

ILLICIT TOBACCO TRADE IN SWITZERLAND



What the data show – and what they do not

Executive summary

The issue of the tobacco “black market” is regularly raised in Switzerland as a warning against increasing taxes on tobacco and nicotine products. According to this argument, higher taxes would automatically lead to more smuggling, an expansion of illicit trade and a loss of tax revenue for the Confederation. This report examines that claim using data available in Switzerland, statistics from the Federal Office for Customs and Border Security (FOCBS), estimates produced by KPMG for Philip Morris International, Empty Pack Surveys and the Federal Council’s report of December 2025.

The main conclusion is straightforward: Switzerland currently lacks the data needed to measure reliably the true scale of illicit tobacco trade within its borders. Customs offences and smuggling operations do occur, but the available official data do not provide a consistent body of evidence demonstrating the existence of a large, structured underground market supplying a substantial share of tobacco consumed in Switzerland. The FOCBS itself acknowledges that its statistics do not allow products, types of offence, actual seizure dates or the final destination of goods to be distinguished precisely.

The quantities actually seized must also be put into context. In 2025, approximately 1.6 million cigarettes were intercepted, while 7.698 billion cigarettes were sold legally in Switzerland. Seizures therefore amounted to approximately 0.0208% of legal sales. This ratio clearly cannot measure the actual share of illicit trade, since the detection rate is unknown. It does, however, illustrate the considerable gap between volumes directly observed and certain estimates running into hundreds of millions of cigarettes. Moreover, a substantial proportion of cigarettes seized at Swiss airports, particularly in Geneva, were apparently destined for France rather than the Swiss market.

This uncertainty contrasts with the apparent precision of the estimates published by KPMG for Philip Morris International. For 2025, KPMG estimates that approximately 230 million cigarettes classified as counterfeit or contraband were consumed in Switzerland. However, this figure comes from a

model combining legal sales, estimates of cross-border flows, commercial information, consumer surveys and Empty Pack Surveys (analyses of discarded cigarette packs collected in public spaces). The primary data and several essential calculation steps are not available in sufficient detail to allow independent replication of the Swiss results. The reported 2.8% share of illicit trade is thus a ratio between quantities that are themselves estimated by the model.

An examination of the Empty Pack Surveys raises further questions. These surveys can identify cigarette packs of foreign origin in public spaces, but they do not directly establish whether the cigarettes were purchased or brought into the country illegally. A foreign pack may result from a lawful cross-border purchase, a traveller's duty-free allowance, a duty-free purchase or consumption by a foreign visitor. The final classification of legal flows versus so-called "C&C" cigarettes therefore depends on adjustments and additional sources, some of which are not publicly accessible.

The Federal Council's December 2025 report illustrates the problems associated with official reliance on such estimates. On the one hand, it cites approximately 300 million smuggled or counterfeit cigarettes in 2024, associated with an estimated CHF 76 million in lost tax revenue. On the other, it states that 12.5% of cigarettes consumed in Switzerland were not taxed in the country, representing a loss of more than CHF 240 million. This second estimate is based on a WSPM study commissioned in part by the tobacco industry which, to our knowledge, is not publicly available in a form that would allow its methodology and detailed findings to be examined. Crucially, the category of cigarettes "not taxed in Switzerland" is far broader than that of illicit cigarettes. The relationship between the two estimates is not clearly explained.

The report also shows that the nature of the problem varies considerably by product. For e-cigarettes, the main problem documented in Switzerland is not a vast underground market but the open sale of non-compliant products through ordinary retail channels. In December 2025, the Basel-Stadt cantonal laboratory found at least one instance of non-compliance in 29 of the 32 products tested. Domestic market surveillance, the obligations of importers and distributors, and the effectiveness of product withdrawals therefore appear at least as important as customs controls.

Finally, the analysis places the Swiss debate in a broader historical context. Illicit tobacco trade in Europe has long involved not only counterfeit cigarettes but also genuine products diverted from manufacturers' supply chains. Agreements between the European Union and several multinational tobacco companies specifically strengthened requirements to monitor customers, quantities supplied and distribution channels. The WHO Protocol to Eliminate Illicit Trade in Tobacco Products

follows the same logic: tackling smuggling must go beyond border controls to include independent oversight of the entire supply chain.

Key findings

- The available official data do not demonstrate the existence of a large, organised black market supplying Swiss consumers.
- Switzerland currently lacks a sufficiently precise statistical system to measure reliably the scale and evolution of illicit trade.
- Documented seizures remain very small relative to the legal market and, for a substantial share of airport flows, concern goods destined for France.
- KPMG/PMI estimates rely on a complex model whose raw data and several calculation steps cannot be independently verified or replicated.
- A foreign cigarette pack, or one not taxed in Switzerland, is not in itself evidence of smuggling.
- The Federal Council presents estimates of tax losses based on different categories side by side without adequately explaining how they relate to one another.
- For e-cigarettes and certain newer products, the most visible violations primarily concern non-compliant products sold through ordinary retail channels.
- Legal parallel markets, including cross-border purchases, travellers' allowances and duty-free sales, must be measured separately from illicit trade.

Priorities for Switzerland

A comprehensive national statistical system for illicit trade should be established, distinguishing products, quantities, seizure dates, types of offence, import channels and the presumed destination of goods. At the same time, an independent national estimate should be produced using a transparent, reproducible methodology, without relying on data produced or funded by the tobacco industry.

The Confederation should also systematically distinguish legal from illicit flows, publish the quantities of tobacco products sold through duty-free channels, strengthen domestic market surveillance of e-cigarettes and newer products, and improve independent oversight of supply chains.

Illicit trade is a genuine public policy concern when it is documented. But uncertainty must not be turned into statistical certainty. Switzerland can currently neither demonstrate the absence of illicit trade nor measure its scale accurately. Under these circumstances, industry-funded estimates that cannot be independently replicated should not be treated as established facts or used as a decisive argument against tobacco tax policies grounded in public health objectives.