

NEWS RELEASE

For immediate release

NARROWING THE PRICE GAP BETWEEN LEGAL AND ILLEGAL CIGARETTES WILL ADDRESS TOBACCO BLACK MARKET EFFECTIVELY

KUALA LUMPUR, 24 December 2020 – Retail and Trade Brands Advocacy Malaysia Chapter (RTBA Malaysia), a non-governmental organisation safeguarding supply chains and brands from criminal conduct, agreed with YB Datuk Seri Ahmad Maslan's suggestion to half tobacco taxes to curb the black market.

At a recent Dewan Rakyat sitting, the Pontian Member of Parliament and Secretary-General of UMNO suggested conducting a two-year pilot programme to allow tobacco companies to sell legal cigarettes at RM8 per pack, which is closer to the price of a pack of illicit cigarettes.

YB Datuk Seri Ahmad Maslan also said that Malaysia has the largest tobacco black market globally, accounting for 64% of the market share. Cigarettes often vanish in Malaysia during the transshipment process before they get re-exported to another country. As such, Malaysia loses about RM5 billion in tobacco tax revenue every year.

Dato' Fazli Nordin, Managing Director of RTBA's Malaysia, said, "The Malaysian Government has made the bold move to address the tobacco black market in Budget 2021.

"Several initiatives including strengthening the multi agency task force (MATF) with the participation of Malaysian Anti-Corruption Commission and National Financial Crime Centre as well as announcing restrictions on cigarette transhipment activities will help address the supply chain route for the tobacco black market to a certain extent," he said.

He added, "Nevertheless, the core factor driving the illegal cigarette trade is the wide price gap between legal and illegal products resulting in the current critical level of illegal cigarettes in Malaysia. There are international and local studies that support this."

KPMG's annual "Illicit Tobacco in Australia" report revealed that Australia's illicit tobacco had increased significantly from 14% of the market in 2018 to over 20% in 2019, following a 12.5% ad hoc excise increase in May 2016. A recent report by the Australian Parliamentary Joint Committee on Illicit Tobacco Market has acknowledged that Australia's price-based policies to control tobacco have been counter-productive. The Parliamentary Joint Committee report also revealed that in 2018 and 2019, a total of 633 tonnes of illicit tobacco were seized, which set a new record.

RTBA's own "Illicit Tobacco in the Asia-Pacific Region: Causes and Solutions" report that was published in April 2020 showed that the sales of illegal cigarettes in Malaysia rose from 37% in 2015 to 65% in 2020. This increase came following a substantial excise hike on legal products in 2015.

"Clearly, the numbers speak for themselves," Dato' Fazli commented.

"As such, Datuk Seri Ahmad Maslan is spot on in identifying excise reforms as a solution that can best complement the enhanced enforcement initiatives put in place in Budget 2021 to tackle the tobacco black market in a comprehensive manner," he added.

Dato' Fazli also said that there are tax experts who have agreed with this idea.

In recent newspaper reports, the Chairman of Tricor Malaysia, who is also the current President of the Malaysian Institute of Accountants, Dr. Veerinderjeet Singh, has proposed to allow tobacco companies to introduce a new product, taxed at a lower rate via a new excise tier.

"This will create a lower segment of legal cigarettes that can viably compete with illegal cigarettes based on price," Dato' Fazli added in reference to the Dr. Veerinderjeet's idea.

"RTBA Malaysia believes that this solution can effectively curtail the tobacco black market from a demand-driven perspective," he concluded.

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About Retail & Trade Brands Advocacy Malaysia

The RTBA Malaysia Chapter is the subdivision of RTBA, headquartered in Victoria, Australia. It is a coalition of business, retailers and trademark holders working to protect the retail and supplier industries in the Asia-Pacific region from the impact of criminal conduct. RTBA's focus is to unite, mobilise and advocate for effective change in regulatory, financial and taxation issues affecting the supply chain.

Today, RTBA continues to play an active role in the efforts to enhance product security and increasing penalties for criminals involved in black market operations; stamp out illegal activities including counterfeiting, piracy and illicit trade of consumer goods; protect brands & IP rights of suppliers, manufacturers, trademark owners and consumers as well as to provide positive regulatory and taxation solutions for all constituents of retail trade and supply chains.

More information at www.rtbamalaysia.com.

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