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Major international tobacco contraband network dismantled in Italy and Germany

On 27 November 2014, law enforcement authorities in Italy (Agenzia delle Dogane and Guardia di Finanza) and Germany (Zollkriminalamt Köln and Zollfahndungsamt Berlin) succeeded in dismantling an international tobacco contraband network. The European Anti-Fraud Office (OLAF) contributed to the joint efforts that led to this successful operation.

Under the coordination of the Prosecutors of Turin and Frankfurt/Oder, law enforcement officials searched a cigarette production plant near Turin which was found to be producing "made in Italy" cigarettes destined in part for the illegal market in the EU. Investigations are continuing, but to date over 10 persons have been arrested and a large amount of documents detailing financial transactions concerning this traffic were seized.

The network produced cigarettes in the EU. It then simulated fictitious exports outside the EU or carried out real exports to third countries and subsequently smuggled the cigarettes back into the EU with the aim of avoiding the applicable customs duties and taxes. It is estimated that the harm caused to the Italian budget alone is in excess of €90 million. The final figures are likely to be much higher.

OLAF had, since 2012, investigated activities linked to this network and cooperated in the criminal investigations organised jointly by the Italian and German authorities that led to this operation. In this context, OLAF organised a coordination meeting in autumn 2013 with judicial and law enforcement authorities of these countries and cooperated with several other EU Member States (Belgium, Hungary, Lithuania, Poland, Romania and Slovakia) and third countries (Moldavia, Ukraine).

OLAF brings a significant added value to such operations where contraband networks operate across borders and there is a need to counter them through coordinated efforts on an EU-wide scale.

Background:

Cigarette smuggling causes huge yearly losses to Member States and the EU in evaded customs duties and taxes. Smuggled tobacco respects no rules, and poses great risks to both consumers and businesses. It undermines anti-smoking and public health campaigns, and violates the strict rules that the EU and Member States have on manufacturing, distribution and sale. OLAF investigates cases of customs fraud as they are financially damaging to legitimate industry and the EU taxpayer. OLAF has an explicit mandate to fight cigarette smuggling as part of the EU efforts to curb this phenomenon.

OLAF

The mission of the European Anti-Fraud Office (OLAF) is threefold: it protects the financial interests of the European Union by investigating fraud, corruption and any other illegal activities; it detects and investigates serious matters relating to the discharge of professional duties by members and staff of the EU institutions and bodies that could result in disciplinary or criminal proceedings; and it supports the EU institutions, in particular the European Commission, in the development and implementation of anti-fraud legislation and policies.

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