015](#)

<sup>6</sup> [HMRC: Quarter 3 and 4 outputs: October 2015 to March 2016](#)

<sup>7</sup> ACS Voice of Local Shops Survey August 2016

<sup>8</sup> [LGA Illicit Alcohol Survey 2014](#)

Even when there are attempts to remove alcohol licences from retailers, few are suspended or revoked. Recent Home Office figures show that of the 600 alcohol licence reviews that took place in the year ending 31 March 2017<sup>9</sup>, only 35% of reviews resulted in a licence being revoked while 15% resulted in a licence being suspended<sup>10</sup>. This data includes all reviews, as it only lists the licensing objective breached and not the reason for the review. However, 93 reviews did relate to the sale of non-duty paid alcohol.

***Recommendation 1: Trading standards and licensing authorities should work closer together to remove alcohol licences from retailers selling non-duty paid alcohol***

*Alcohol Wholesaler Registration Scheme*

The Alcohol Wholesaler Registration Scheme (AWRS) was introduced on 1<sup>st</sup> April 2017 which requires retailers to only buy alcohol from a HMRC approved wholesaler. If a retailer purchases alcohol from a non-registered wholesaler, they are liable to a criminal or civil penalty, seizure of their alcohol stock, or revocation of their alcohol licence.

The Alcohol Wholesale Registration Scheme was introduced as a way to tackle the non-duty paid alcohol trade. We are still awaiting the publication of recent data on the non-duty paid alcohol trade or an evaluation of the Alcohol Wholesaler Registration Scheme to find out whether AWRS has been effective in tackling the non-duty paid alcohol trade or whether further intervention is required.

***Recommendation 2: The government should evaluate the effectiveness of the Alcohol Wholesale Registration Scheme to determine whether further intervention is required to tackle the non-duty paid alcohol market.***

**Illicit Tobacco**

*Introduction*

Illicit tobacco cost the Exchequer £2.5bn in 2016-17<sup>11</sup>. Illicit tobacco not only undercuts legitimate retailers but undermines the Government's public health objectives. While we welcome efforts from HMRC to tackle the illicit tobacco trade, with a recent consultation on introducing new sanctions to tackle illicit tobacco, such as naming and shaming, ACS believes that it would be far more effective to review and increase powers available to trading standards officers to sanction illicit tobacco retailers.

HMRC have an extensive range of sanctions at their disposal already to tackle the illicit tobacco trade but HMRC's enforcement activity is limited to the disruption of large scale tobacco smuggling at UK borders. In comparison, trading standards teams are responsible for tackling inland illicit tobacco activity but have extremely limited powers and sanctions to deal with illicit tobacco. This is most evident that despite 93% of all trading standards teams in councils are undertaking work in relation to illicit tobacco products,<sup>12</sup> the most common action was verbal or written warnings (55%).

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<sup>9</sup> [Home Office: Alcohol and late night refreshment licensing, England and Wales, 31 March 2017](#)

<sup>10</sup> [Home Office: Alcohol and late night refreshment licensing, England and Wales, 31 March 2017](#)

<sup>11</sup> [HMRC: Tobacco tax gap estimates for 2016-17](#)

<sup>12</sup> [CTSI: Tobacco Control Survey England 2016/17](#)

In our submission to HMRC's recent consultation on sanctions to tackle illicit tobacco, available [here](#), we encouraged that more effective sanctions should be available to trading standards officers, such as extending the use of Restricted Premises Orders, which are already used to sanction retailers who have made underage tobacco sales, to address the sale of illicit tobacco and remove rogue retailers from trading.

We also believe that more action must be taken to raise awareness amongst smokers about the penalties for purchasing illicit tobacco. ACS recently conducted consumer polling, which suggests that a third of smokers see buying illicit tobacco as a victimless crime, 43% do not feel guilty about purchasing non-duty paid tobacco, and 75% do not fear enforcement action or sanctions for purchasing illicit tobacco<sup>13</sup>.

### *Restricted Premises Orders*

Trading standards officers already have powers available to them to make enforce Restricted Premises Orders (RPO) where there has been a total of three underage sales offences at a premises in a two-year period. This prohibits a retail premises from selling tobacco products for a period of up to 12 months. However, trading standards officers do not have the power to use RPOs to sanction retailers involved in the sale of non-duty paid tobacco products – only if the retailers had been persistently selling tobacco to under-18s.

We recommend that the scope of the use of Restricted Premises Orders (RPO) and Restricted Sales Orders (RSO) be extended to include illicit tobacco offences. The offence for breaching a RPO or RSO is far greater than the current powers available to trading standards officers. This would be a more effective way for dealing with low volume and low value illicit tobacco offences instead of fines or written or verbal warnings. This would also replicate the sanctions used under the Scottish Tobacco Registration system but without requiring investing in infrastructure to create a register.

### ***Recommendation 3: Extending Restricted Premise Orders and Restricted Sales Orders to include illicit tobacco as an offence.***

#### *Trading Standards Officer Powers*

While we welcome that 93% of all councils<sup>14</sup> are focusing enforcement activity in relation to illicit tobacco products, we are concerned that 55% of actions<sup>15</sup> taken by trading standards teams to sanction retailers selling illicit tobacco are verbal or written warnings. An extension of powers to Trading Standards officers would enable them to deal with offenders quickly and more effectively than at present. There is also limited amount of intelligence shared between HMRC and local Trading Standards to enable effective and targeted enforcement activity.

ACS believes that there needs to be a significant up-lift in inland enforcement activity by HMRC to reduce the illicit trade and additional powers should be given to trading standards officers in order to enforce more effectively. We recommend that trading standards be given the authority to sanction retailers participating in the sale of illicit tobacco using the Excise and Customs Management Act 1979.

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<sup>13</sup> Jericho Chambers: Attitudes to Key Product Categories in Convenience Stores 2016

<sup>14</sup> [CTSI: Tobacco Control Survey England 2016/17](#)

<sup>15</sup> [CTSI: Tobacco Control Survey England 2016/17](#)

This Act specifically addresses the sale of non-duty paid tobacco as an offence. Sanctions can be placed on retailers who “knowingly acquire non-duty paid excise goods with the intention of evading payment of duty” and retailers who have taken “preparatory steps for evasion of excise duty”. This Act would mean trading standards officers could sanction retailers with an unlimited fine and/or 7-years imprisonment if convicted on indictment.

***Recommendation 4: Additional powers to trading standards officers to sanction retailers by using the Customs & Excise Management Act 1979 (CEMA) and better intelligence sharing.***

*Removing Alcohol Licences – Illicit Tobacco*

According to the most recent HMRC Tobacco Output (July 2016), only 62%<sup>16</sup> of individuals prosecuted for tobacco duty-fraud offences were convicted. It is often difficult and time consuming to prosecute an individual. ACS believes that it may be more effective and efficient if efforts moved towards removing retailers selling illicit tobacco from the markets, for example, revoking the alcohol licence of the premise involved. By removing a retailer’s alcohol licence, they lose the ability to trade alcohol which would undermine their ability to trade with full convenience offer expected by consumers. We believe it could be a far more effective deterrent than any fine could as 81% of convenience retailers hold an alcohol licence<sup>17</sup>.

Removing alcohol licences for selling illicit tobacco and non-duty paid alcohol is an underused sanction by all enforcement bodies. The reasons that enforcement bodies underuse this sanction are multi-faceted; it is not communicated that this sanction is available, the process to revoke a licence is viewed as complex and requires working across a number of local council departments. ACS advocates greater use of the removal of alcohol licences from retailers for any engagement in the illicit market. We have previously urged HMRC to work closely with the Home Office to make it easier to remove alcohol licences from retailers persistently selling illicit tobacco.

It is important to note that removing alcohol licences from retailers trading illicit tobacco is not a silver bullet to tackling the illicit trade as many premises which sell illicit tobacco may not hold an alcohol licence. Operation Henry 2, the second large scale coordinated action by trading standards to tackle the local supply of illicit tobacco products across England only seized 33% of illicit tobacco from premises which held an alcohol licence despite the majority of visits (51%) taking place at these premises.

The other 67% of seizures took place either at retail outlets that did not hold an alcohol licence, were restaurant/takeaways/cafes or private accommodation<sup>18</sup>. Operation Henry 2 identified that that greatest proportion of visits that resulted in seizures of illicit tobacco products occurred at private flats (100%); however, there were only five visits to private flats. There is more of a challenge for trading standards officers to gather the intel to determine whether a private flat is selling illicit tobacco compared to a retail outlet.

Even the All-Party Parliamentary Group on Smoking and Health’s inquiry into the illicit trade in tobacco products suggests that one of the most common sales avenues for illicit tobacco

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<sup>16</sup> [HMRC: Quarter 3 and 4 outputs: October 2015 to March 2016](#)

<sup>17</sup> ACS Local Shop Report 2017

<sup>18</sup> [CTSI Operation Henry 2 August 2016](#)

are 'tab houses' (selling from private houses)<sup>19</sup>. One survey featured in the report suggests that had been an increase in the proportion of 14 to 15-year-old illicit tobacco buyers who have bought from 'tab houses' from 15% in 2009 to 34% in 2011<sup>20</sup>.

***Recommendation 5: More effective sanctions should be made available to trading standards officers, including the revocation of alcohol licences for selling illicit tobacco.***

*Home Affairs Committee Tobacco Smuggling Report*

The House of Commons Home Affairs Committee<sup>21</sup> undertook an inquiry into tobacco smuggling in 2014. As part of the review, they published a report which included a number of recommendations, including the creation of a platform where best practice can be shared with enforcement agencies, as well as the introduction of the standardised packaging of tobacco products.

Annex B includes a table which details the recommendations made by the Home Affairs Select Committee for the Government to take action on as well as the Government's response. It is currently unclear if all of these actions have been completed and evaluated. We would welcome the All-Party Parliamentary Group on Illicit Trade to revisit what action has been taken by the HMRC to address the Home Affairs Select Committee's original recommendations.

*Tobacco Registers*

There has been a retailer tobacco registration system in Scotland since 2011, which requires retailers of tobacco products to sign up to the tobacco register online to become authorised to sell tobacco. There is very limited evidence, across all types of tobacco related offences, that the Scottish Tobacco Register has been effective despite being free for retailers to register. Within three years of the introduction of the register, only one business had been convicted for selling tobacco unregistered<sup>22</sup>. This highlights that a registration or licensing scheme does not mean rogue retailers will be removed from selling illicit products.

The UK Government recently consulted on introducing a tobacco licensing system in England to tackle the illicit trade. ACS responded to the consultation, stating that a tobacco licensing or registration system would not tackle the illicit tobacco market and would only burden legitimate retailers. Our submission is available [here](#). The government held similar views. In their response to the consultation, they confirmed that: "The government does not consider that the case has been made for an additional tobacco supply-chain licensing system aimed specifically at reducing the illicit trade...The forthcoming track and trace requirements are also likely to add additional supply chain controls and some form of registration for at least part of the tobacco supply chain."<sup>23</sup>

*Tobacco Track and Trace Regulations*

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<sup>19</sup> APPG on Smoking and Health - Inquiry into the Illicit Trade in Tobacco Products 2013

<sup>20</sup> APPG on Smoking and Health - Inquiry into the Illicit Trade in Tobacco Products 2013

<sup>21</sup> [House of Commons Home Affairs Committee: Tobacco Smuggling First Report of Session 2014–15](#)

<sup>22</sup> [Scottish Parliament: Written Answer S4W-18626](#)

<sup>23</sup> [HMRC: Tobacco Illicit Trade Protocol – licensing of equipment and the supply chain Summary of Responses](#)

The EU Revised Tobacco Products Directive introduced provisions to introduce a track and trace system for tobacco products, with track and trace required for cigarettes and hand-rolling tobacco from May 2019. The tobacco track and trace regulations aim to reduce the illicit tobacco trade by providing a system whereby the whole supply chain must source only tobacco products which contain unique identifiers. We have concerns, especially given that the regulations have to be in place by May 2019, that the UK government have not provided any details on how they will be implemented in the UK. The longer that retailers have to familiarise themselves with the new regulations and their legal requirements, the better compliance with the regulations will be.

However, we have concerns that the regulatory framework will place burdens on retailers. The regulations will require all retailers that sell tobacco to apply for an Economic Operator Identifier Code (for their business) and Facility Identifier Codes (for each of their stores) before they can purchase tobacco. These codes then have to be exchanged with wholesalers to ensure that tobacco products can be tracked through the whole supply chain. ACS responded to the EU Commission's recent consultation on their implementing regulation on track and trace, raising these concerns. Our submission is available [here](#).

There are also still a number of elements of the regulations that require further clarification on how it will be implemented and enforced. For example, how and when retailers and wholesalers would exchange their codes and how would retailers be able to trade with more than one supplier of tobacco products? We are currently working with HMRC's Joint Alcohol and Tobacco Consultation Group to provide clarity on how the tobacco track and trace system will work in the UK.

Article 15 (7) of the Tobacco Products Directive states that: *"manufacturers of tobacco products [shall] provide all economic operators involved in the trade of tobacco products, from the manufacturer to the last economic operator before the first retail outlet, including importers, warehouses and transporting companies, with the equipment that is necessary for the recording of the tobacco products purchased, sold, stored, transported or otherwise handled"*.

We are currently seeking clarification from the EU Commission and from HMRC that this will include all associated cost for retailers of tracking tobacco products through the supply chain to their stores. The investment required to deliver this system will be extensive, therefore in-depth analysis of the costs incurred by retailers must be developed and identified.

### **Soft Drinks Industry Levy**

We are concerned that the Soft Drinks Industry Levy could create an illicit market for soft drinks, which has been the case for alcohol and tobacco where duties are also administered at point of importation.

While we do not expect the soft drinks illicit market to grow to the same extent as the illicit tobacco and alcohol markets, as they have low cash value and margin, it is important to note that an illicit soft drinks market could mean considerable losses to the Exchequer. HM Revenue & Customs and trading standards have limited resources to tackle the sale of illicit tobacco and alcohol. An additional illicit market would only stretch their resources further.

We would encourage the All-Party Parliamentary Group on Illicit Trade to monitor the introduction of the Soft Drinks Industry Levy closely to see if an illicit soft drinks market emerges.

**For more information about this submission, please contact Julie Byers, ACS Public Affairs Manager by emailing [Julie.Byers@acs.org.uk](mailto:Julie.Byers@acs.org.uk) or calling 01252 515001.**

ABOUT ACS

The Association of Convenience Stores lobbies on behalf of around 50,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.



WHO WE REPRESENT

INDEPENDENT RETAILERS



ACS represents 22,397 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions.

These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

SYMBOL GROUPS AND FRANCHISES



ACS represents 14,659 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits.

Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents 12,862 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColl's, Conviviality Retail and others.

Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

THE CONVENIENCE SECTOR



In 2017, the total value of sales in the convenience sector was £38bn.

The average spend in a typical convenience store transaction is £6.28.



There are 49,918 convenience stores in mainland UK. 74% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 370,000 people.

24% of independent/symbol stores employ family members only.



20% of shop owners work more than 70 hours per week, while 19% take no holiday throughout the year.

72% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors.

79% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2016 and May 2017, the convenience sector invested over £858m in stores.

The most popular form of investment in stores is refrigeration.

OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

ACS INVESTMENT TRACKER

Regular quarterly survey of over 1200 independent and symbol retailers which is combined with responses from multiple businesses representing over 3,000 stores.

ACS LOCAL SHOP REPORT

Annual survey of over 2400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 6,291 stores. The Local Shop Report also draws on data from HIM, IGD, Nielsen and William Reed.

BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.

ANNEX B

Recommendation <sup>24</sup>	Government Response <sup>25</sup>	Achieved?
<p>HMRC and Border Force should create a platform where effective examples of joint working with local police forces and partner agencies such as trading standards across the UK can be accessed for training and in order to share good practice. Without sharing information, raising prosecution and arrest rates for tobacco smuggling will be more difficult, if not impossible.</p>	<p>We have refreshed joint protocols governing criminal investigation and intelligence, which provide: greater clarity on criminal investigation adoption criteria; improved processes for mandatory feedback; better joint management information; and improved joint approach to planning. We have also established joint intelligence teams to address specific intelligence priorities. Border Force refers all cases, where there is scope to impose sanctions, to HMRC to consider criminal or civil action. These referrals have significantly increased over the last 12 months. <b>To further bolster this joint working HMRC and Border Force are putting in place a strengthened process, which we expect to be agreed by December 2014.</b></p> <p>Through the refresh of the joint HMRC and Border Force Tobacco Strategy we are developing revised standard operating procedures for an Inland Enforcement framework for tobacco. These procedures will be aligned to those of our partner agencies so that HMRC officers are able to identify and pursue the most appropriate high impact sanctions available for each tobacco offence tackled. <b>We will ensure that the maximum benefit for both Enforcement and Intelligence is derived from this work by undertaking thorough post-operational reviews and dissemination of best practice to ensure the success of future activity in this area.</b></p>	<p>In HMRC “Tackling illicit tobacco: From leaf to light” includes similar objectives as the Government response.</p> <p>HMRC will be <i>“developing a toolkit of sanctions for roll out in 2015, to ensure that officers consider all criminal and civil sanctions available to them to maximise impact and deterrent effect and will tighten policies where offenders are exploiting potential loopholes to avoid the full impact of sanctions. This will include ensuring cross-tax impacts are considered, to check the tax liabilities and benefit entitlement of offenders, and using those sanctions which agencies other than HMRC and Border Force may be able to deploy.”</i><sup>26</sup></p>
<p>We recommend that HMRC publish a clear set of criteria setting out the circumstances in which it would normally impose a fine and that an immediate review be taken against all historic and ongoing cases against this criteria in order to ensure those who have committed an offence do not go unpunished.</p>	<p>A list of the relevant criteria and the approach HMRC takes when considering potential action under the supply chain legislation is already published in Notice 477 “Tobacco products duty: control of supply chains”. Any decision to issue a warning notice or penalty requires HMRC to consider all relevant factors, both positive and negative, on a case-by case basis. HMRC continually monitors and reviews all four UK major tobacco manufacturers’ compliance with the legislation and will take action where appropriate.</p>	<p>No changes were made to Notice 477 “Tobacco products duty: control of supply chains”.</p> <p>The last update took place in 2009.</p> <p>HMRC “Tackling illicit tobacco: From leaf to light” states that HMRC <u>will</u> “work with</p>

<sup>24</sup> [House of Commons Home Affairs Committee: Tobacco Smuggling First Report of Session 2014–15](#)

<sup>25</sup> [House of Commons Home Affairs Committee: Tobacco smuggling: Government Response to the Committee’s First Report of Session 2014–15](#)

<sup>26</sup> [HMRC: Tackling illicit tobacco: From leaf to light](#)

	<p><b>HMRC is reviewing the current guidance to help improve the tobacco manufacturers' understanding of how their compliance with the legislation will be evaluated.</b></p>	<p><i>tobacco manufacturers to enhance supply chain control of UK product and to robustly challenge where appropriate.</i><sup>27</sup></p>
<p>As part of their new communications strategy, HMRC and Border Force should publicise prosecutions and enforcement action more widely to deter potential offenders. It is important that the agencies work together to ensure that those who offend are named and shamed and that the public money, spent combating this crime, is shown to have been used effectively.</p>	<p>HMRC and Border Force frequently publish details in national and local media of successful operations, seizures, prosecutions and convictions where publication does not compromise ongoing investigations.</p> <p><b>HMRC is currently revising its communications strategy to take a more targeted approach, focussing appropriate media messages on the specific risks presented by specific trade sectors, social groups and geographical areas.</b></p>	<p>There has been increased media activity of the prosecutions and seizures made by HMRC and Border Force.</p> <p>However, there have also been a number of reports where illicit retailers are given unduly lenient sentences.</p> <p>Enforcement must be consistent for this recommendation to work.</p>
<p>We believe that the decision on standardised packaging should be driven by health reasons and the imperative need to reduce the numbers of young people who start smoking. We note the statement of Sir Cyril Chantler to the effect that he was not convinced that standardised packaging would bring about an increase in the illicit market; even if this were the case, we believe that the proper response would be a more vigorous effort on enforcement rather than any lessening in the Government's drive towards introducing standardised packaging.</p>	<p>On 26 June 2014, the Government published a consultation that will inform the decision on whether to introduce standardised packaging.</p>	<p>Will come into effect 20 May 2016</p>

<sup>27</sup> [HMRC: Tackling illicit tobacco: From leaf to light](#)

<p>We recommend that any future legislation to introduce standardised packaging should include a requirement for appropriate security and tracking features, in accordance with the EU Tobacco Products Directive and best evidence.</p>	<p>The new European Tobacco Products Directive (TPD) includes requirements for traceability of tobacco products and for the incorporation of tamper-proof security features on tobacco products. The European Commission has powers to ensure that Member States' domestic implementation acts set out the detail of how these requirements are to be implemented on a Europe-wide basis. The Department of Health and HMRC are currently working closely with the European Commission and other Member States to implement the Directive.</p>	<p>Is being adopted by the UK as one of the measures of EU TPD2.</p> <p>Government still to consult on how track and trace would work in practice.</p>
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