

Illicit Trade Should Be Treated As A National Threat And Tax Evasion As A Grave Offence - FICCI Urges the Government

- *Rs.39,239 crores – Estimated loss to Government; Rs.1,05,381 – Estimated loss to the industry in just 7 sectors*
- *Gold, Cigarettes, Machinery Parts, Fabric/Silk Yarn and Electronic Items witnesses the highest number of DRI seizures in the past few years*

NEW DELHI, 1 June 2017: FICCI CASCADE (Committee Against Smuggling and Counterfeiting Activities Destroying the Economy) has appealed to the policy makers from the Ministry of Finance, Cabinet Secretariat and Prime Minister's office that illicit trade should be treated as a national threat and tax evasion needs to be seen as a grave offence. FICCI also urged the Government to take adequate steps to tackle this menace.

In the letter to various concerned ministries, FICCI shared the outcome of a recent interactive session held on Illicit trade and its impact on consumers, industry and economy, where it was felt that stringent actions needs to be taken to counter and bring down illicit trade in the top smuggled sectors in the country. According to FICCI's recent report – 'Invisible Enemy – A Threat to Our National Interests' the top five goods where the seizures by DRI has been the highest in the past few years have been-- gold, cigarettes, machinery parts, fabric/silk yarn and electronic items.

The existence and operation of illicit trade vis-à-vis counterfeiting and smuggling has been an enduring problem that has escalated in scope and magnitude, impacting industries, government, economies and, the health and safety of the consumers. FICCI CASCADE, over the years, has been actively focusing on curbing the problem of growing illicit trade in smuggled, pass-offs and counterfeit goods.

Dr. A Didar Singh, Secretary General, FICCI, stated that India today has the potential to become a global manufacturing hub. However, widespread smuggling and counterfeiting, in the absence of an adequate enforcement mechanism to stop it, can act as a dampener in achieving this goal. It is time that we call for stern and resolute counterstrike force against such ill-intentioned activities.

As per FICCI CASCADE report, the total loss to the government on account of illicit markets in just seven manufacturing sectors is Rs.39,239 crores and loss to the industry is Rs.1,05,381 crores in 2014. Amongst the various sectors, the maximum revenue loss to the exchequer on account of counterfeiting and illicit trade is attributed to tobacco products, estimating a revenue loss of Rs.9139 crores followed by mobile phones at Rs.6705 crore and alcoholic beverages at Rs.6309 crore.

FICCI report establishes a relationship between high taxes and availability of illicit products. High tax rates tend to exacerbate illicit markets by creating greater demand for cheap and counterfeit substitutes. A significant reason being that high tariffs and taxes create opportunities for those involved in illicit markets to step in and supply 'reduced' versions of the original product at lower prices. Considerable differences in tax rates between states open up opportunities for illegal cross-border trade. A perspective of having the right balance between tax revenue targets and consumer interests is therefore

imperative. The Goods and Service Tax (GST), will have to take due care to rectify this anomaly in taxation policy and set this imbalance right.

FICCI MEDIA DIVISION

Copy of a letter to the Government

**Shri Nripendra
Mishra**

**Principal Secretary to Prime Minister
Prime Minister's Office
Government of India**

Dear Sir,

The existence and operation of illicit trade vis-à-vis counterfeiting and smuggling has been an enduring problem that has escalated in scope and magnitude, impacting industries, government, economies and, the health and safety of the consumers.

As you are aware, FICCI's Committee Against Smuggling and Counterfeiting Activities Destroying the Economy (CASCADE), over the years, has been actively focusing on curbing the problem of growing illicit trade in smuggled, pass-offs and counterfeit goods.

As per FICCI CASCADE reports, due to illicit markets, the estimated loss to the industry in just 7 Industry sectors is Rs. 1,05,381 crores, an increase of 44.4% between 2011-12 to 2013-14. Also, the top five goods where the seizures by DRI has been the highest in the past few years have been - gold, cigarettes, machinery parts, fabric/silk yarn and electronic items.

In pursuance of its agenda, FICCI CASCADE recently organized an interactive session on the '**Impact of Illicit Trade on Industry, Economy and Consumers**'. The intent was to facilitate a wider exchange and ensure a multifaceted perspective to understand the gravity of the menace caused by illicit trade activities. The session focused on issues such as need for increased consumer awareness; strengthening of enforcement regime; impact of taxation policy; improvement in regulatory mechanism and enhanced stakeholder collaboration.

The panelists at the interactive session highlighted that illicit trade should be treated as a national threat and tax evasion needs to be seen as a grave offence.

You will kindly agree that to deal with a problem of this magnitude, it is necessary that adequate steps are taken to tackle this menace. A complete set of press clippings of the event is enclosed for your kind perusal.

Best Regards,

DidarSingh

Dr A Didar Singh
Secretary General
FICCI