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Illegal Tobacco Boom Costs Australia \$10B, Hurts Retailers

August 3, 2025

– Categories: Economics



Australia's \$10 billion illegal tobacco trade, fueled by high taxes, is devastating legitimate retailers and funding organized crime, with half of all cigarettes sold evading excise.

Australia's illegal tobacco market has ballooned into a \$10 billion industry, comprising nearly half of all cigarettes sold to the nation's 2.7 million smokers, according to a 2025 ABC News report. High excise taxes, reaching \$1.10 per cigarette stick since 2019, have driven smokers to black-market alternatives, costing the government \$7.4 billion in revenue in 2024-25, down from \$16 billion in 2019, per the Australian Taxation Office (ATO). Legitimate retailers, like Coles and Woolworths, are abandoning tobacco sales, with Liquorland ceasing entirely, as illicit trade undercuts their profits, per ABC News.

The Australian Border Force (ABF) seized 1.2 billion illegal cigarettes and 268 tonnes of loose tobacco in 2024-25, worth \$2.3 billion in evaded excise, but this represents only 16% of the illicit market, per the World Customs Journal. Criminal syndicates exploit this low-risk, high-reward trade, often using violence, including firebombings and a murder linked to alleged tobacco kingpin Kazem Hamad, per ABC News. Theo Foukkare, CEO of the Australian Association of Convenience Stores (AACS), told ABC News that the 2019 tax hike triggered the black-market surge, leaving retailers struggling against untaxed imports sold at half the price.

The Australian Labor Party (ALP) government's \$188 million boost to ABF enforcement and the Illicit Tobacco and E-Cigarette Commissioner (ITEC) role, established in 2024, aim to curb the trade, per the Department of Health. However, critics, including Coalition MP Dan Tehan, argue the ALP's high-tax approach fuels the black market, with no significant reduction in smoking rates, stuck at 10-11%, per ABC News. NSW's new tobacco licensing laws, effective July 2025, target retailers selling illegal products, but enforcement remains underfunded, per The Guardian.

Organized crime's grip on the trade, with brands like Manchester smuggled from Asia, threatens public health and legitimate businesses, per a Four Corners investigation. Retailers face extortion, with 27 tobacconist fires in Victoria alone in 2023, per The Guardian. As the ALP's policies falter, the Opposition calls for stronger border controls and a tax review to protect retailers and restore lost revenue.