

Welcome to the
3rd edition of

**TAX STAMPS &
TRACEABILITY:**
A MARKET ANALYSIS
AND TECHNICAL
UPDATE

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THIRD EDITION / 2020



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TAX STAMPS & TRACEABILITY

INTRODUCTION TO OUR SPEAKERS



Richard Jotcham

Chairman of Axess Technologies Ltd



Michael Eads

Managing Director at Sovereign Border Solutions



FOUR SECTIONS

I: LANDSCAPE, DRIVERS, EVOLUTION

II: IMPLEMENTATION, TECHNOLOGIES

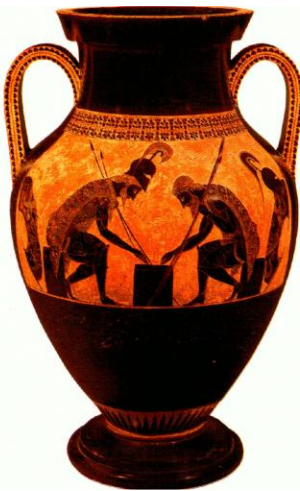
III: TAX STAMPS IN PRACTICE

IV: THE ROAD AHEAD

WHY COUNTRIES USE TAX STAMPS

- Because they work – history has proven that tax stamps have been effective for centuries – technology employed on modern tax stamps is cutting edge
- Multiple uses and functionality (eg. tax, authentication, supply chain track and trace, origin, provenance)
- Nature of excise taxation:
 - High consumption goods
 - Easy to collect
 - Simply regulated (eg. simple application/low complexity), no loopholes, one-to-one relationship with goods, easy to audit
 - Balances negative externality (eg. health costs of smoking/FCTC Protocol)
 - Excise goods tend to be price inelastic
- Excise tax is the only tax consumers have a choice to pay or not pay

Section Presenter: **Michael Eads**,
Managing Director, Sovereign Border Solutions

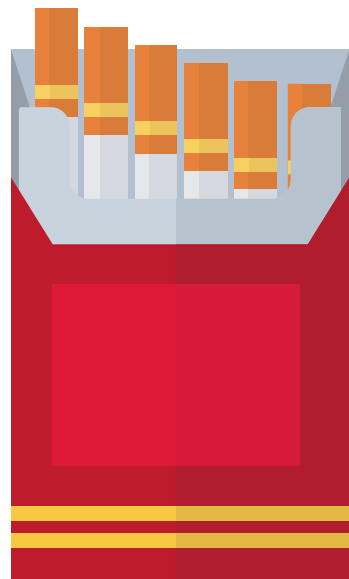




Tax stamp usage: from **20** countries in 1990 to **90** today



14 BILLION SPIRITS



104 BILLION TOBACCO

PRICE FACTORS	NON-PRICE FACTORS
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- High cost of excise goods
- Disparate tax rates between jurisdictions

- Low compliance
- Public health (T&T)
- Informal sales & distribution



Nearly **8%** of all taxes is excise
 Growing applications include cannabis, sugar etc.



HOW TAX STAMPS CURB ILLICIT TRADE



THE REPORT INCLUDES:

- Descriptions of different types of illicit trade
- How tax stamps support compliance and enforcement for each type of illicit trade
- Different control measures that can be applied to each different manifestation of illicit trade



REGULATION OF TAX STAMPS

PROTOCOL

TO ELIMINATE ILLICIT TRADE
IN TOBACCO PRODUCTS



THE REPORT INCLUDES:

- FCTC Protocol
 - The main provisions related to supply chain controls (registration, licensing etc.)
- EU TPD
 - Summary of regulation and technical requirements (including data management, security features)
- Overview of ITSA Best Practice Guidelines for Tax Stamp Programmes

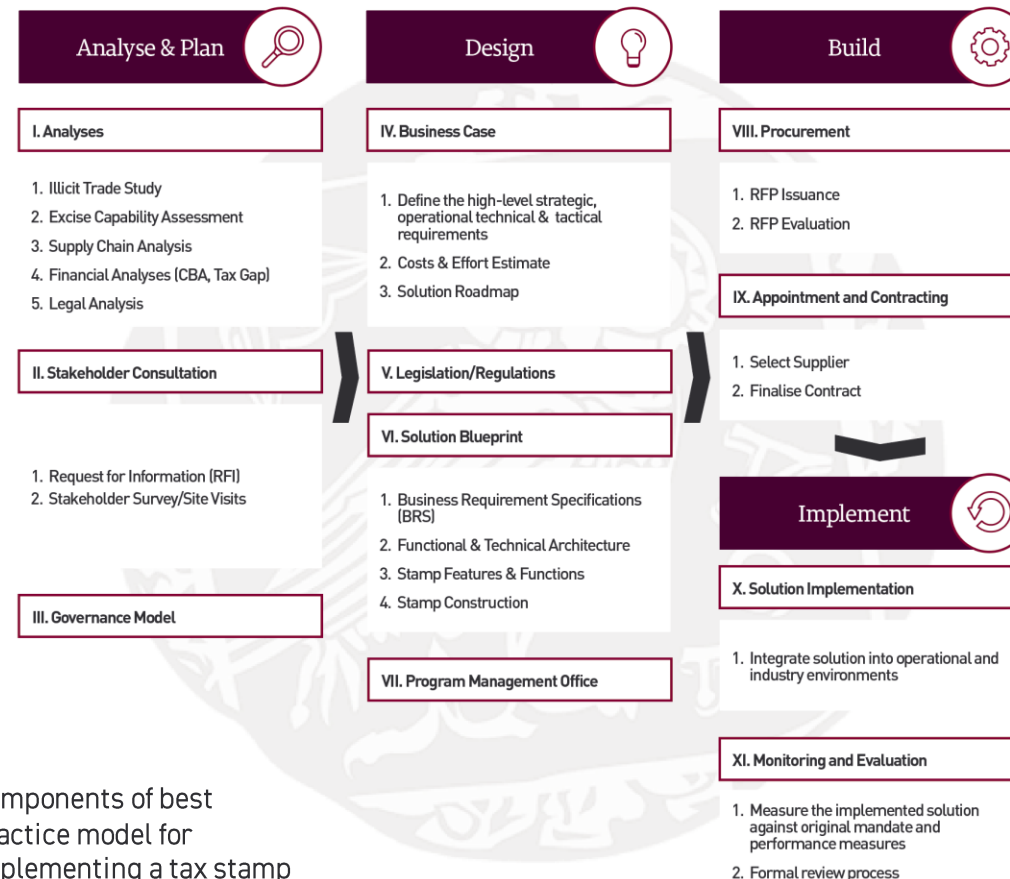
PRACTICAL CONSIDERATIONS OF IMPLEMENTING A TAX STAMP AND TRACEABILITY SYSTEM

Tax stamps can serve as key pillar in excise transformation programme.
Includes four key phases depicted in diagram

THE REPORT INCLUDES:

Detailed descriptions of necessary steps for implementing a system including:

- Activities and analyses to gain and keep political support
- Mapping programme to the kind of illicit trade (eg. production fraud, smuggling)
- How to conduct capability assessment of revenue agency
- Insights on developing right governance model



Components of best practice model for implementing a tax stamp programme (© Sovereign Border Solutions).



TAX STAMPS & TRACEABILITY

TOPIC – CHAPTER TITLE	Chapter
Tax Stamp Evolution and Extension to New Markets	4
Tax Stamp Suppliers	7
Tax Stamp Components and Technologies	8
Serialisation and Track and Trace	9
Tax Stamp Formats and Application Methods	10
The Future of Tax Stamps	Several

Section Presenter: **Richard Jotcham**,
Chairman, Axess Technologies

TAX STAMP EVOLUTION

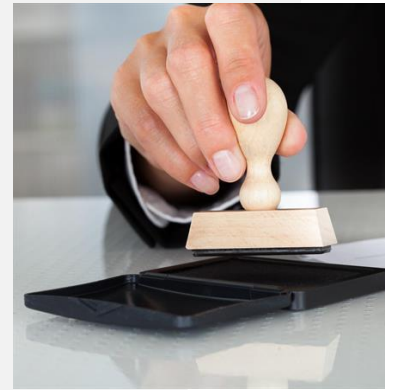
EVOLUTION



Simple Verification

Stamp Verification and Numbering

Reconciliation, Authentication, Tamper Resistance, Track and Trace, Ease of Application





MARKET **EXTENSION**

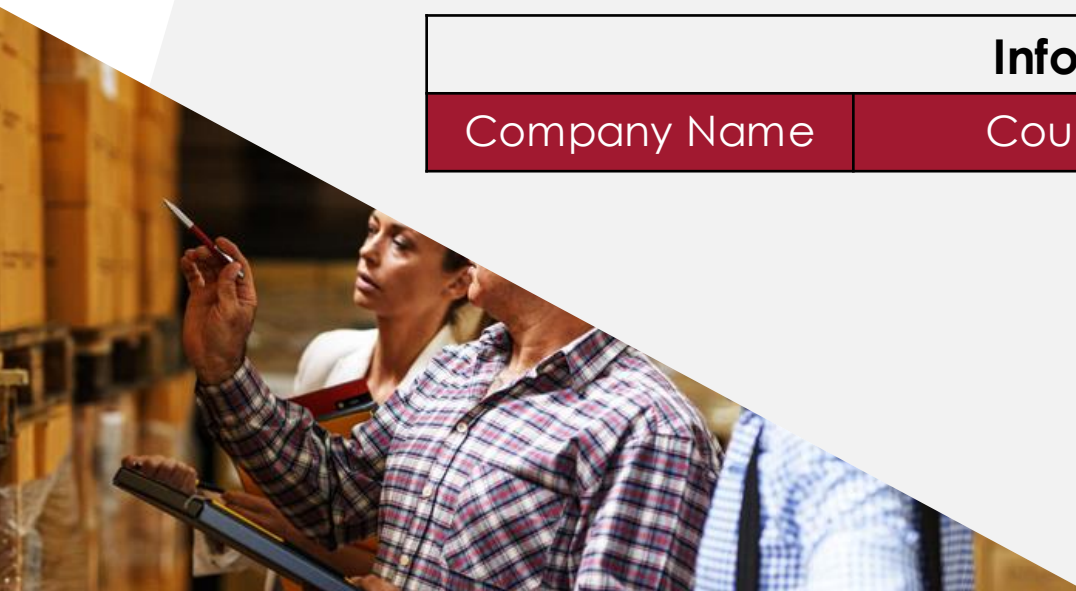
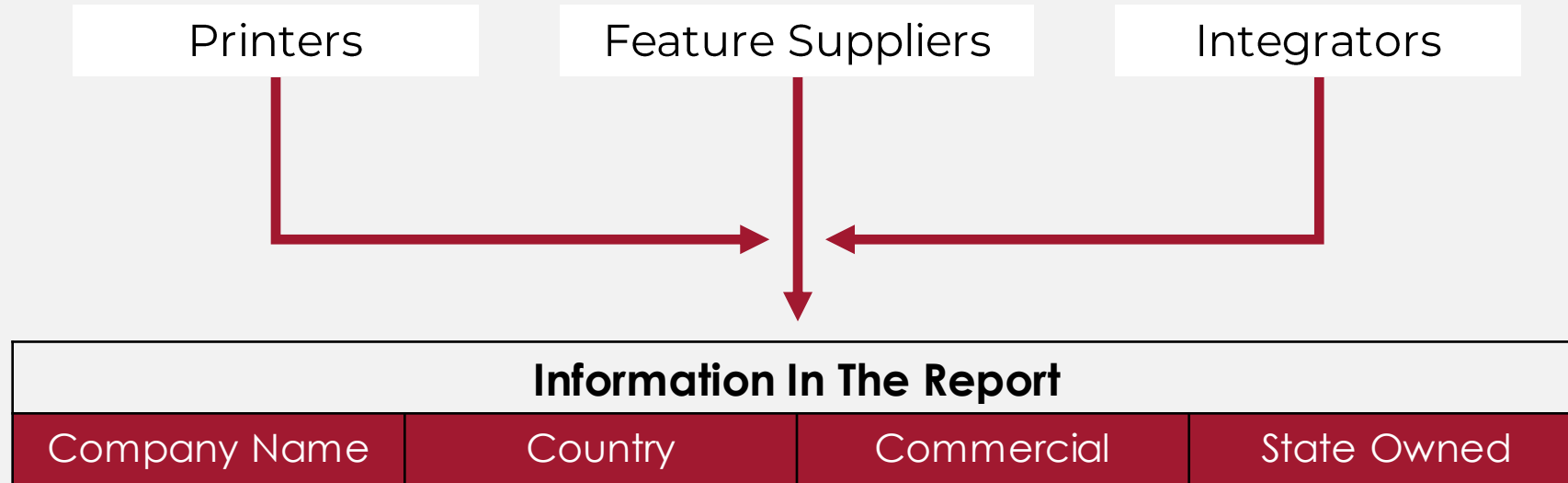
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Traditional & Established	Tobacco			Drinks/ Liquids			Fuel	Other
				Spirits	Wine	Beer		
New and Emerging	Vaping	Cannabis	Plain Package	Water	Coffee	Olive Oil		Furs, Sugary Drinks
New applications will require optimised features and formats								



TAX STAMP SUPPLIERS





TAX STAMP COMPONENTS AND TECHNOLOGIES

The report describes:

- Physical property requirements of tax stamps
- Range of verification features available
- Some future options for tax stamp development
- Application and processing of tax stamps
- Tamper-resistant features
- How tax stamp is vehicle for identification and reconciliation



TAX STAMP **SECURITY** **TECHNOLOGIES**

Combination of overt, covert, forensic level features compatible with unique identification and reconciliation

The report describes:

- Substrates and substrate features – paper and glue
- Print and ink features – branding, verification, copy resistance – methods and attributes
- Digital printing – variable data, barcodes, total digital systems
- Foiling – holograms, security foils and their application
- Taggants – spectroscopic, physical, item level fingerprinting
- New technologies that may be appropriate in future



READERS AND DETECTORS

The report describes:

- In product marking – for example fuels
- Direct marking on packaging

Reader types and attributes:

- Universally available – magnifiers or UV lamps
- Specialist or bespoke – magnetic / specific wavelength
- Public availability – eg. smartphone / cameras and apps
- Specialist taggants may require laboratory equipment or expertise



SERIALISATION AND TRACK & TRACE

Definitions and Objectives:

- Unique identifiers – document biometrics
- Bar coding types, formats and limitations
- RFID and electronic codes

Data Capture Sharing and Exchange:

- Interoperability between systems
- New concepts such as blockchain



TAX STAMP FORMATS AND APPLICATION METHODS

The report describes:

How a tax stamp is applied and physical constraints:

- Wet glue application
- Pressure sensitive labels
- Heat applied
- Direct print onto items or packaging

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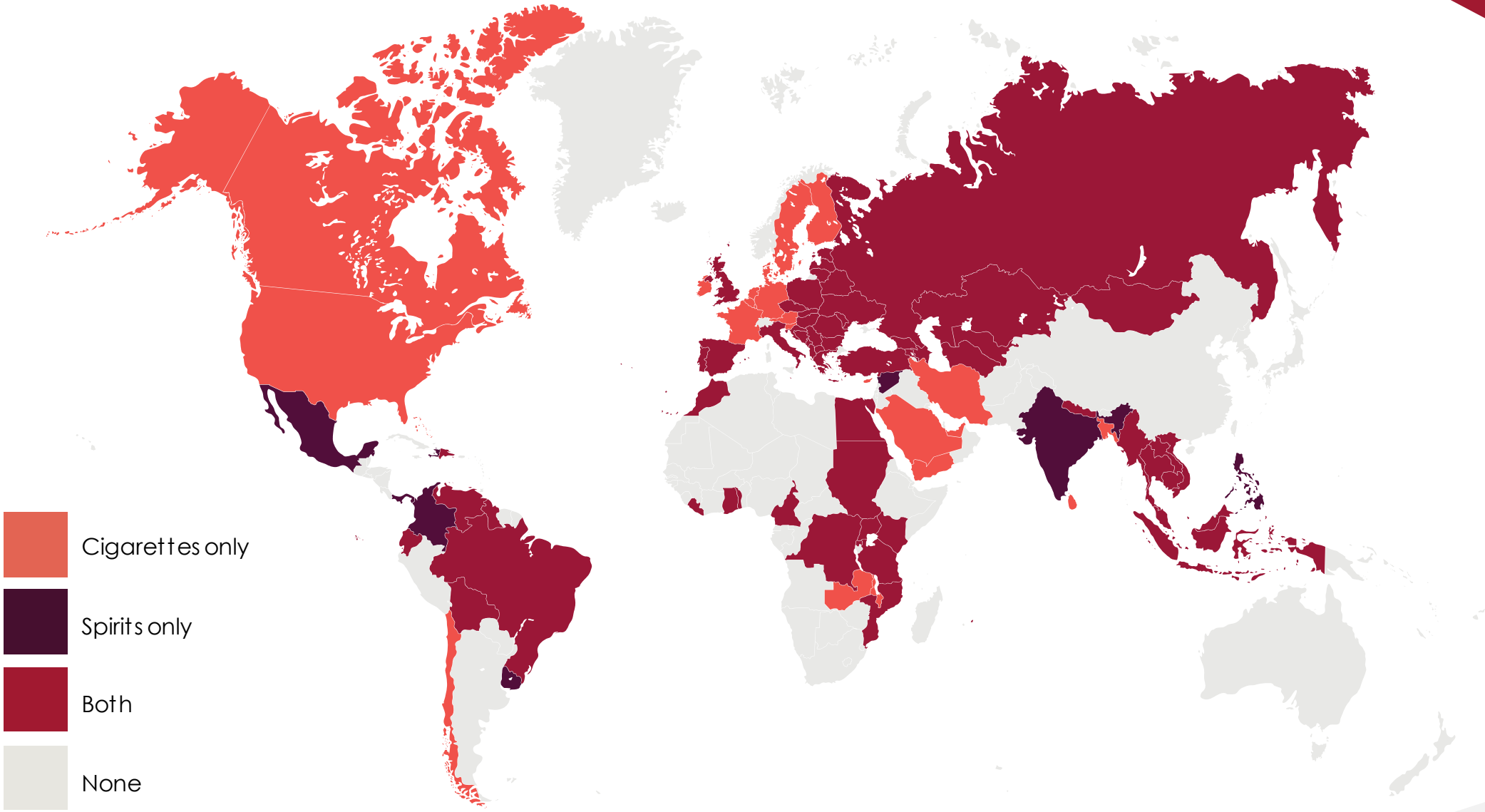
AND ASSOCIATES

THE **FUTURE**

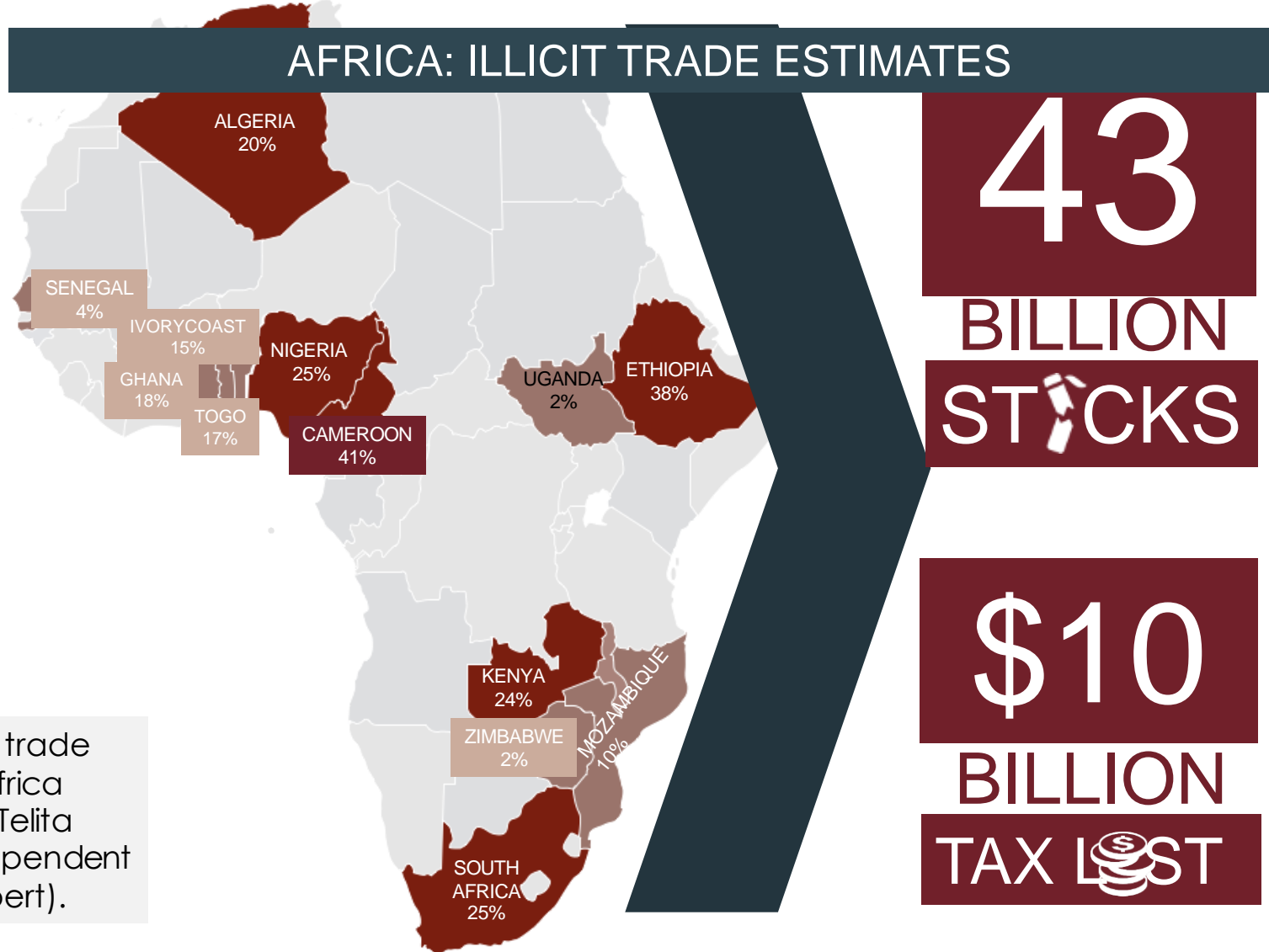
The report describes:

- Many new technologies that are deemed appropriate
- What the current trends are towards tax stamp evolution
- Conformation to regulations
- How new technologies may need regulatory approval
- Emerging applications may require format re-thinks
- Cost implications and considerations

GLOBAL USE OF TAX STAMPS



AFRICA AND MIDDLE EAST



Illicit cigarette trade estimates in Africa (compiled by Telita Snyckers, Independent Illicit Trade Expert).

ASIA AND AUSTRALASIA



Bangladesh



India



Malaysia



Sri Lanka



Thailand

CIS AND **EASTERN EUROPE**



Azerbaijan



Kyrgyzstan



Russia



Albania



Georgia

EU AND WESTERN EUROPE



Malta



Portugal



United Kingdom

LATIN AMERICA **AND CARIBBEAN**



Chile



Colombia



Ecuador



Dominican Republic

NORTH AMERICA



New York



Michigan



California



THE ROAD AHEAD

- Population and consumption
- Tax, illicit trade and COVID-19
- New and extended programmes
- Technology
- FCTC Protocol
- Tax stamps into the future

TAX STAMPS & TRACEABILITY

As attendee:

Printed copy – **£ 900**

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