

**CUSTOMS DEPARTMENT
UNDER MINISTRY OF
FINANCE**



**CUSTOMS CRIMINAL
SERVICE**



REVIEW OF TOBACCO SMUGGLING

BUDAPEST, 2006 09 28-29

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MARKET OF TOBACCO PRODUCTS IN LITHUANIA

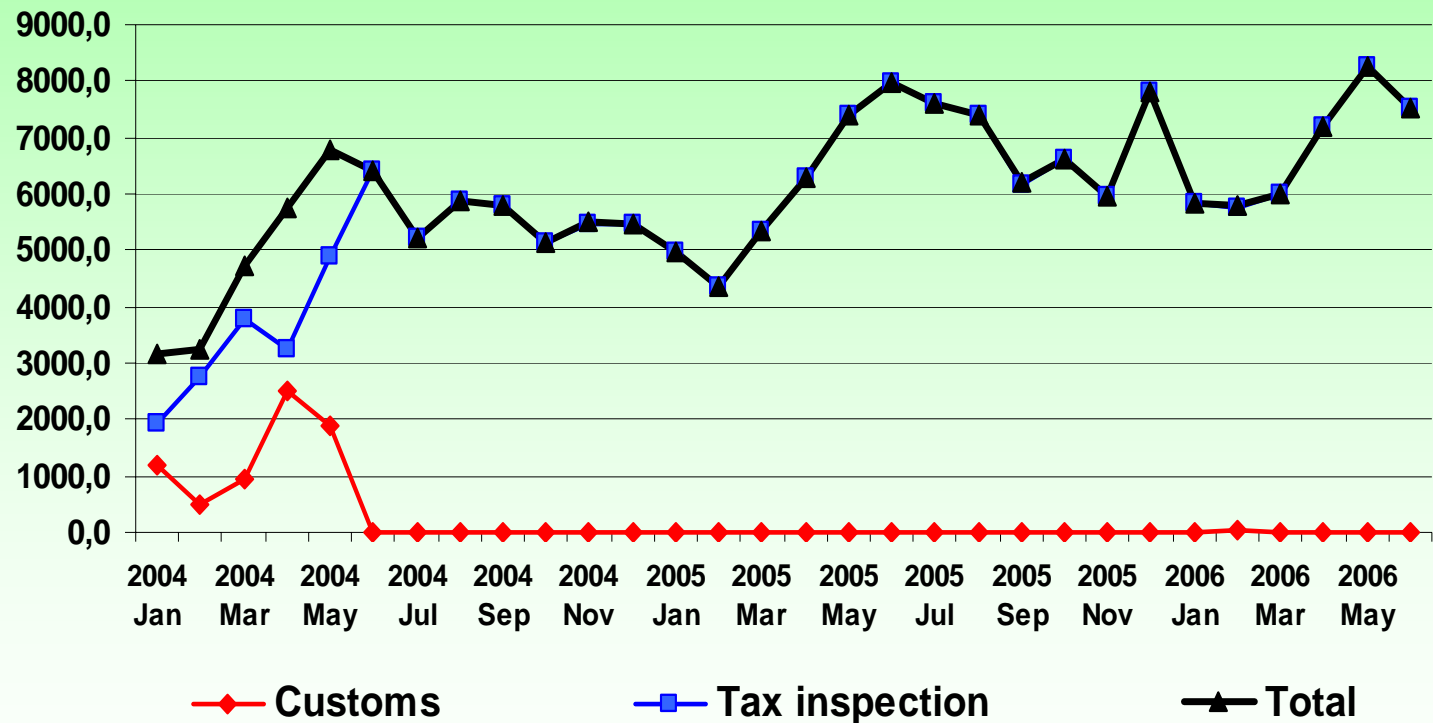
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TABBACO EXICE TAX COLLECTED BY CUSTOMS AND TAX INSPECTION IN LITHUANIA FROM 2004 JAN TO 2006 JUN

(IN THOUSANDS EUR)

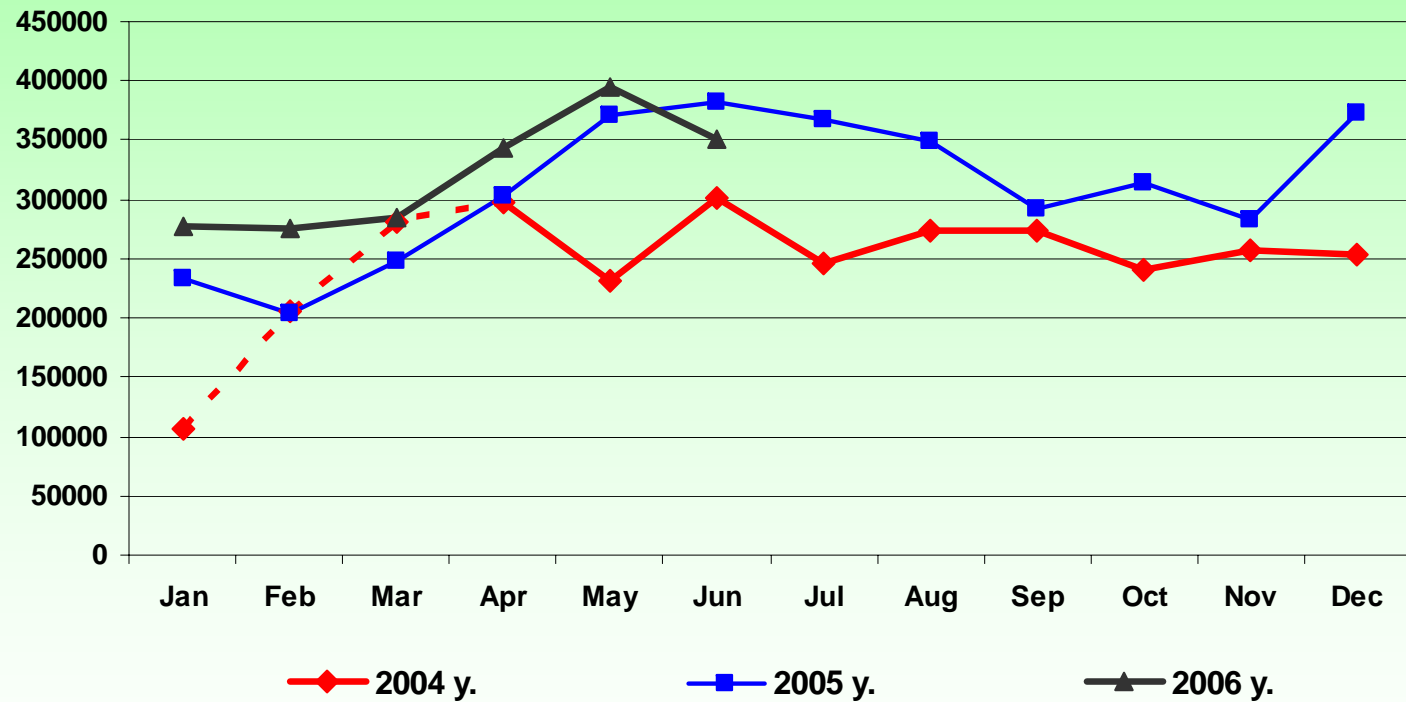


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IMPORT AND PRODUCTION OF CIGARETTES (THOUSAND STICKS) IN LITHUANIAN MARKET



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TRENDS IN TOBACCO MARKET AND TAXATION

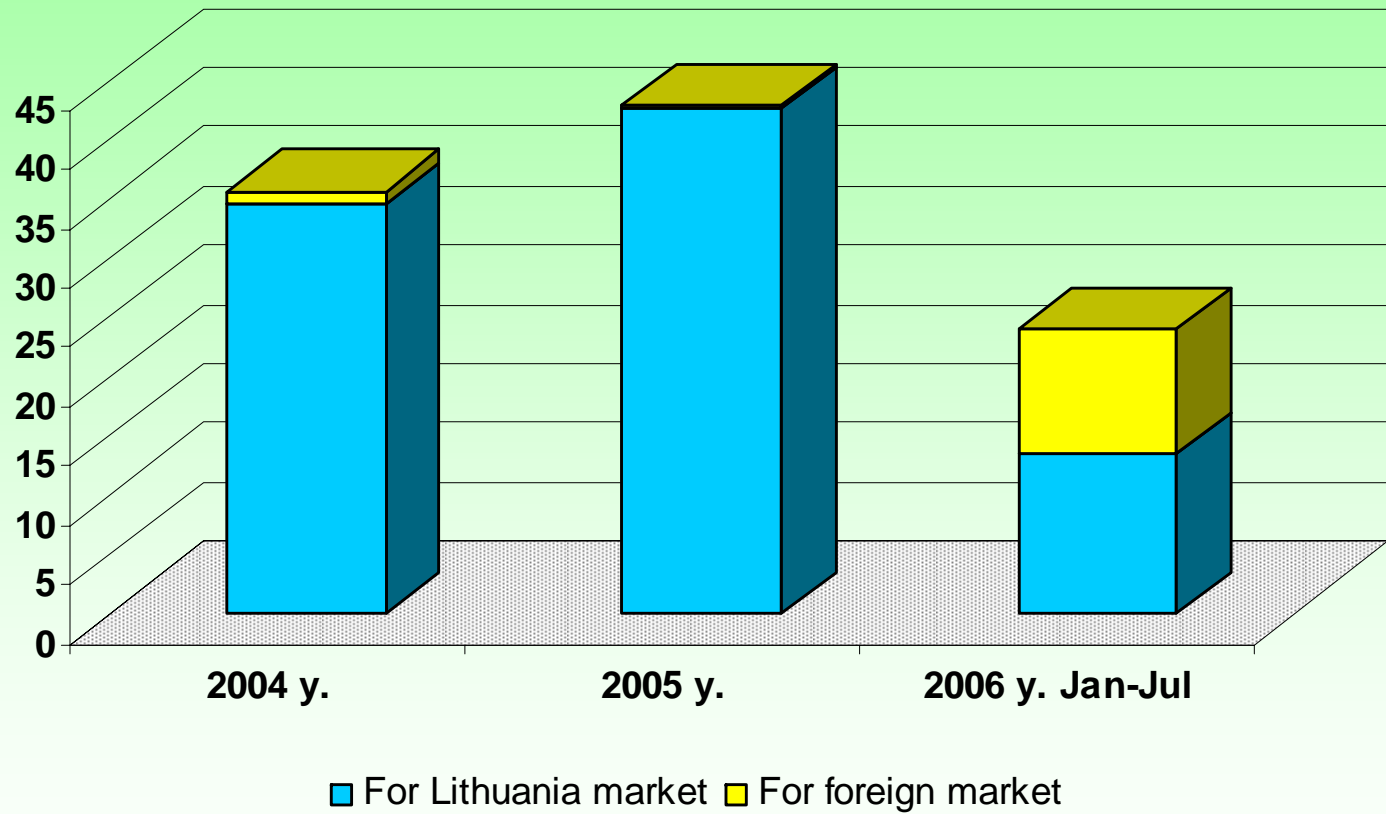
- ▶ After Lithuania's accession into the EU and rise of excise duties for tobacco products, state revenue incomes from tobacco products have been constantly increasing;
- ▶ In 2005 the state gathered 74 875 thousand EUR excise duty for tobacco products, i.e. 18 955 EUR (33,9 percent) more than in 2004. This was influenced by 20,9 % increase in realization of tobacco products;
- ▶ After Lithuania's accession into the EU there has been an increase in sales of tobacco products in internal market.

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SEIZED CIGARETTES BY CUSTOMS (MIO STICKS)



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CONCLUSIONS

- Increasing state revenue incomes from tobacco excise duties;
- Increasing amount of legally sold cigarettes in Lithuanian market;
- Growth of tobacco products import;
- Constant number of seizures of tobacco products;
- Rise of cigarettes price in illegal market shows that the scale of illegal circulation of tobacco products in Lithuania has stabilized.

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SMUGGLING OF CIGARETTES IN LITHUANIA

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TENDENCIES BEFORE ENTERING EU

- Before accession into the EU (2000-2002) large amounts (1- 10 mio. sticks) of cigarettes were smuggled from and transported via Lithuania into other EU member states;
- In January 2003 after arresting the big group of cigarette smugglers, smuggling of cigarettes to Western Europe has been suspended;
- Brands that were most popular in western European countries were trafficked to Western Europe (“Regal”, “Sovereign”, “Dorchester”, “Number 1” etc.);
- For Lithuanian black market were trafficked the cheapest cigarettes „Prima“, „Three kings“, „Novost“, „Trojka“ - in small quantities by single persons or small criminal groups;
- Since 2003 the prices of tobacco products have begun to differ greatly in Lithuania comparing with other neighborhood countries (Belarus and the Kaliningrad Region of the Russian Federation), thus organized criminal groups began to smuggle cigarettes in big quantities from the aforementioned countries;
- In 2003 cheapest cigarettes such as “Prima”, “Three kings”, “Novost”, “Trojka”, “Dukat” etc. were trafficked for Lithuanian market.

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TENDENCIES AFTER THE ENTERING EU

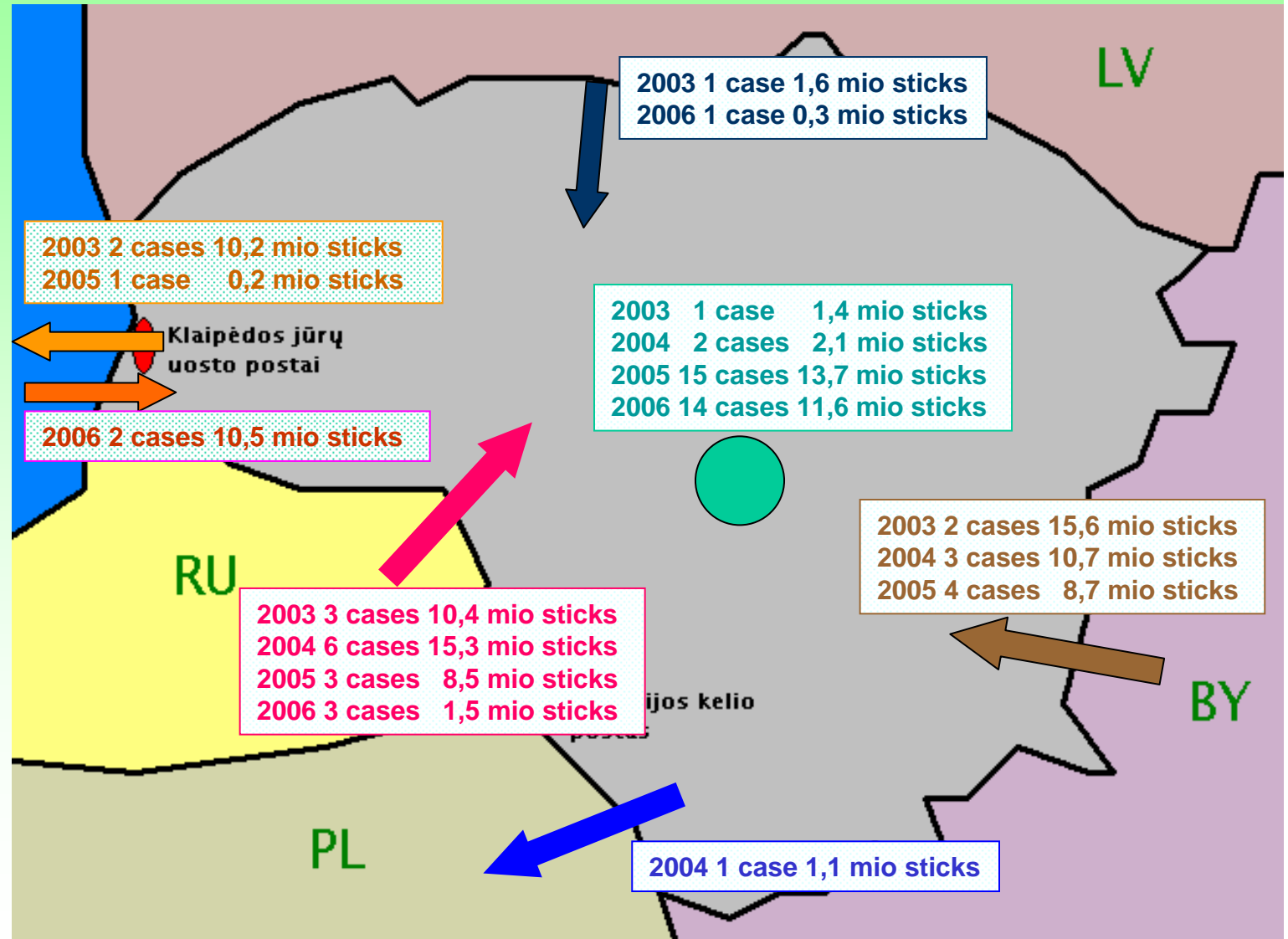
- After accession into the EU great floats of smuggled tobacco goods rushed into Lithuania from neighbourhood countries: the Kaliningrad Region of the Russian Federation and Belarus;
- Cigarettes “Saint George Light” produced by the UK company “Gallagher” in Moscow have remained the most popular among smuggled tobacco production. These cigarettes make more than half of seized cigarettes production. Cigarettes “Jin Ling” produced in Kaliningrad tobacco factory “Baltiskaya tabachnaya fabrika” are becoming more and more popular in Lithuanian black market;
- The price/quality difference were attractive not only for rural areas but for townspeople as well and this influenced demand of smuggled cigarettes as well as smuggling of them;
- In 2005 prognosis proved out that counterfeited cigarettes have been started to produce in neighbourhood countries (Latvia, Poland, Belarus), and they entered Lithuania through different routes. Since 2005 three illegal cigarette producing factories have been eliminated in Lithuania;
- Flows of counterfeited China origin cigarettes leaked into the harbors of EU, these links also goes through the Klaipėda sea port;

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TOBACCO PRODUCTS SEIZED IN 2003 2006 (JAN-JUL) BY CUSTOMS (CRIMINAL CASES)



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Customs executes following measures against smuggling of tobacco products:

- ▶ Performs operational (covert) and intelligence activities;
- ▶ Measures are planned and taken in order to control and prevent illegal circulation of cigarettes and related crimes;
- ▶ Customs is active in process of legislation – provides the Parliament and Government with drafts of legal acts;
- ▶ Interinstitutional and international cooperation is being developed;
- ▶ Special attention is paid to detect locations where excise goods are produced, stored and distributed;
- ▶ Mobile groups of customs officers have been established in order to strengthen control of goods movements inside the country. Such groups have powers to stop and inspect consignment transported inside the country.



Operational Activities and Intelligence

While performing operational activities and intelligence Customs reveals serious crimes, seizes large amounts of cigarettes (more than 1 mio. sticks of cigarettes in one time) arrests members of organized criminal groups, for ex.:

- ◆ In 2004 Customs initiated 12 criminal cases, seized 29,15 mio. sticks of cigarettes i.e. 81,9 percent of total amount (in total customs detected 1586 offences and seized 35,6 mio. sticks of cigarettes);
- ◆ In 2005 Customs initiated 23 criminal cases, seized 29,9 mio. sticks of cigarettes i.e. 69,9 percent of total amount (in total customs detected 3323 offences and seized 42,8 mio. sticks of cigarettes);
- ◆ In 2006 (Jan-Jun) Customs initiated 17 criminal cases, seized 14,2 mio. sticks of cigarettes i.e. 46,9 percent of total amount (total customs detected 1453 offences and seized 30,3 mio. sticks of cigarettes);

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Measures and Implementation

Standing committee under the Government of Lithuania has been established to control and coordinate activity of authorized institutions. The committee prepares measure plans which are to be implemented by Customs and other regulatory institutions. The aforementioned plans help to achieve better results when investigating acts that stretch authority of one institution.

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Legislation activities

Customs initiated 2 new articles in Criminal Code related to customs matters - (art. 199¹ – customs fraud, 199² – illegal possession of excise goods), the latter foresees criminal liability for keeping of cigarettes when the amount of cigarettes exceeds 9058 EUR.

in 2005 since June when mentioned article came into force, Customs initiated 15 criminal cases and seized 13,7 mio. sticks of cigarettes;

in 2006 Jan-Jun Customs initiated 14 criminal cases and seized 11,6 mio. sticks of cigarettes.

Before this act such cases were considered only as violation of administrative law.

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Activities of Mobile groups

- In 2005 Lithuanian Customs established mobile groups;
- In 2005 Customs mobile groups detected 231 offences and seized 396 100 sticks of cigarettes;
- During Jan-Jun 2006 Customs mobile groups detected 777 offences and seized 14 730 830 sticks of cigarettes.

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SMUGGLING OF TOBACCO PRODUCTS

Concealment

In the construction of the means of transport (double-bottom, - walls, -ceiling, inside of tank):



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SMUGGLING OF TOBACCO PRODUCTS

Concealment

Inside the consignment (timber, peat moss, furniture, paper rolls, fabrics, metal scrap, building materials etc.):



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SMUGGLING OF TOBACCO PRODUCTS

Concealment

Behind the goods



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