

ILLICIT CIGARETTE TRADE IN THAILAND

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Abstract. The sale and consumption of illicit tobacco increases consumption, impacts public health, reduces tax revenue and provides an argument against tax increases. Thailand has some of the best tobacco control policies in Southeast Asia with one of the highest tobacco tax rates, but illicit trade has the potential to undermine these policies and needs investigating. Two approaches were used to assess illicit trade between 1991 and 2006: method 1, comparison of tobacco used based on tobacco taxes paid and survey data, and method 2, discrepancies between export data from countries exporting tobacco to Thailand and Thai official data regarding imports. A three year average was used to smooth differences due to lags between exports and imports. For 1991-2006, the estimated manufactured cigarette consumption from survey data was considerably lower than sales tax paid, so method 1 did not provide evidence of cigarette tax avoidance. Using method 2 the trade difference between reported imports and exports, indicates 10% of cigarettes consumed in Thailand (242 million packs per year) between 2004 and 2006 were illicit. The loss of revenue amounted to 4,508 million Baht (2002 prices) in the same year, that was 14% of the total cigarette tax revenue. Cigarette excise tax rates had a negative relationship with consumption trends but no relation with the level of illicit trade. There is a need for improved policies against smuggling to combat the rise in illicit tobacco consumption. Regional coordination and implementation of protocols on illicit trade would help reduce incentives for illegal tax avoidance.

Keywords: cigarette, tax avoidance, illicit trade, illegal consumption

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