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Illicit Tobacco Trade Booms: What's the Best Way to Tackle It?

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Australia's illicit tobacco trade is flourishing, costing billions in tax revenue and fueling organized crime, yet solutions remain contentious. With the Australian Labor Party (ALP) government's response under fire, experts and stakeholders propose tougher enforcement and economic measures to curb the black market. This article examines the growing crisis and evaluates proposed strategies to combat it.

The illicit tobacco market, estimated at \$2.3 billion in lost excise revenue in 2021–22 by the Australian Taxation Office (ATO), now

accounts for nearly 30% of Australia's tobacco consumption, per industry estimates. Cheap, unregulated cigarettes, sold openly at tobacconists for as little as \$30 per 100 compared to \$40 for 20 legal cigarettes, drive demand. "It's not hidden; it's on sandwich boards in plain sight," said smoker John Jensen to ABC News, highlighting the trade's brazen nature. This boom, linked to organized crime syndicates, has sparked violence, with 31 arson attacks on Victorian tobacco shops in 2023–24, per police reports, signaling turf wars.

The ALP's establishment of the Illicit Tobacco and E-Cigarette Commissioner (ITEC) in July 2024 aims to coordinate enforcement, but critics argue it's insufficient. The ITEC's focus on cross-agency efforts, including the ATO and Australian Border Force (ABF), has led to seizures of over 45 million illicit cigarettes in September 2024 alone. Yet, the trade persists, with Fei Gao from the University of Sydney Business School arguing high excise taxes fuel the black market. "Lowering the excise could shrink the price gap," Gao told ABC News, urging a policy review with tax experts. However, public health expert Becky Freeman warns that cutting taxes risks undermining decades of smoking reduction, advocating instead for stronger supply chain controls like a track-and-trace system.

The Coalition pushes for harsher penalties and a national database to monitor retailers, citing the ATO's Illicit Tobacco Taskforce's seizure of 1.5 billion cigarettes since 2018. Community tip-offs, like those leading to a 2024 Goulburn Valley bust, are vital, with the ATO urging reports via www.ato.gov.au/tipoff. As the ALP's measures falter, a balanced approach—bolstering enforcement while reassessing punitive taxes—may be the key to dismantling this dangerous trade.