Alcohol, cigarettes and fuel are subject to excise duty upon production in, or on import to, the EU.

Organised crime groups use various modi operandi to avoid excise duties and generate significant profits by selling both genuine and counterfeit excise goods at lower prices than their licit equivalents.

Excise tax fraud is driven by legislative differences and varying excise tax rates applied by different Member States.

The main areas of excise fraud in Europe include:

- the smuggling or illegal importation of excise goods
- the illegal manufacture of excise goods
- diversion, which involves diverting goods without paying excise duty.

As identified by the 2017 Serious and Organised Crime Threat Assessment (SOCTA), fuel fraud is a growing phenomenon and typically involves base-oil fraud, also called “designer fuel” fraud, and fuel laundering. This type of fraud requires significant expertise, which is usually only available from trained chemists or similar professions.

**CRIME ENABLER**

Excise fraud deprives Member States of revenue that would otherwise be used to fund vital public services such as schools, hospitals and infrastructure. A crime enabler or threat financier that facilitates organised crime groups to commit other serious crime, it is also a threat to national security.

In 2010 a UN Security Council investigative body established a link between excise fraud and the financing of terrorism. It reported that millions of dollars in illicit tobacco revenues were reaching al-Qaeda, the Taliban, other terrorist organisations and organised crime groups.

According to KPMG, 48 billion illicit cigarettes were consumed in the EU in 2016, depriving EU governments of EUR 10.2 billion in tax. KPMG also estimated that almost 9% of all the cigarettes consumed in the EU were counterfeit or contraband.

In 2015 the Transcrime research centre estimated that in the EU the illegal cigarette market yielded between EUR 7.8 and 10.5 billion in criminal proceeds, which is comparable to the revenues generated in the cocaine and heroin markets.

**EUROPOL RESPONSE**

Excise Fraud is one of the EMPACT priorities under the 2018-2021 EU policy cycle. Europol’s Analysis Project Smoke is dedicated to investigating the unlawful manufacturing and smuggling of excise goods, particularly tobacco and cigarettes.
FOUR METRES UNDERGROUND: ILLEGAL CIGARETTE FACTORY UNCOVERED IN A BUNKER IN SPAIN

CROATIAN POLICE ARREST AND DISMANTLE ORGANISED CRIME GROUP IN LARGE INTERNATIONAL INVESTIGATION

ILLEGAL TOBACCO TRADE HALTED AFTER INTERNATIONAL OPERATION

TRASH WORTH MILLIONS OF EUROS

29 ARRESTS IN FRANCE AND SPAIN IN A MIGRANT SMUGGLING CASE

ILLEGAL CIGARETTE FACTORY DISMANTLED: 25 MILLION CIGARETTES AND 10 TONNES OF TOBACCO SEIZED
EMPACT JOINT ACTION DAYS GENERATE BIG RESULTS IN 2018

END OF THE ROAD FOR FUEL FRAUDSTERS: EU LAW ENFORCEMENT SEIZE 2.2 MILLION KG OF ILLICIT FUEL

CRIMINAL NETWORK SMUGGLING CIGARETTES AND ALCOHOL THWARTED IN POLAND

EUROPOL REVIEW 2016 - 2017

SPANISH GUARDIA CIVIL SUPPORTED BY EUROPOL BREAKS UP AN ILLEGAL TOBACCO FACTORY