



Australian Government
Illicit Tobacco and
E-cigarette Commissioner

A large, abstract graphic on the right side of the cover. It features a dark blue diagonal band on the left, transitioning into a grey and white smoke-like texture that fills the upper right portion of the page. Below the smoke, there are more solid blue and gold geometric shapes.

Illicit Tobacco and E-cigarette Commissioner Report 2024-25

A national picture of the illicit market

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Message from the Commissioner

Illicit tobacco and e-cigarettes (vapes), pose a serious and growing threat to our public health, community safety and the economy.

In July 2024, the Australian Government established the role of Illicit Tobacco and E-cigarette (ITEC) Commissioner with the remit to support the development of national strategies addressing the growing threat of illicit tobacco and vapes.

I would like to thank and acknowledge the work of the Interim ITEC Commissioner, Erin Dale, who laid substantial foundations for this pivotal role.

The illicit tobacco and vape trade is not new, nor is it a problem isolated to Australia. The Australian Border Force is targeting and seizing record levels of illicit tobacco and vapes at the border. However, from comprehensive stakeholder engagement undertaken by my office, a clear view has emerged that there is no single solution to addressing the illicit market. Instead, a multi-pronged approach is needed across the ecosystem, from supply (growth through to retail) to demand. This will bring together the power of Commonwealth, state and territory capabilities to disrupt criminal networks. The wider Australian community also has a role to play, given normalisation of consuming illicit tobacco and vapes directly supports serious and organised crime.

My role will facilitate a coordinated systems approach, harnessing a range of policy levers in order to shrink the market, reduce criminal entrenchment, and minimise associated harms to public health, safety and wellbeing.

I seek to build strong cross-jurisdictional commitment and collaboration to enhance enforcement, legislative and intelligence capabilities that disrupt criminal activity.

I also seek to build upon Australia's longstanding success in reducing tobacco consumption, with national effort that continues downward pressure on demand.

This report presents the first centralised assessment of the current state of the illicit tobacco and e-cigarette market in Australia, and meets the Reporting Functions of s.163D of the Public Health (Tobacco and Other Products) Act 2023. It draws on data and insights generously shared by partner agencies, presenting a coherent national view to be tabled in the Australian Parliament. I intend for this report to provide a contemporary data-driven platform of advice to counter illegal trade and the damaging impacts it has on our community.



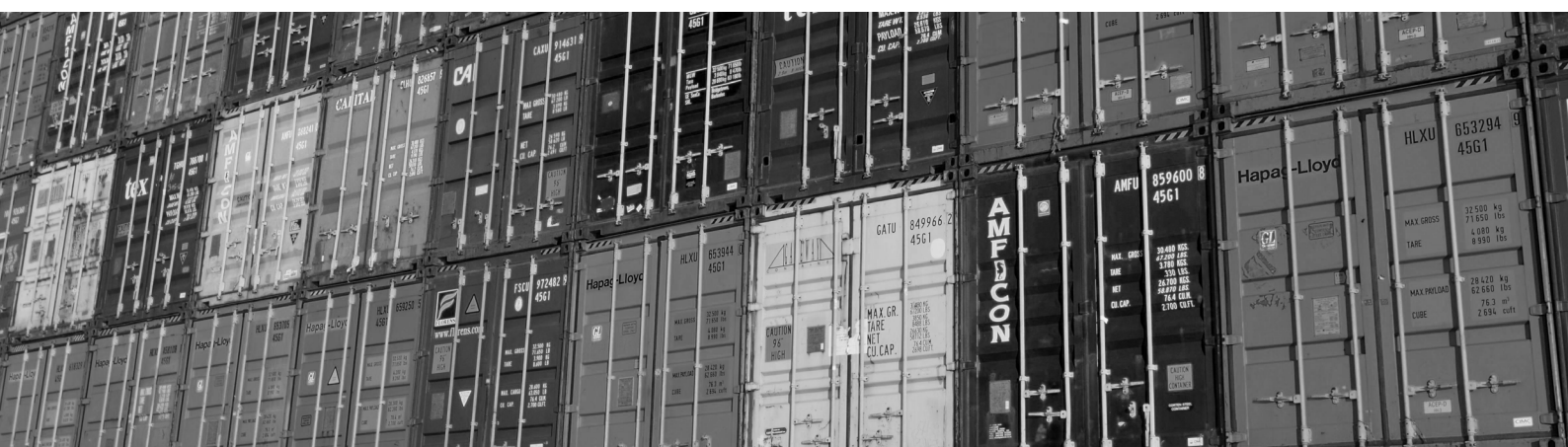
Amber Shuhyta

Illicit Tobacco and E-cigarette
Commissioner



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Executive Summary

Illicit tobacco and e-cigarettes represent a threat to Australia's public health, community safety, and economy. These illegal markets undermine hard-won gains in reducing smoking rates, expose consumers to unregulated products, and fuel organised crime. Further, in the case of e-cigarettes, illicit single-use vapes are a significant environmental hazard.

Important initiatives have been launched to disrupt the criminal profit motive. The March 2025-26 Budget committed \$156.7 million to address key challenges, including strengthening powers to seize criminal profits and assets. This builds on the \$188.5 million package announced in January 2024 to bolster disruption and deterrence of illicit tobacco to Australia.

Agencies are working together across the country. Several state and territory governments have taken steps to reduce the opportunities for criminal exploitation and make it more difficult for them to operate in the market. Cross-jurisdictional engagement has improved across health, regulatory, and enforcement sectors. The ITEC Commissioner's office has focused on supporting national collaboration, formalising inter-agency data sharing arrangements, and establishing a number of forums to drive policy coordination and support enforcement action.

Analysis conducted by the ITEC Commissioner's office estimates half of all tobacco products sold in Australia are now illicit. Similarly, the e-cigarette market is predominately operating outside health and regulatory safeguards.

There is no single market driver, nor is there a single solution or easy answer. A multi-pronged approach that rebalances the risk to reward calculation for illicit suppliers, while also addressing the motivations underlying the demand from those purchasing illicit products is needed. The collective efforts across Commonwealth, state and territory governments need to be harnessed to:

- Shrink the illicit tobacco and e-cigarette markets
- Reduce criminal involvement in tobacco and e-cigarettes
- Minimise associated harms to public health, safety and wellbeing.

Targeting just one part of the system is unlikely to deliver results. For example, the Australian Border Force (ABF) has had record seizures at the border, law enforcement agencies around the country are making progress stamping out organised crime, and regulators continue efforts to protect public health. In addition to targeting multiple parts of the system, we need to make sure that intervention to address any one of these aspects does not cause adverse consequences to another. For example, tobacco excise is a central component of Australia's comprehensive tobacco control response aimed at reducing tobacco consumption and protecting public health.

Strong enforcement, penalties, and disruption of criminal proceeds will be key components of the multi-pronged approach. The public also has a vital role to play by recognising that illicit tobacco is not a victimless crime, understanding the harms of these markets, and avoiding the behaviours that fuel demand, entrench criminal activity, and cause harm in our communities.

Isolated action in one area without complementary effort in others will not generate the systemic change required. To guide the way forward, the ITEC Commissioner sees a clear need to focus efforts in the following areas:

- Stronger consequences
- Multi-agency capability
- Unified information and data
- Demand reduction.

PART 1:

Context

Australia's tobacco control measures have helped to reduce Australia's smoking rates to one of the lowest in the world. However, tobacco still remains a leading cause of preventable illness and premature death.

Australia's response is situated within an established policy framework. This includes the World Health Organisation Framework Convention on Tobacco Control, the National Tobacco Strategy 2023-2030 agreed by all Health Ministers, and the *Public Health (Tobacco and Other Products) Act 2023*. The National Vaping Enforcement Framework underpins strong and cross-jurisdictional collaboration.

The illicit tobacco and e-cigarette market undermines these hard-won gains in reducing smoking rates, exposes consumers to unregulated products, and fuels organised crime.

The illicit tobacco trade is not new, nor is it a problem isolated to Australia. Countries around the world, regardless of their excise and tax arrangements, are seeing tobacco smuggled across borders. Likewise, countries are considering how best to manage the public health implications of the emerging markets for e-cigarettes and other novel nicotine products. The section on illicit tobacco and e-cigarette drivers illustrates the complex mix of factors influencing the market.

What makes tobacco and e-cigarettes illicit?

Tobacco

Australia's regulated tobacco market includes a range of different products all grown and produced overseas. These products are required to comply with plain packaging and health labelling requirements and are subject to two forms of taxation:

- Excise Equivalent Duty, payable upon entry into Australia¹
- Goods and Services Tax, payable at the point of retail sale².

Tobacco is illicit when imported into the domestic market without customs duty being paid, or grown, manufactured and/or produced in Australia without a licence. In addition, illicit products do not typically comply with Australian plain packaging and health labelling requirements and are sold below market value. The lower price is predominately achievable through the evasion of excise duties and non-payment of GST.

E-cigarettes

E-cigarette and vaping products can only be lawfully purchased from pharmacies. It is unlawful for any other retailer, including tobacconists and convenience stores, to sell any type of e-cigarette or vaping product – irrespective of whether they contain nicotine or not. There are provisions allowing for the dispensation of e-cigarette devices or vaping products by qualified health professionals in specified circumstances.

All e-cigarettes available for sale at pharmacies must comply with specific regulatory standards including being reusable, having controlled nicotine levels, using plain pharmaceutical packaging, and being limited to mint, menthol, or tobacco flavours. Consequently, e-cigarettes not purchased at a pharmacy and not compliant with these standards are illicit.

¹ Levied at \$1.49832 per stick or \$2,397.31 per kilogram from 1 September 2025.

² 10% of the pre-GST sales price.

Why are illicit tobacco and e-cigarettes a problem?

Illicit tobacco and e-cigarettes impact both individuals and the Australian community in a variety of ways:

Health risks

The availability and consumption of illicit tobacco products undermines public health measures to reduce nicotine addiction and smoking, such as plain packaging, health warnings, health promotion inserts encouraging people to quit, and ingredient regulation. People who use illicit tobacco are usually not exposed to plain packaging, graphic health warnings, and other evidence-based non-price measures which reduce consumption, encourage quit attempts and discourage uptake of tobacco use.

Despite often being referred to as a less harmful alternative, multiple studies have highlighted the health risks associated with e-cigarette use. Research shows that the aerosol, or 'draw', can contain hundreds of toxic chemicals, along with heavy metals such as iron, chromium, nickel, and lead. In Australia there have been reported overdoses from illicit vaping products laced with nitazenes, a strong and potentially lethal synthetic opioid³. There is also the added risk of exposing a new generation of users to nicotine addiction because of the popularity of e-cigarettes among younger age groups.

Profits to serious and organised crime

Intelligence suggests that the majority of syndicates involved in the illicit tobacco market run diverse, multi-commodity businesses, with illicit tobacco providing a stable source of income that can be diverted into potentially more profitable and more harmful endeavours both in Australia and offshore.

Community safety and loss of trust

The growth of the illicit market has been accompanied by highly visible incidents of violence. These community safety threats have included homicides, acts of extortion, and arson attacks on premises related to the trade of illicit tobacco.

In addition to the health of individuals and community safety, illicit tobacco and e-cigarette products undermine regulatory frameworks designed to protect public health. This undermines public confidence in regulatory bodies, and crowds out regulated businesses who observe compliance and regulatory requirements.

Environmental impacts

The majority of illicit single-use e-cigarettes are not easily recyclable, as they contain a complex mix of plastics, heavy metals, e-liquid, and lithium-ion batteries. A significant volume of vaping products are being littered or sent to landfill as electronic waste. In contrast, regulated (and rechargeable) vaping products are easier and safer to recycle and destroy.

Illicit tobacco sticks are not typically compliant with Australian standards for reduced fire risk cigarettes. This presents a greater fire hazard than compliant products if discarded without being fully extinguished.

Impacts on public services

The illicit tobacco and e-cigarette trade has significant economic ramifications. Tobacco excise avoidance deprives the Australian community of substantial tax revenue that can be directed to other initiatives that promote health, security and social equality. Further, the expansion of the illicit market necessitates increased public spending on regulation and enforcement to address this growing issue.

3 NSW Health Pathology (2023, November 20) Overdoses linked to illicit vape juice. pathology.health.nsw.gov.au/articles/overdoses-linked-to-illicit-vape-juice

ITEC Market Drivers

Just as there is no single solution to dismantling the illicit market, there is no single market driver.

The scale, spread, and consumption of illicit tobacco and vapes are driven by a range of factors including:

Consumer demand

Increasing demand for illicit alternatives across demographics. Vaping is prevalent among younger, digitally connected Australians, whereas tobacco smoking is more common among Australians aged 40 and above.

Ease of access

Widespread access to illicit tobacco and e-cigarettes both through retail outlets and online channels facilitates accessibility of illicit products, and is not subject to age checks or other regulatory barriers.

Price differences

Avoidance of excise allows illicit tobacco to be sold significantly cheaper than excise paid tobacco. Price differences do not appear to be a driver in vape market, as the products being sold illicitly are not directly comparable with the therapeutic regulated products.

Sophistication and efficiency of illicit supply chains

Leveraging established smuggling methods used for other illicit commodities increases availability, and taps into existing criminal capability.

Lack of consumer awareness

Buyers may not understand the links to organised crime and why this is a problem. Illicit products may seem affordable, but they come at a high cost to community health and safety.

The illicit tobacco trade generates significant profits for organised crime through:

Tax evasion

Profits remain largely unaffected by typical costs such as tax or other business overheads.

Cash-based or non-conventional transactions

These make tracking more difficult, and while making it easier to launder proceeds.

Minimal business costs

Lack of adherence to tax and regulatory obligations (including workplace conditions) reduces costs.

Money laundering

Avoiding financial transaction reporting obligations and using non-traditional financial infrastructure facilitates the movement of proceeds from illicit tobacco, supporting other criminal enterprises and consolidating financial gain and power.

Insufficient deterrence

Criminal networks operate extensively in the illicit tobacco and e-cigarette markets partly because the penalties are lower compared to other illicit commodities. While they use similar methodologies for dealing in tobacco as they do for dealing in drugs, they do not face the same range of offences or similar levels of penalty that could potentially act as a deterrent. Relative to the prioritisation of finite enforcement resources, incommensurate deterrence and penalties are impediments to effective regulation and enforcement.

Work to date

It its inaugural year, the ITEC Commissioner's Office has:



Led and coordinated national efforts by refreshing key governance structures, including expanding the remit of the National Vaping Working Group to incorporate illicit tobacco (now the National Illicit Tobacco and E-cigarette Coordination Forum), to unify enforcement and regulatory action. It also hosted the first National ITEC Symposium, bringing together more than 80 representatives from law enforcement, health, compliance, and regulatory agencies to align national strategies.



Built the evidence base for targeted action by developing and validating a methodology to estimate the size and scale of illicit markets and inform future reporting. The ITEC Commissioner's office also formalised data-sharing agreements across Commonwealth, state, and territory agencies and commissioned targeted research with leading universities and health organisations to better understand consumer behaviour, market drivers, and international influences.



Driven policy and reform by providing data-driven advice on potential future policy options and as the basis for the Australian Government commitment of \$156.7 million in new funding to bolster enforcement capabilities.



Strengthened partnerships and engagement by conducting more than 200 engagements across Commonwealth, state, and territory agencies, industry, and the research sector. The ITEC Commissioner's office also forged relationships with international counterparts in the United Kingdom; Canada; Hong Kong, China; New Zealand, and with the United Nations Office of Drugs and Crime (UNODC).

The ITEC Commissioner's first year of work sits within the context of broader whole-of-government efforts implementing \$345 million Australian Government commitments to combat illicit tobacco and e-cigarettes. These commitments build on Australia's world-leading tobacco and vaping reforms and support the national response by:

- providing law enforcement agencies with funds to fight criminals
- strengthening powers to seize criminal profits and assets
- supporting public education to counter the appeal of illicit tobacco and vapes; and
- enabling strengthened cooperation between the Commonwealth, and states and territories to break the criminal business models.

As at the end of the 2024-25 financial year, we are seeing early results that show improvements funded through this investment are gaining momentum.. This includes more than 10 million vaping products and accessories being seized at the border by the Australian Border Force and Therapeutic Goods Administration since January 2024. In addition, the Australian Tax Office (ATO) increased illicit tobacco seizures by 39% from the 2023/24 financial year. The Australian Federal Police's Criminal Assets Confiscation Taskforce recently seized more than \$1 million in cash and assets from criminals dealing in illicit tobacco and has a number of other matters currently under investigation for action under the *Proceeds of Crime Act 2002* (Cth).

Steps have also been taken by several state and territory governments to reduce opportunities for criminal exploitation and to make it more difficult for these organisations to operate. This includes the recent introduction of licensing schemes in NSW and Victoria, which now sees all states and territories having a framework for regulating tobacco retail. An increase in engagement and cooperation across health, regulatory and enforcement agencies and between jurisdictions in the last 12 months provides a strong foundation for ongoing action.

It is important to note that these activities will not come to fruition overnight. It will take time and sustained commitment to see this through.

PART 2:

ITEC Data Reports

As outlined under Section 163D of the *Public Health (Tobacco and Other Products) Act 2023*, the ITEC Commissioner is required to report on the:

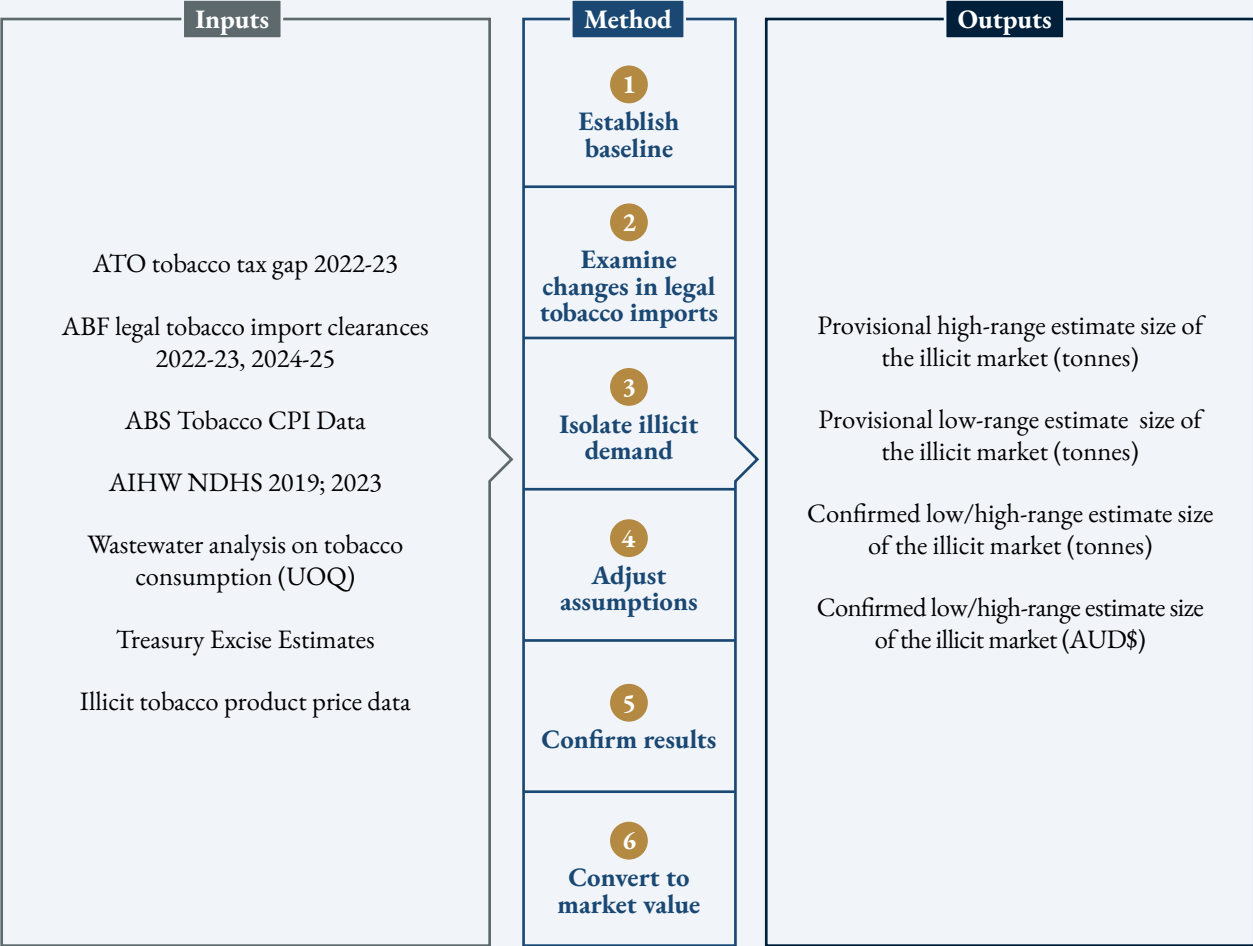
- prevalence and consequences of the illicit trade - **through law enforcement reports**
- estimated evaded excise and customs duties - **through excise and customs duty reports**
- enforcement statistics and analysis - **through enforcement statistics reports.**

This section responds to the ITEC Commissioner’s legislated reporting requirements for 2024-25.

Calculating the size of illicit tobacco market

The ITEC Commissioner’s office has developed a methodology to evaluate the size and value of the illicit tobacco market. The methodology has been shared with other agencies engaged in combatting illicit tobacco to test its validity, and externally reviewed. The approach draws on a suite of confidential and publicly available data sources, existing methodologies and assumptions, including those relating to price sensitivity and consumption rates ([Appendix A](#) refers; summarised in [Figure 1](#)).

Figure 1
Illicit tobacco market size: methodology



The link between tobacco consumption, regulated imports and the illicit tobacco market

Calculating the size of the market can be summarised as the process to find the gap between tobacco consumption rates and lawful imports of tobacco ([Figure 2](#)).

The number of people regularly consuming tobacco in Australia has declined markedly over the last three decades as a result of sustained health initiatives effectively reducing demand.

From FY22/23 to FY24/25, legal tobacco clearances have fallen by over half. On looking at consumption rates, we can estimate how much of the reduction in legally cleared products has been replaced by illicit supply.

Given that data around consumption is calculated at a macro level (rather than per person), there are some challenges in isolating whether changes in consumption are explained solely through a decrease or increase to smoking rates, and/or shifts to vaping and other products. To reflect this, the ITEC Commissioner's office has generated a low and high-range market estimates in acknowledgement of the issues faced in validating data sets ([Figure 3](#)).

Figure 2

Relationship between tobacco consumption rates, regulated imports and size of illicit tobacco market

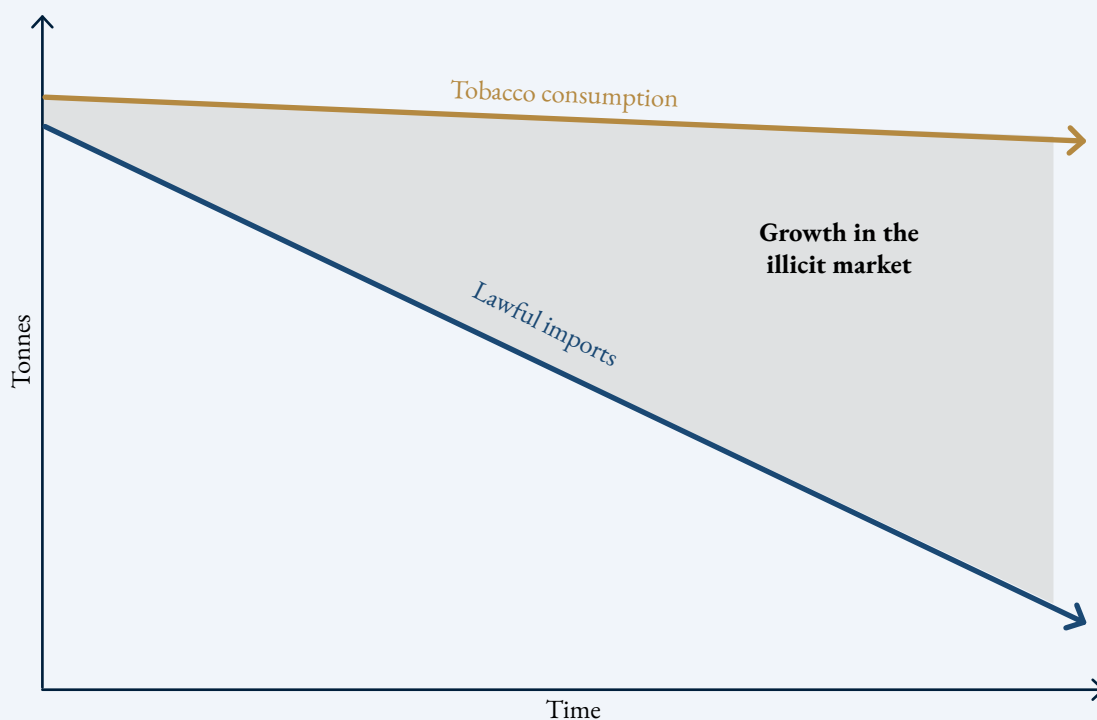
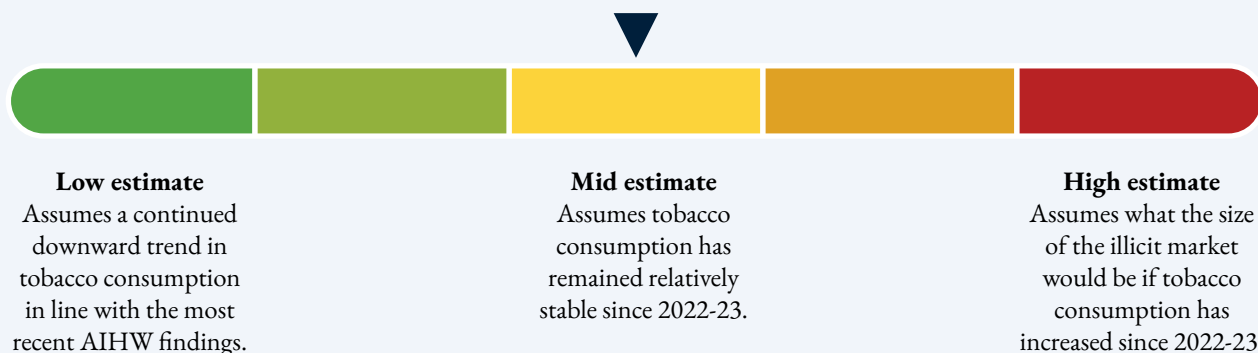


Figure 3

Tobacco usage assumption set



Calculating the size of the e-cigarette market

Generating accurate estimates of the size of the illicit e-cigarette market is difficult. This is particularly so prior to 2024-25, when import and retail of e-cigarettes without nicotine was lawful. Illicit actors used incorrect product labelling to unlawfully bring nicotine vapes into the country, but it is difficult to accurately estimate to what extent / market size.

Significant reforms through the *Therapeutic Goods and Other Legislation Amendment (Vaping Reforms) Act 2024*, commenced on 1 July 2024. While these reforms make it easier for enforcement agencies to distinguish between regulated and illicit e-cigarettes, it is likely to be a number of years before we have a sufficient volume of legal import data under these current settings to make inferences into the status and trends of the illicit e-cigarette market.

This is especially the case due to products being stockpiled ahead of regulatory reform. The downstream impact of the distribution of that stockpile into the market is likely to endure for a couple of years or more, affecting analysis of current illicit market behaviours.

Noting these limitations, to estimate the size of the market for this report, the ITEC Commissioner's office contracted a service provider to conduct a consumer survey of 4,000 nicotine consumers. For this specific study, quota sampling was employed based on age, gender, and geographic location to ensure adequate representation across key demographic

groups. The survey was conducted in March 2025.

The survey instrument was developed based on validated measures from existing surveys, including the National Drug Strategy Household Survey, with adaptations to address the specific research questions regarding illicit products. The survey was designed and conducted in line with standard survey design practice, with informal cognitive testing of the questionnaire undertaken to check the clarity and accessibility of questions. It asked a series of questions that could be used to determine whether vaping products used by respondents were legal or illicit. For example:

- Any vaping product not obtained via a pharmacy (or via an online pharmacy with a prescription) was classified as illicit, in accordance with Australian regulations introduced in 2024. Vaping products obtained online from an Australian website with a prescription were considered to be licit, assuming the website to be an online pharmacy.
- Any flavoured vaping product was classified as illicit. Tobacco, mint/menthol or unflavoured vaping products were classified as potentially licit if not otherwise deemed illicit.
- Disposable vapes were classified as illicit.

The approach used to estimate the value of the market was based on average user expenditure rather than average prices for vapes and vape accessories multiplied by volume. This is due to the large variation in vapes (number of puffs) and accessories. Survey participants were asked for average monthly expenditure to derive annual expenditure.



Law enforcement reports

For the purposes of this report, the term prevalence refers to how widespread the availability, use, and trade of illicit tobacco and e-cigarettes is across Australian communities and markets over a given period.

The term consequence refers to the harm or effects the trade of illicit tobacco and e-cigarettes has on public health and safety and other areas of public concern including criminal activity and the entrenchment of serious and organised crime.

Figure 4 data below highlights the size and share of the illicit markets, as well as the substantial pressure placed on law enforcement agencies to respond to criminal activities linked to the trade of illicit tobacco and e-cigarettes.

The ITEC Commissioner’s estimate of illicit market value is the estimated net profit accruing to criminal networks⁴. This is based on the estimated street value of illicit tobacco less the estimated cost of manufacture and importation of tobacco products.

Data on tobacco consumption reflects analysis from 2022-23, therefore our 2024-25 data is an estimate based on trend modelling. The low range estimate that the illicit tobacco market share accounts for 50% of the tobacco market assumes tobacco consumption has continued to trend down in line with most recent AIHW findings from 2022-23. The mid-range estimate of 55% assumes that since 2022-23 tobacco consumption has remained relatively stable, with the high range estimate of 60% representing a scenario if tobacco consumption has increased.

Consequences of the illicit market are broad in nature, and include the excise and enforcement information in the next two reports.

Harms to public health and community safety are challenging to quantify based on existing data sets. It is difficult to attribute specific health outcomes directly related to the illicit trade. This is similarly the case with community safety. For example, crimes linked with the illicit tobacco and e-cigarette trade have included homicide, extortion, arson, assault, and stolen property. Data collection does not uniformly attribute in a structured manner whether illicit tobacco or e-cigarettes are an underlying motive for each of the crimes, and there are often multiple factors involved. The ITEC Commissioner’s office will work with law enforcement agencies to develop a national picture while working towards streamlining data capture and sharing procedures to minimise effort for partner agencies.

Figure 4
Estimated market size and volume of illicit tobacco and e-cigarette products in circulation in 2024/25⁵

Reporting Period 24-25 Year	Illicit market share	Illicit market value
% / Value of tobacco	If tobacco consumption trends down: 50%	\$4.1 billion
	If tobacco consumption holds steady: 55%	\$5.6 billion
	If tobacco consumption trends up: 60%	\$6.9 billion
% / Value of e-cigarettes	95.7% of the e-cigarette market	\$1.6 billion

4 Net profit is the estimated street value of illicit tobacco less the estimated cost of manufacture and importation of tobacco products.
5 ITEC Commissioner’s office analysis

Excise and customs duty reports

Estimated excise evaded ranges from \$7.7 billion to \$11.8 billion. The revenue loss estimates assume that, in the absence of illicit tobacco, consumers would purchase an equivalent quantity of legal tobacco. However, this assumption may not hold in practice, as consumer behaviour is price-sensitive, and substitution between illicit tobacco and alternatives (such as vapes or quitting altogether) is uncertain.

Legal clearances¹¹ have continued to fall over recent years, totalling 3,975 tonnes in 2024-25. Legal clearances of cigarettes reduced by 30% from the previous year, with loose leaf tobacco reducing by 17%.

Figure 5
Estimates of the amount of imported and domestically produced illicit tobacco in Australia

Reporting Period 24-25 Year	Estimated amount of imported illicit tobacco	Estimated amount of domestically produced illicit tobacco
Tonnes	Between 3,312 and 5,397 tonnes ⁶	575 tonnes ⁷

Figure 6
Estimates of the amount of imported and domestically produced e-cigarette products in Australia

Reporting Period 24-25 Year	Estimated amount of imported regulated e-cigarettes	Estimated amount of domestically produced illicit e-cigarettes*
Number	523,531 ⁸	No data exists

*Note: data is not collected on the origin of seized illicit e-cigarettes.

Figure 7
Comparison of the estimated amount of evaded tobacco excise and customs duty resulting from the illicit tobacco and e-cigarette trade in Australia and the amount of excise and customs duty collected as a result of the legal trade in tobacco and e-cigarette⁹ products in Australia¹⁰

Reporting Period 24-25 Year	Excise paid on legal tobacco imports	Excise evaded on undetected illicit tobacco
\$	\$7.7 billion	\$7.7 billion to \$11.8 billion

6 ITEC Commissioner’s office analysis of the illicit tobacco market for 2024-25

7 Australian Taxation Office estimate of the domestic tobacco production in 2024-25.

8 Australian Border Force annual data collection on imported products

9 E-cigarettes are not subject to tobacco excise or customs duty.

10 ITEC Commissioner’s office analysis of the illicit tobacco market for 2024-25

11 Refers to cigarettes and loose-leaf tobacco products imported with a permit and import duty is paid

Enforcement statistics reports

The enforcement landscape surrounding illicit tobacco and e-cigarettes in Australia has intensified in recent years, reflecting the growing complexity and scale of these illicit markets. Figure 8 below and the contextual information provided throughout this report underscore the magnitude of the challenge faced by enforcement agencies in managing the consequences of the trade in illicit tobacco and e-cigarettes.¹²

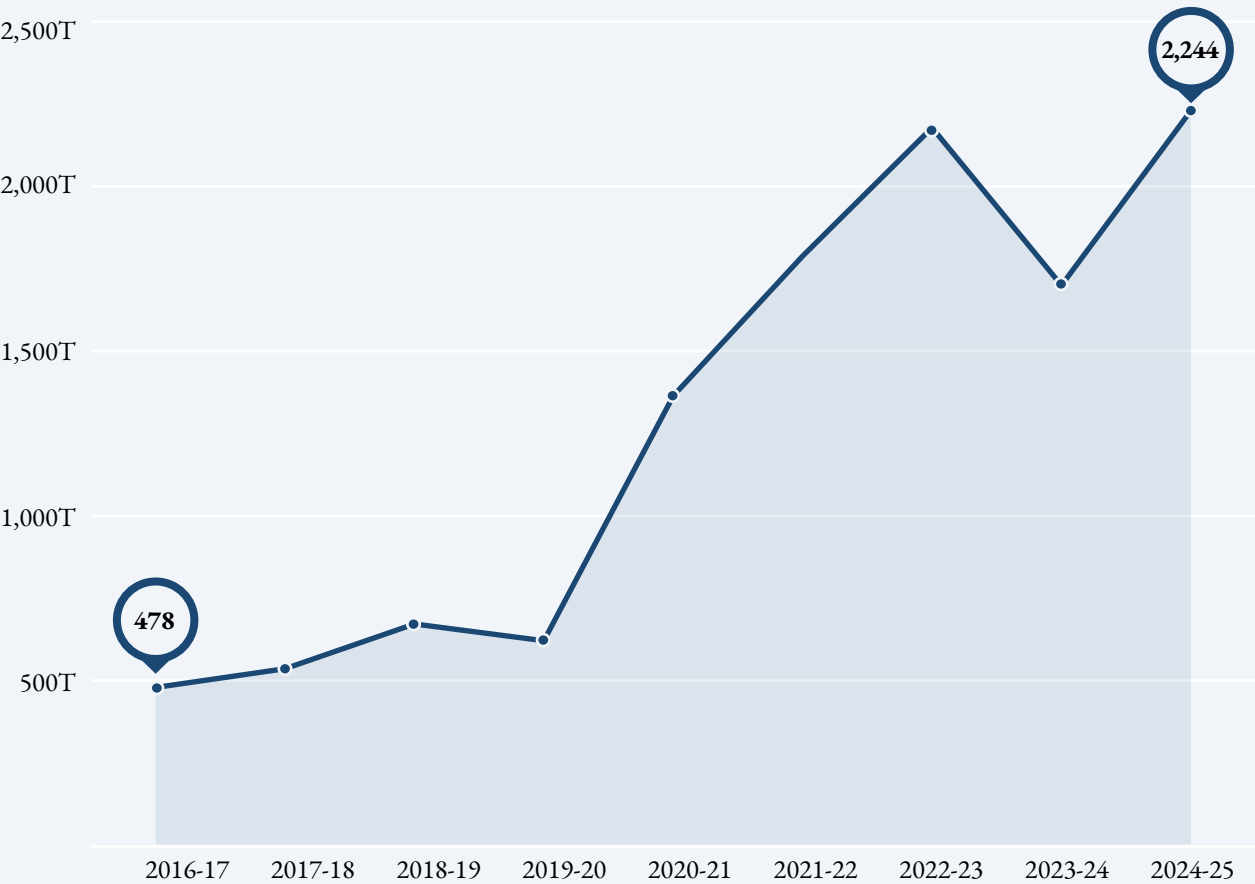
The volume of tobacco seizures continues to increase. A record volume of 2,244 tonnes of illicit tobacco was seized during 2024-25. The figures represent the combined tobacco and e-cigarette seizures from state and territory tobacco enforcement agencies, Australian Border Force, Australian Taxation Office, and Therapeutic Goods Administration

Seizures during 2024-25 represents 61% of legal cigarette clearances during the year and 54% of loose leaf tobacco clearances. Illicit tobacco seizures for 2024-25 represent a street value of illicit cigarettes and loose leaf tobacco totalling \$3.0 billion.

Figure 8
Estimated seizures of illicit tobacco and e-cigarette products

Commodity	Seizures
Cigarettes	2.66 billion cigarettes
Loose leaf tobacco	509 tonnes
E-cigarette products	7.5 million

Figure 9
Illicit tobacco seizures



Periods prior to 2023-24 are based on the ATO net tax gap analysis

12 Combined tobacco and e-cigarette seizures from state and territory tobacco enforcement agencies, Australian Border Force, Australian Taxation Office, and Therapeutic Goods Administration.

Figure 10¹³ represents current enforcement activity across state and territories. During 2024-25, compliance and enforcement agencies reported 3,321 inspections and 2,027 operations, including 281 joint operations.

Figure 11¹⁴ shows enforcement activity has led to the removal of 5,268 e-cigarette advertisements and 1,752 infringement notices. Fines issued over the period total \$27.6 million, with the mean infringement fine totalling \$15,386 based on 1,752 infringement notices.

It is important to note that fines reflect penalties available in legislation over the reporting period. Notwithstanding, law enforcement around the country has had a concerted focus within the legislative parameters currently in place. Some states and territories have or are in the process of reviewing legislative regimes to enable stronger consequences. Future reports from the ITEC Commissioner will allow for commentary on trends in enforcement outcomes.

Figure 10

Enforcement activity

Enforcement Activity	Count
Inspections Activities where organisations undertook routine compliance work in relation to licencing and/or other legislative compliance activities in the retail space for illicit tobacco and e-cigarettes.	3,321
Operations Activities where the sole or main reason for activity was a suspicion or knowledge of illicit tobacco and e-cigarettes being present regardless of the outcome.	2,027
Joint operations Operations involving more than one agency.	281

Figure 11

Enforcement outcomes

Enforcement Outcome	Count
Vape advertisement removals	5,268
Infringements	1,752
Infringement fines	\$27.0 million
Civil and Criminal fines Results of criminal prosecutions and civil penalty proceedings relating to any violations against illicit e-cigarette and vape accessories and/or illicit cigarettes/tobacco related legislation including but not limited to importation, possession or sale.	\$0.6 million
Charges laid Number of charges laid for anything where the matter included tobacco and/or vapes.	98
Commencement of proceedings Includes criminal and civil proceedings relating to any violations against illicit vapes and vape accessories and/or illicit cigarettes/tobacco related legislation including but not limited to importation, possession or sale.	71

13 Combined enforcement activity from state and territory tobacco enforcement agencies, law enforcement agencies, and Therapeutic Goods Administration.

14 Combined enforcement outcomes from state and territory tobacco enforcement agencies, law enforcement agencies, and Therapeutic Goods Administration.

PART 3:

The way forward

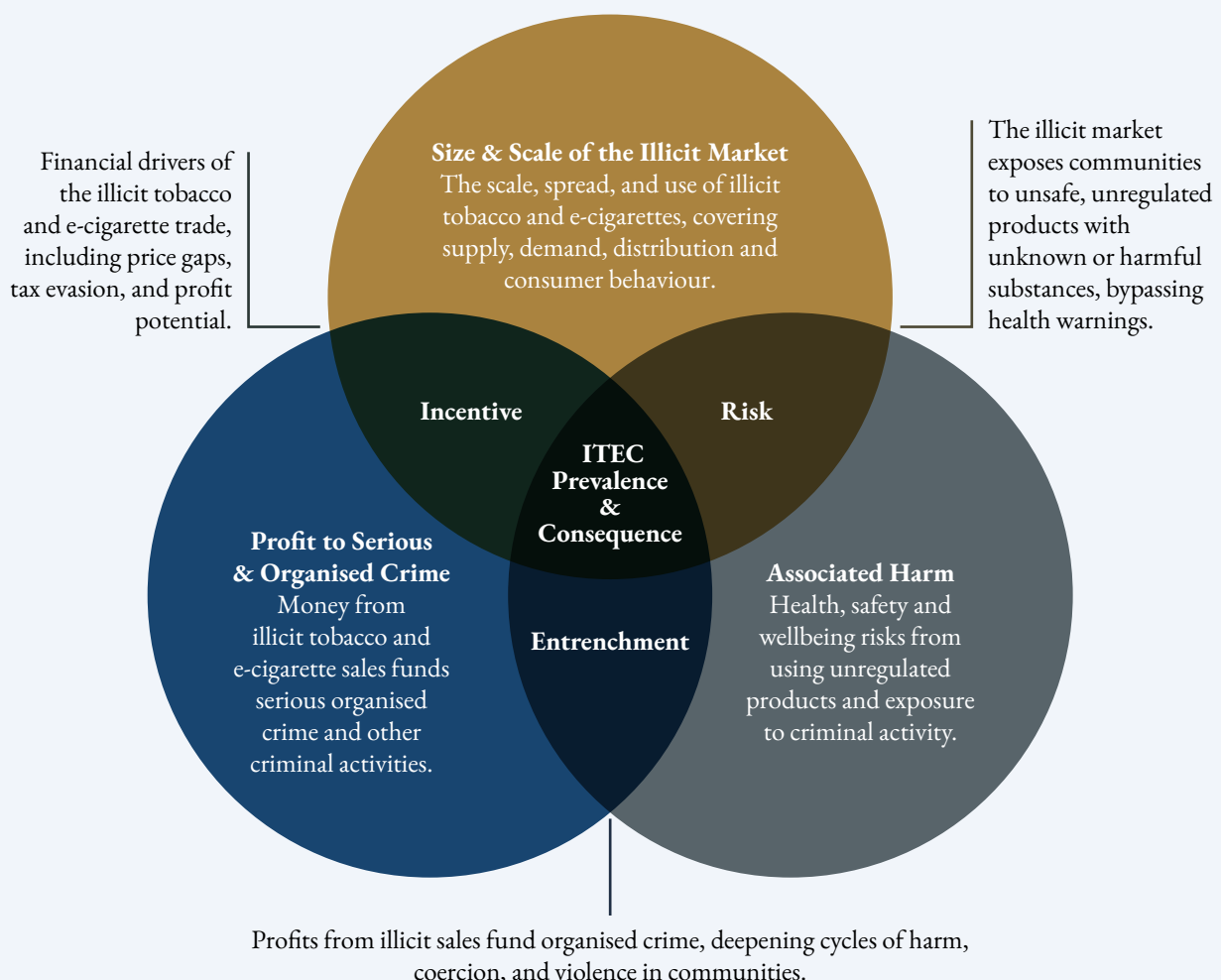
There is no single solution to addressing illicit tobacco and e-cigarettes. Illicit tobacco and e-cigarettes represent a threat to Australia's public health, economy, and community safety. Targeting just one part of the system is unlikely to deliver results. Similarly, we need to ensure that interventions to address any one of these aspects does not cause adverse consequences to another.

This dynamic can be illustrated through the three deeply interconnected factors that together represent prevalence and consequence of the illicit trade (Figure 12):

1. Size and scale of the illicit market – the scale, geographic spread, and consumption of illicit tobacco and e-cigarettes, including supply, demand, distribution, and consumer behaviour.
2. Profit to serious and organised crime – the flow of money from illicit tobacco and e-cigarette sales that funds serious and organised crime, enabling further criminal enterprises.
3. Associated harms – the health, safety and wellbeing impacts from consumption of unregulated products and exposure to criminal activities.

Figure 12

Prevalence and Consequence of the Illicit Tobacco and E-cigarette Trade



Potential areas for action

A multi-pronged response is needed across the ecosystem, from supply (growth through to retail) to demand, bringing together the power of national capabilities in order to:

- shrink the illicit tobacco and e-cigarette markets
- reduce incentive for criminal involvement in tobacco and e-cigarettes
- minimise associated to public health, safety and wellbeing.

The ITEC Commissioner has identified four key themes that can guide the way forward and future activity.

The way forward is not mutually exclusive to the importance of bedding down implementation of existing \$345 million Australian Government commitments. Existing measures include providing law enforcement agencies with resources to fight criminals; strengthening powers to seize criminal profits and assets; supporting public education to counter the appeal of illicit tobacco and vapes; and enabling strengthened cooperation between the Commonwealth and states and territories to break criminal business models.

It is critical to see through current implementation of these measures in order to realise the benefits of this significant existing investment. Progress varies, being relative to the implementation model entailed. Tangible impact and outcomes from these measures will require consolidated effort, coordination and continued national leadership across the life of the initiatives. The ITEC Commissioner's office will take a leadership role, centralising a coherent view of this multi-agency effort, and catalysing change as well as monitoring successes.

Potential future activity can be conceptualised through the following four themes. These indicative concepts can be further developed with authorities across federal, state and territory governments.

Stronger Consequences

Actions to create stronger consequences would contribute to a greater deterrence effect, rebalancing the risk to reward ratio for illicit actors. In particular, working to increase the likelihood of prosecution and targeting the assets of individuals suspected of profiting from this trade. This could include enhancing Australia's legislative and regulatory framework by optimising existing powers, aligning penalties with severity of offences, creating new provisions where needed, and aligning delegations to operational presence. That is, uplifting legislation across portfolios and jurisdictions.

Hardening tobacco licensing arrangements, potentially through a national standard, is another avenue to consider.

Criminal networks operate much like conventional businesses, however they manipulate demand, seek market domination, and develop novel products to circumvent regulations. Any work in this theme should seek to ensure that provisions are future proofed against product innovations designed to evade the law. This includes looking at the exploitation of non-traditional financial infrastructure for money laundering purposes.

Multi-Agency Capability

Strong interagency cooperation on intelligence, operations, problem solving and planning are vital to enabling effective regulatory and law enforcement responses – and removing illicit products from both retail and online channels.

Under this theme, there are opportunities to deliver a national response that is greater than its component parts by combining the powers of law enforcement, border protection and regulatory agencies across the country to work towards:

- seamless, cross-jurisdictional collaboration that disrupts all stages of the illicit supply chains;
- consistent targeting, intelligence sharing, and operational support nationwide;
- amplified disruption outcomes through shared capabilities; and
- application of all available legal mechanisms to constrain the activities of individuals involved in serious organised crime, including proceeds of crime action.

This could mirror efforts in other serious and organised crime spaces, such as the fight against Outlaw Motor Cycle Gangs.

Particular focus will be given to how the Commonwealth can work with the states and territories to support cross-jurisdictional effort.

Multi-agency capability also extends to Australia partnering internationally to help understand comprehensive regional and thematic threat assessment of transnational organised crime and targeting illicit tobacco and e-cigarette production sources.

Unified Information and Data

To facilitate multi-agency and cross-jurisdictional capability, unified information and data will underpin collaboration, national situational awareness, and strategic analysis.

This would involve defining information and data sharing requirements, formalising arrangements for access, sharing, retention, and use of data across Commonwealth agencies, law enforcement agencies, health and other regulatory agencies. Providing support to non-law enforcement agencies to adopt principles of the intelligence requirements cycle to support prioritisation and risk management would further build cohesion and a common 'language' across stakeholders.

Data, information and research including with global partners should provide a strong evidence base for action, such as evolving market dynamics (including shape and composition), understanding the crossovers and separations between tobacco and vape consumption, and early warning of shifts to support earlier development of potential responses. Enhancing intelligence via public-private and academic engagements would contribute to the picture. This will become increasingly important over time as the illicit market responds to the government actions currently underway.

Identifying key actors and organised crime groups that pose immediate risks to the safety of the Australian community is a key enabler to informed, targeted interventions to prevent harm and safeguard national interests.

Demand Reduction

While much work to date in the illicit tobacco and e-cigarette market has focused on addressing supply factors, we must also look at demand. A cohort of consumers remain resistant to health warnings and continue to smoke. At the same time, e-cigarettes and other novel products are introducing new generations to nicotine consumption. Reducing demand through targeted harm minimisation strategies will continue to be important for both public health and reducing the size of the illicit market.

Working to better understand the drivers and motivations of those who consume nicotine, and in particular, those who choose to purchase illicit products, will inform demand reduction work including public campaigns.

Research may also be beneficial on criminal exploitation of people experiencing entrenched addiction and intersectional disadvantage, as well as exploration of diverse community and cultural perspectives on what would make the day-to-day difference to consumption and trade.

Tobacco excise is a central component of comprehensive tobacco control aimed at reducing tobacco consumption and protecting Australians from the harms of smoking. The Government monitors the appropriateness of existing taxation settings, including for tobacco. Current tobacco taxation settings balance a variety of policy objectives such as health, control of illicit goods, consumer choice, and collecting revenue for essential services. As previously noted, any intervention to existing policy needs to ensure there are no adverse or unintended consequences. In the case of excise, entering into a price competition with the illicit market could lead to adverse health outcomes, and undo successive generations of government policy to drive down smoking rates.



Appendices

Appendix A

Methodology used to estimate the size of the illicit tobacco market

The ITEC Commissioner’s Office has adopted a six-step process to accurately estimate the size of Australia’s illicit tobacco market in 2024-25, incorporating a set of private and publicly available data sources.

1 Establish baseline	The ATO has estimated the size of the Australian illicit tobacco market since 2016-17 using its tobacco tax gap methodology. The latest available ATO estimate is for 2022-23. The ITEC Commissioner’s Office has used this 2022-23 estimate as a baseline for its projections for 2024-25, focusing on key changes observed since 2022-23 across metrics including regulated tobacco imports, illicit tobacco prices and smoking and vaping rates.
2 Examine changes in legal tobacco imports	Regulated tobacco import data is then used to calculate the change in demand for regulated tobacco products from the baseline year. For example, between 2022-23 and 2024-25, a 3,695 tonne reduction in regulated tobacco imports was observed.
3 Isolate illicit demand	To identify the size of the illicit market, we assume that the observed fall in demand for regulated tobacco (the reduction in regulated imports) has been predominantly replaced with demand for illicit tobacco, allowing for changes in estimated levels of smoking rates, and impacts of the e-cigarette market. That is, the difference in regulated imports between the baseline year and 2024-25 provides us with a projection of the size of the illicit market. We treat this as our high-range estimate.
4 Adjust assumptions	To determine a low-range estimate, we adjust smoking rates to account for the success of health initiatives, historical trends in smoking rates, the effects of regulated tobacco price increases and instances of tobacco smokers switching to e-cigarettes. The adjusted smoking rate is used to project the lower level of demand for regulated tobacco in 2024-25 under this scenario, with the difference between this adjusted level of regulated imports and the baseline year treated as the low-range estimate.
5 Confirm results	The projections of the total and regulated tobacco markets are tested against other data sources. This includes using wastewater analysis on tobacco consumption (University of Queensland) to test whole of market volumes (regulated and illicit) and Treasury excise estimates to test the anticipated regulated tobacco market volume.
6 Convert to market value	The total value of the illicit market (AUD\$) is then calculated by multiplying the average street value of illicit products collected from state and territory health agencies / online marketplaces against the low and high-range illicit product estimates (in tonnes / sticks).

Appendix B

Partners and contributors

States and Territory law enforcement and health agencies remain committed to tackling illicit tobacco and e-cigarettes across the border continuum alongside and supported by ABF.



Commonwealth

- Australian Border Force
- Australian Criminal Intelligence Commission
- Australian Federal Police
- Australian Taxation Office
- Australian Transaction Reports and Analysis Centre (AUSTRAC)
- Commonwealth Director of Public Prosecutions
- Department of Health, Disability and Ageing
- Department of Home Affairs
- Therapeutic Goods Administration



States and Territories

- ACT Health
- ACT Policing
- Consumer & Business Services (SA)
- Department of Health, Victoria
- Department of Justice and Community Safety (Victoria)
- Department of Trade, Business and Asian Relations (Northern Territory)
- New South Wales Ministry of Health
- New South Wales Police
- Northern Territory Health
- Northern Territory Police
- Queensland Health
- Queensland Police Service
- Revenue Western Australia
- South Australia Police
- Tasmania Police
- Tasmanian Department of Health
- Victoria Police
- Western Australia Health
- Western Australia Police Force



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