

NEWS RELEASE

RTBA MALAYSIA: ILLICIT TOBACCO TRADE IN MALAYSIA POISED TO ESCALATE

Budget 2022 must maintain excise moratorium while strengthening enforcement to effectively improve tax revenue

KUALA LUMPUR, 17 September 2021 – The illicit tobacco trade in Malaysia is expected to expand further due to financial constraints and clever criminal tactics, and this will negate any positive strides achieved by anti-smuggling measures introduced in Budget 2021, said the Retail and Trade Brand Advocacy Malaysia Chapter (RTBA Malaysia) in a statement today.

The statement by RTBA Malaysia, a non-governmental organisation that safeguards businesses from criminal conduct, was made in conjunction with the launch of its *Country Report: Illegal Tobacco Trade 2021 Malaysia*.

Dato' Fazli Nordin, Managing Director of RTBA Malaysia, said, "The Report, based on public information analysis and discussions with sources close to the issue, highlighted a high level of dexterity and ingenuity shown by criminal syndicates to circumvent the anti-smuggling initiatives announced by the Government in Budget 2021 and put into place on 1 January this year."

"In view of the limitation of transshipment activities, criminal syndicates quickly moved from smuggling illicit cigarettes via container ships and docks at big ports to unloading these products from large cargo vessels from source countries onto small speed boats or fishing vessels before dropping them off at private at private jetties and landing spots throughout the country's vast coast," Dato Fazli added.

According to the *Illegal Tobacco Trade 2021 Malaysia* report, Malaysian authorities seized a total of 40 million sticks of illegal cigarettes in 2020, whereas a total of 84 million sticks were seized from anti-smuggling operations in coastal areas in the first quarter of 2021 alone.

Interestingly, the report found that these criminal syndicates are now forced to adjust price and cost to mitigate the loss of volume from smuggling in large quantities through transshipment abuses at big ports to smaller but more frequent batches of contraband via coastal smuggling routes. Due to this switch in supply chain strategy, they are also incurring higher costs by turning swiftlets houses, commercial shop lots, and private homes into warehouses to store products.

Dato' Fazli explained, " The increased costs have been passed on to consumers who now have to pay RM9.00 per pack of illegal cigarettes from RM6.00 per pack prior to the introduction of Budget 2021 measures."

Higher cost of illegal cigarettes may seem like good news for the war against this illicit trade, but Dato' Fazli said that the cost of legal cigarettes is still significantly more. "More and more consumers are expected to turn to illegal cigarettes that are still cheaper compared to legal products due to financial constraints caused by the COVID-19 pandemic."

"Moving forward, it would be counterproductive to increase the excise tax further as it would certainly benefit the criminal syndicates and reverse the positive impacts brought by the Budget 2021 measures. Therefore, the excise moratorium must be maintained in Budget 2022 while more funding is required to ramp up enforcement initiatives in coastal areas," Dato Fazli added, citing recommendations made in the RTBA Malaysia report.

"The use of privately owned assets, from warehouses to rented homes, to store illegal cigarettes must also be curtailed. This can be achieved by holding landlords and premise owners accountable for renting out their premises for criminal activities while increasing the number of raids on suspected premises," Dato Fazli said.

Following the Report, RTBA Malaysia will be spearheading a series of initiatives to educate Malaysians on the impact of the illicit tobacco trade on Malaysia's socio-economic fabric. These initiatives include educative article series in newspapers, public service announcements on radio as well as informative materials and *Country Report: Illegal Tobacco Trade 2021 Malaysia* will be available on RTBA Malaysia Facebook page <https://www.facebook.com/rtbamalaysia/>

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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.

Issued on behalf of: Retail & Trade Brands Advocacy Malaysia
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