

Buying cigarettes on the Internet
A survey by Action on Smoking and Health (ASH)

Background.

With relatively high cigarette prices in the UK, increasing numbers of internet sites are springing up offering cigarettes in the UK at rates which they claim to be far below UK prices. These websites are set up in countries which have much lower tax rates on cigarettes than the UK (such as Spain or Greece). They pay the much lower duty for cigarettes in these countries, and then ship them to customers in the UK. The operators of these sites claim that, having paid duty in one member country, they can freely move of goods and services within the European Union, to allow them to transport cigarettes to the UK without paying any additional duty, provided they are for personal use. The websites claim to offer cartons of 200 cigarettes for as little as £11, compared with a retail price in the UK of £39. By restricting sales to 200 cigarettes per person, the sites claim to demonstrate that they are providing cigarettes only for personal use, and not for resale.

Although the websites claim to be able to operate legally, UK Customs & Excise take a very different view. The websites claim to be able to take advantage of the single European market, to pay duty on the cigarettes in a country with low rates and then ship them to the UK without incurring additional duty. However, on their fact sheet on the issue (available below at Annex 1), HM Customs strongly deny that this is legal. They say that:

“Most sites offering cheap cigarettes are a rip off. All cigarettes bought via the Internet must bear UK taxes. There are no allowances or loopholes. Cigarettes bought from sites that do not arrange payment of UK taxes are liable to forfeiture. In the last year Customs have destroyed over 10 million such cigarettes.”

Customs' position is that tobacco dispatched by a website's operators in one member state to a private consumer in another forms a commercial transaction and is liable to duty in the member state of destination in exactly the same way as any other commercial transaction. They say that, while individuals can buy cigarettes for their own consumption while in other EU countries, the rules are different for internet sales, and that they will impound any cigarettes shipped in this way. Recognising that UK customs disagree with what they are doing, a few of the websites offer a free replacement shipment if cigarettes are intercepted by customs.

ASH's Survey.

ASH undertook a survey of these websites to find out whether they were able in practice to deliver on their promises, and how successful Customs and Excise are in stopping this trade, and impounding cigarettes sold over the internet.

ASH targeted 12 websites which claim to offer low price cigarettes to the UK market. These sites were identified using a portal website which links to cigarette e-retailers (www.discountcigarettes.org), and chosen on the basis of their level of targeting of the UK market (by offering cigarette brands smoked primarily in the UK, having prices in sterling and, in some cases by offering a rebuttal of UK Custom's view that their trade is illegal). ASH placed orders with these 12 websites. The orders were placed on 7 March 2001. Each order was for a carton of 200 cigarettes, either Lambert & Butler or Marlboro (respectively the UK and the World's most popular brands). Examples of the websites can be seen at Annex 2

Results

This survey threw up a number of very interesting results – which are summarised in table 1.

Table 1.

URL	Price quoted for 200 cigarettes.	Outcome of order?
Lowpricecigarettes.com	16.50	Cigarettes received 19 March. Price charged £24.50
Tobaccofromspain.com	17.76	Credit card details taken & £22 debited from ASH credit card, but no cigarettes received
Cigaretteclubspain.com	19.00	Credit card details taken but no cigarettes received.
Way2netshop.com	10.26 (Marlboro lights)	Cigarettes intercepted by customs. Charged a further £27.65 duty. Total cost £36.91. Wrong brand received.
Smokeplanet.com	15.84	Cigarettes arrived 21/3. Price charged £16.77
Cheapcigarettes.com	25.00	Credit card details taken but no cigarettes received
Cigaretteseller.com	19.00	Credit card details taken but no cigarettes received.
Cigarettesfromspain.com	25.00	Credit card details taken but no cigarettes received
Cigarettesinternational.com	23.00	Credit card details taken but no cigarettes received.
Easysmoking.com	18.94	Credit card details taken but no cigarettes received
e-tobacco.com	27.33	Credit card details taken but no cigarettes received.
Tobacco-online.net	\$22.29 (£15.27)	Credit card details taken but no cigarettes received.

First and foremost, it showed that buying cigarettes online is a very hit-and-miss business. Of the 12 websites targeted, only three (Lowpricecigarettes.com, Way2netshop.com, & Smokeplanet.com) actually dispatched any cigarettes. A fourth website (Tobaccofromspain.com) charged £22 to ASH, but no cigarettes were ever received. At the time of writing (13 June 2001), the remaining 8 sites had done nothing. No money was taken, and no cigarettes were dispatched. This is extremely worrying, as it means that credit card details have been taken from smokers by people who have shown themselves to be unreliable by failing to provide the products ordered. These details may be kept on file for the future, and there are concerns that they can now be used for fraudulent purposes at a later date.

In addition, ASH's survey shows that UK Customs and Excise's claim to be clamping down hard on these illegal sales is very different in reality. Of the three lots of cigarettes shipped, all were received by ASH. One was intercepted by customs. However, rather than impounding it as they said they would, they preferred to charge ASH the duty payable (£27.65) – effectively turning a blind eye to this illegal trade provided they receive the revenue.

Conclusions

There are three main conclusions to be drawn from this research:

- The claims of Customs and Excise to be clamping down on internet tobacco sales are not borne out by the evidence of this survey, where only one shipment was intercepted, and even that was allowed through once duty was paid. No shipments were impounded in accordance with their policy.
- Only 3 of the twelve websites investigated actually delivered on their promise to deliver 200 cigarettes. The others either took the money but did not ship anything (effectively stealing the money), or did not deliver anything.
- Cigarettes bought on the internet, even if they are shipped in the first place, are not necessarily any cheaper than those bought on the high street. For the cigarettes which were intercepted by customs, the true cost was £38.15. This does not compare favourably with the UK retail price of £38.60.

Recommendations:

ASH recommends that, in order to discourage the trade in cheap internet cigarettes, the UK Government should devote more Customs and Excise resources to identifying and impounding these shipments. The Government should also press other EU member states to clamp down on the websites operating in their territory, to prevent unscrupulous operators from taking money without delivering on their claims.

ANNEX 1 – Guidance from HM Customs and Excise on internet cigarette sales.

Buying tobacco over the Internet

Always check with Customs before buying tobacco on-line. Most sites offering cheap cigarettes are a rip off.

All cigarettes bought via the Internet must bear UK taxes. There are no allowances or loopholes.

Cigarettes bought from sites that do not arrange payment of UK taxes are liable to forfeiture. In the last year Customs have destroyed over 10 million such cigarettes.

Detailed below is a series of frequently asked questions concerning the purchase of cigarettes over the internet

[Tobacco purchases from outside the EC:](#)

Tobacco purchases from within the EC:

Q. Is it legal to buy tobacco over the internet from another European Community country?

A. Yes, but ONLY if the UK VAT and excise duty is paid on the goods. The person who sells the goods must make arrangements for these taxes to be paid before they are sent to you. If you are a customer, it is in your interests to ensure this has been done, otherwise the goods are liable to forfeiture by Customs at the postal depot.

Q. What if the tobacco is a personal gift?

A. There are no statutory reliefs for tobacco goods posted as gifts from other EC countries, however Customs will not normally make additional charges provided that :

- It is a bona-fide gift sent from a private person in another EC country to a private person in UK;
- It must be for your own personal use and cannot be sold to others;
- You must not have paid for it, either directly or indirectly.
- There must be no commercial or trade element to the contents of the consignment
- It must be of an occasional nature (e.g. birthday, anniversary etc.).

Purchasing cigarettes from an internet company in another EC country to send to a family member or friend as a gift will NOT qualify for relief of duty and VAT.

Q. How can you go over to France and buy what you want for your own personal use but you can't do the same over the Internet?

A. Under an EU directive (Council Directive 92/12/EEC), tobacco dispatched by a vendor in one member state to a private individual in another forms a commercial transaction and is liable to duty in the member state of destination.

Q. How much UK duty and tax should be paid on 200 cigarettes?

A. The current rate of Excise duty on 200 king size cigarettes is around £32.20. Before placing an order you should ask yourself whether the prices being advertised on the web site indicate that the vendor is taking these charges into account and properly accounting for them. If not, your goods are liable to forfeiture and put yourself at risk of prosecution.

Q. If I pay the UK duty and VAT on seized cigarettes can I keep them?

No, Customs only restore seized cigarettes in exceptional circumstances. We do not ordinarily restore seized goods as we wish to:

- ensure that excise goods not normally available in the UK from legitimate outlets do not become commercially available.
- protect the revenues of both the UK Government and legitimate wholesale and retail trade.

Q. Is it illegal to import tobacco and not pay the UK taxes if the duty & VAT has been paid in another EC country?

A. Yes - even if the relevant taxes have been paid in another EC country, the UK duty and tax must be paid when the goods enter this country.

Q. Is it true that the end of duty free means this is now legal when it wasn't before?

A. The end of duty free within the EC has had no effect. "Duty free" remains a concession available to travellers to and from countries outside of the EC. The Excise Goods (Personal Reliefs) Order 1992 requires that, to qualify for relief of duty, the goods purchased abroad must be personally imported by the traveller. This means that the goods must be carried with them at the time of their return to the UK. Purchasing goods over the Internet does not qualify for this relief of duty.

Q. What is Customs doing about the Internet sites selling these goods?

A. Customs is well aware of these sites and we are vigorously pursuing action against them. Our officers at postal depots are actively targeting postal importation's of cigarettes.

Q. Are you investigating any particular sites?

A. Yes, but we do not comment on individual investigations that may be ongoing.

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Tobacco purchases from outside the EC:

Q. What are the rules for buying tobacco over the internet from outside the EC?

Tobacco sent from outside the EC must be properly declared and will be liable to import duty, UK VAT & excise duty.

There are concessions for "gifts" but these are subject to certain conditions:

- They must be of an occasional nature only, such as a birthday or anniversary;
- The value of the goods must not exceed 45 ECU (currently £36);
- They must be correctly declared to Customs;
- They must have been sent by a private person abroad to a private person in this country;
- The gift must be for the personal use of the recipient, or their family;
- There must be no commercial or trade element;
- They must not have been paid for either directly or indirectly.

In addition, any tobacco products must be within the following allowances:

- 50 cigarettes; or
- 25 cigarillos (cigars with a maximum weight of 3 gms); or
- 10 cigars; or
- 50 gms of tobacco or a proportional assortment of the different products.

Anything in excess of these allowances is liable to charges.

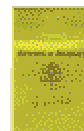
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ANNEX 2 – EXAMPLES OF Internet tobacco sites.

LOWPRICECIGARETTES.COM



 **FAQ'S**
Frequently Asked Questions



The tobacco products sold on this site are intended for personal use only.

Welcome to the Low Price Cigarettes website! - save up to 60% on your cigarettes!

Who are we?

Low Price Cigarettes was formed to overcome excessive tobacco taxation in some European Union countries - we offer massive savings on tobacco products delivered direct to your door from other EU countries.

How can we do this?


By taking advantage of the European Common Market! In the same way in which you can buy a U.K. specification car cheaper in Holland, or tobacco and alcohol cheaper in Calais, you can avoid excessive taxation by buying your cigarettes through Low Price Cigarettes!



Is this legal?


Absolutely! If you are in an European Union country, you have a great advantage! One of the major benefits this allows is free movement of goods between member countries.


Are your products taxed?


Absolutely! All of our cigarettes and tobacco products are taxed in an EU country and carry taxation stickers to prove this. Basically, because the goods are being shipped to another EU member state, a single point of taxation applies. Due to this, you can purchase discount cigarettes through Low Price Cigarettes from an EU country where tobacco taxes are far lower than in your country.


 You must be at least 18 years or older to order tobacco products. All orders will be validated before shipping.


  Credit cards: At this time, we accept Visa, Mastercard, American Express and Delta. Bank Wire Transfer: If you wish you may ask us to provide you with our banking details in order to deposit directly into our bank account.



 Low Price Cigarettes warns that tobacco use may be hazardous to your health. Low Price Cigarettes is not responsible for health issues resulting from the use of tobacco.


 Low Price Cigarettes can send more than 1 carton per customer. .


 All of our boxes at Low Price Cigarettes display an EU country's Government Seal which guarantees the contents of the boxes is genuine and all taxes and duties have been paid to an EU government authority. There may be occasions when duty must be paid in your country.



 All cartons have 10 packets each except if otherwise stated.

 We accept orders 24 hours a day, seven days a week.


  Our site has a Secure Server for credit card transactions. All credit cards are verified for authenticity before acceptance.

 Shipping charge varies according to order size.


 All orders will be carried out strictly in order of priority.



  Prices may fluctuate slightly due to daily changes in exchange rates between European currencies: See [Currency Converter](#)

Order & Shipping Policy

 We are pleased to have you as our customer! We strive to ensure that your order is shipped promptly and we guarantee your complete satisfaction with our products.



 We endeavour to deliver your Low Price Cigarettes within 7 working days via a leading international courier.

 Our cigarettes are fresh and smooth. NO stale tobaccos. NO harsh smoke. You will find this to be true with the first one you light up!
 **Please check our terms which govern all our orders and sales. Unless otherwise stated by you, that means full acceptance of them.**



If you have any questions or comments, please do not hesitate to contact us info@lowpricecigarettes.com.

Join our mailing list by writing to subscribe@lowpricecigarettes.com to receive updates on promotional specials, new products and close-outs.

To unsubscribe, write to unsubscribe@lowpricecigarettes.com.



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Warning: Tobacco can seriously damage your health