FICCI urges the Govt. to curb the menace of smuggled and counterfeit goods in the country

- ***Rs. 1,05,381 crore – Estimated loss in just 7 industry sectors***
- ***Tobacco, Mobile Phones, Alcoholic beverages top 3 goods to cause maximum loss to the exchequer***

NEW DELHI, 15 May 2017: According to FICCI smuggling and counterfeiting severely harms the economy of a country in multidimensional ways. It undermines the local industry, suppresses innovation and investment, discourages legal imports, reduces the volume of revenues collected from duties and levies by the government, fuels transnational crimes and hampers the health of citizens. The ill effects are felt widely across industries.

Alarmed by the pace at which such goods are growing and in order to bring adequate attention to the magnitude of the problem, FICCI has undertaken in depth research on the magnitude of the problem and shared the findings with policy makers from Ministry of Finance, Cabinet Secretariat and Prime Minister's office, urging them to take swift action to clamp down the rising illicit trade in smuggled and counterfeit goods in India.

India is one of the growth engines of the global economy and as the Indian economy grows it is faced with the challenges posed by the growth of smuggled and counterfeit goods. To deal with a problem of this extent, it is vital to highlight the enormity of the problem and take firm steps to eradicate the nation-wide menace.

FICCI has a dedicated body Committee Against Smuggling and Counterfeiting Activities Destroying the Economy (CASCADE) – a unique forum addressing the problem of growing illicit trade in counterfeits, pass offs and smuggled goods in India. As per FICCI CASCADE reports, **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.**

The market for contraband and smuggled goods is thriving in India and is today one of the biggest challenges faced by Indian industry. 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 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.**

According to FICCI's recent report – '*Invisible Enemy – A Threat to Our National Interests*' – focusing on the negative impact of smuggled goods on the Indian economy and businesses, the smugglers are now switching over to cigarettes and fabric/silk yarn as they are low-risk, high-reward goods. As per the report, in the last one year, the DRI seizures of smuggled cigarettes has increased by 78% (from Rs. 90.75 crores in 2014-15 to Rs. 162 crore in 2015-16) followed by fabric/silk yarn, where the increase is by 73% (from Rs. 24.03 crores in 2014-15 to Rs. 41.78

crore in 2015-16). The seizures of gold have witnessed an increase of 61% (from Rs. 692.35 crore in 2014-15 to Rs. 1119.11 crore in 2015-16). While the DRI seizures of machinery parts and electronic items has seen a decline.

The 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