

TRADE BODY CALLS UK PLANS FOR TOBACCO PRODUCTS' PROTECTION 'DISAPPOINTING'

Plans for the UK to protect tobacco products and help revenue agencies secure excise duties, have been met with disappointment by the International Tax Stamp Association (ITSA).

ITSA was commenting on the decision of Her Majesty's Revenue and Customs (HMRC) around the new security features that will start to appear on cigarette and roll-your-own tobacco products from May 2019 onwards, as a requirement of the EU Tobacco Products Directive (TPD).

The TPD requires a minimum of five security features to be placed on tobacco packs, of which one must be overt, one semi-covert and one covert, and one must be provided by an independent party. HMRC has produced a list of four features: overt (guilloche), semi-covert (microprint), and covert (anti-Stokes ink and molecular taggants), from which tobacco manufacturers can choose. Unusually, HMRC has determined that the unique identifier (UID) itself can count as the fifth required feature and indeed that this can count as the independently provided element.

ITSA contends that the UID itself should not be considered as a qualifying security feature and finds the choice of the other elements 'disappointing' considering the range of better overt products available.

While countries like France, which like the UK does not currently have a tax stamp, have chosen more robust, balanced solutions across the different security levels, the UK's position appears at odds with the spirit of the World Health Organisation's (WHO) Framework Convention on Tobacco Control (FCTC) Protocol. This is seen as an international blueprint for the regulation of tobacco production and distribution and is being hailed as a 'game-changing' move in eliminating widespread criminal activity.

Nicola Sudan at ITSA said: "The choice of the four features is unbalanced because the emphasis is on covert features, and the overt features which are important to consumers and retailers are weak. Indeed, the use of design- and print-based features such as guilloche and microprint preclude the use of more robust security features such as holograms and reactive inks."

ITSA also highlights that machine-readable barcodes, which are required by the TPD to be carried on packs for track and trace purposes and which contain a unique identifier. cannot be considered security features because they consist simply of a printed or laser-engraved code, with no integrated authentication element.

The Association said that HMRC's choice has dangers, because "You can't tell if a code is genuine or not simply by looking at it. Even if you verify its status online you can't prove it is genuine because there is a risk of cloning".

ITSA added that it was disappointed that the UK had not taken the opportunity to follow the best practice of most EU members, by introducing a robust tax stamp with strong features under government control.

The statement by ITSA comes as the WHO's Meeting of the Parties (MOP1) is taking place in Geneva, where the focus is on ways to end the illicit trade of tobacco products.

It is estimated that 10% of all the cigarettes and other tobacco products produced are traded illegally, which equates to tax revenue losses of approximately \$30 billion a year. One of the measures to be debated is the implementation of a comprehensive global track and trace system within 5 years, where there is strong focus on independence from the tobacco industry.

Sudan added: "The UK's choice of security features for tobacco products is bitterly disappointing for those involved in tobacco control. It very much looks as if the UK has opened the door for the tobacco industry to control the choice of security features, placing it at odds with the Protocol. It's difficult to see how the UK will be able to honour its obligations under the Protocol, which, as an international law takes precedence over the TPD.

ITSA has published guidance on security and traceability for tobacco products which it has shared with key stakeholders and which is available on its website.

ITSA recommends that all the authentication elements required by the TPD should be provided by a third-party provider and combined with the digital data in the unique identifier in a multi-layered security bearer, such as a tax stamp. Combining the digital data with authentication features adds important anti-fraud protection assuring the UID cannot be fraudulently duplicated.

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ITSA members, who span the globe, can provide advice and expertise to governments looking to secure and protect excise revenues. Control systems based on tax stamps, which combine material and digital technologies, provide visible proof of tax payment and revenue collection. Copies of the ITSA Guideline are available from the ITSA website at www.tax-stamps.org.

The International Tax Stamp Association (ITSA) brings together leading industry companies and stakeholders, to promote a better understanding of the benefits of tax stamp programmes and the highest professional standards within the sector.

Over 150 revenue agencies (national and state governments) around the world use tax stamps to collect valuable tax duties and excise payments, involving the worldwide production of some 140 billion stamps annually. As well as providing visible proof of tax payment and revenue collection, tax stamps are used for product authentication, anti-tampering and traceability applications.

The World Health Organisation's (WHO) Framework Convention on Tobacco Control (FCTC) Protocol to Eliminate Illicit Trade in Tobacco Products provides a blueprint for the regulation of tobacco production and distribution, as well as international cooperation between enforcement authorities.

The 40 required state ratifications were achieved in late June 2018 when the UK ratified the treaty, which will thus come into force on 25 September. Parties to the Protocol have 5 years to put in place a global system for tracking and tracing. A first meeting of the Protocol parties to take decisions on the way forward will be held in October 2018.

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