

Quarantining Illicit Tobacco

Tobacco Control through the Lens of
COVID-19

Christine Macqueen, Nicola Sudan &
Tim Driscoll

From the International Tax Stamp
Association



23 Members



Mission and Objectives

ITSA promotes benefits of tax stamp and secure traceability systems and advocates programme best practices by:

- Facilitating collaboration and best-practice exchange
- Developing and promoting tax stamp and traceability standards
- Educating stakeholders
- Providing common voice on benefits of tax stamp and traceability programmes

What is a Tax Stamp?

A visible stamp, label or mark placed on certain consumer goods to show applicable excise tax has been paid

A tool within a government's system for collection and protection of applicable taxes

ISO 22382:2018

90 COUNTRIES USE TAX STAMPS

22 CIGARETTES ONLY

9 ALCOHOL ONLY

59 BOTH

106 BN CIGARETTE
STAMPS / YEAR

18 BN SPIRITS STAMPS /
YEAR

Excise Products



COVID-19 Considerations

- Properly implemented tax stamp and traceability programmes :
 - Deter tax fraud
 - Protect public from harmful effects of contraband
 - Create a level playing field for compliant manufacturers
- The pandemic's strain on national economies and public health make these programmes more important than ever



Tax collection

Product authentication

Track and trace

Track and Trace Alone is Not Authentication

TRACK
AND TRACE

+

MATERIAL-BASED
SECURITY

=



What the World Bank Recommends

- Require licensing for full tobacco supply chain
- **Use tax stamps**
- **Use track and trace systems**
- Establish effective enforcement with automated devices
- Use detection equipment at customs points
- Acceptable roles for the tobacco industry
- Regulate or ban trade in free zones
- Set significant financial penalties and penal provisions
- Educate public

WHO – Treaties, Protocols and Articles . . . Oh My!



Guidelines: ITSA Blueprint



PROPOSAL FOR AN FCTC PROTOCOL-COMPLIANT TOBACCO CONTROL SYSTEM BLUEPRINT

This document has been created by the International Tax Stamp Association (ITSA), a not-for-profit organisation composed of leading suppliers of tax stamps and track and trace systems to governments. Its aim is to contribute to the work being carried out on implementing a tobacco track and trace system compliant with the WHO Framework Convention on Tobacco Control (FCTC) and its Protocol to Eliminate Illicit Trade in Tobacco Products (Protocol).

EXECUTIVE SUMMARY

Article 8 of the Protocol (entitled 'Tracking & Tracing') sets forth the principles of a global tracking and tracing system that is independent from the tobacco industry. A common technical blueprint is needed to support parties to the Protocol in the implementation of systems complying with Article 8, which leverages best practices on the different approaches to combat illicit trade, and which are interoperable at the international level. A shared governance framework restricting tasks that may be delegated to the tobacco industry also appears necessary, in order to enforce independence and prevent weak national implementations, which could undermine the security of the global system.

The purpose of this document is to propose a technical and governance model that could be considered as a blueprint by parties willing to implement a Protocol-compliant system. The proposed model draws from best practices gained by tax administrations around the world in the fight against illicit trade in tobacco products. It strictly adheres to the independence requirements of Article 8 and resolves weaknesses that academics, civil society and industry experts have detected in the European Union Tobacco Products Directive (TPD) model, by ensuring that competent authorities, in participating in the tracking and tracing regime, interact with the tobacco industry and those representing the interests of the tobacco industry only to the extent strictly necessary. The model is aligned with prior ITSA publications on governance and security features and with a guidebook recently published by the Framework Convention Alliance.

The proposed model is outlined below using language that aligns with Article 8, with some added recommendations on operational aspects and responsibility assignments.

- a) In order to establish the required tracking and tracing (T&T) system, each party shall set up and operate a national and/or regional database and use it to register stakeholders

Available on the ITSA web site at:
<https://www.tax-stamps.org/news-article/proposal-for-an-fctc-protocol-compliant-tobacco-control-system-blue-print>



Tobacco Control System Blueprint Key Points

- Tax stamp as carrier of unique ID
- National/regional database
- Marking of export products
- Applicable standards for Unique IDs
- Production monitoring
- Acceptable roles for tobacco industry
- Reporting of logistics information
- Enforcement programme
- Global Information Sharing Focal Point

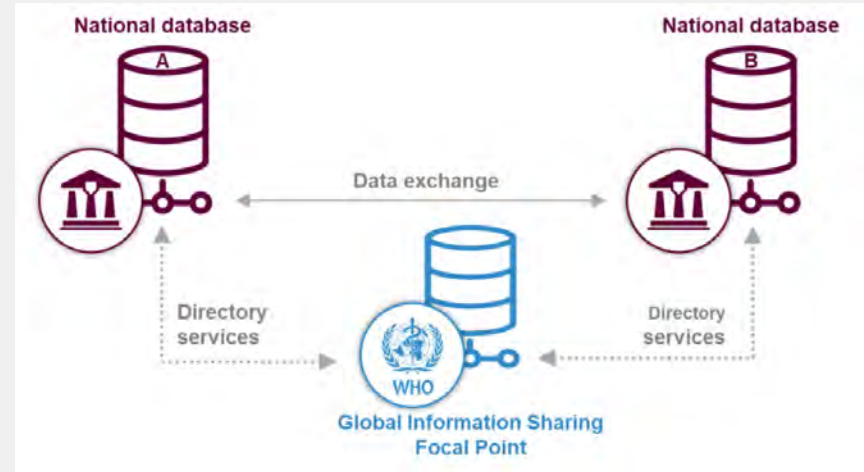
Why Tax Stamps for the Unique ID?

- Best approach for unique, secure, non-removable ID mark
- Multiple features for multiple stakeholders
- Established best practice within tobacco
- Minimally invasive process



National or Regional Database

- Importance of to-be-established Global Information Sharing Focal Point (GISFP)
- Facilitation of data exchange between countries
- FCTC-compliant national database in the short term
- **Flexibility to interface to GISFP once established**



Proposed connectivity framework between national databases and GISFP

Importance of ISO 15459:2014

- Company Identification Code (CIN) for serial number uniqueness
- Issuing Agency assigned (eg. ITSA)
- Facilitates data exchange
- CIN is combined with codes identifying:
 - manufacturer
 - site
 - production line
 - product type
 - tax stamp serial number



Mechanism for issuing unique codes

Production Monitoring

- Greatly increases likelihood stamps will be properly applied, and their codes reported into the database
- Multiple approaches exist, but key elements include:
 - Verifying stamp is applied to product
 - Reading the unique code
 - Communicating results to the database (“activation”)
 - Tamper proofing
 - Cross-checking manufacturers’ production declarations
 - Handling of rejected or damaged stamps or codes

ITP Guidance on Tobacco Industry Interaction

- Interaction limited to “***extent strictly necessary***”
- Only the following activities should be assigned:
 1. Application of the tax stamps
 2. Electronic communication of logistics data (shipments)
- The service provider should be responsible for:
 - ✓ proposing security features
 - ✓ managing the data and
 - ✓ overseeing the production monitoring system

Q&A Session



Membership

Talk to us about joining ITSA

Email: info@tax-stamps.org

www.tax-stamps.org