



Southeast Asia Tobacco Control Alliance



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About SEATCA (www.seatca.org)

SEATCA is a multi-sectoral non-governmental alliance promoting health and saving lives by supporting ASEAN countries to accelerate and effectively implement the evidence-based tobacco control measures contained in the WHO Framework Convention on Tobacco Control. Acknowledged by governments, academic institutions, and civil society for its advancement of tobacco control in Southeast Asia, the WHO bestowed upon SEATCA the World No Tobacco Day Award in 2004 and the WHO Director-General's Special Recognition Award in 2014. SEATCA is an official NGO Observer to the WHO FCTC Conference of Parties and a co-initiator of the Global Center for Good Governance in Tobacco Control (GGTC).

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Executive Summary

Elimination of illicit trade is an important component of global tobacco control. This has been recognized at the Fifth Meeting of the Conference of Parties to the WHO FCTC when Parties adopted the Protocol to Eliminate Illicit Trade in Tobacco Products (or Illicit Trade Protocol, ITP) to prevent the undermining effect that illicit trade has on price and tax measures, health objectives, and the economy. The ITP entered into force on 25 September 2018. As of September 2019, there are 54 signatories and 56 Parties to the ITP. The first session of the Meeting of the Parties to the ITP (MOP 1) was held in October 2018 and identified key issues for Parties to implement the Protocol.

This paper examines the implementation of key measures to control the supply chain and help in eliminating illicit trade in tobacco products in the Association of Southeast Asian Nations (ASEAN) region (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) specifically, (1) fiscal markings/excise tax stamps (2) tracking and tracing technologies, and (3) licensing systems.

Research and analysis show that there are varying degrees of implementation of these measures to control the supply chain in ASEAN countries. Since 2014, several countries have made progress, though it is not significant enough to create effective control of the tobacco supply chain in the ASEAN region. For example, most countries have some form of excise tax stamp to monitor payment of excise taxes, but the form and technology vary depending on the capability and situation in each country. The Philippines presented the best practice on high security features on tax stamps. None of the ASEAN countries have a fully integrated track-and-trace system using tax stamps or fiscal markings, although Cambodia, Malaysia and Thailand require that data integrated into tax stamps include a product description, intended market for retail sale, and manufacturing facility data. The lack of track-and-trace systems of tobacco products in the ASEAN region identifies technical and financial gaps that need to be addressed in order to fully comply with recommended measures to eliminate illicit trade. Regarding licensing systems, these are present in countries surveyed, but the requirements do not cover the full range of commercial activities throughout the supply chain. Several countries such as Cambodia and Myanmar require only a business registration instead of license application.

It is our recommendation that ASEAN countries review and revise their policies to address the gaps in implementation, strengthen enforcement of measures, and coordinate efficiently to address the issue of illicit trade in tobacco products.

I. Introduction

The World Health Organization Framework Convention on Tobacco Control (WHO FCTC) identifies elimination of illicit trade in tobacco products (Article 15) as an important measure of global tobacco control. In 2012, Parties to the WHO FCTC adopted the Protocol to Eliminate Illicit Trade in Tobacco Products (hereinafter, the Illicit Trade Protocol or ITP), which aims to prevent the illicit trade in tobacco products. Effective measures in the ITP include the establishment of a track-and-trace regime and efficient licensing requirements and procedures, the underlying objective being to control the supply movement of tobacco products. In addition, the WHO FCTC Conference of Parties (COP) adopted the WHO FCTC Article 6 Guidelines in 2014, that identified some essential measures to control the supply chain of tobacco products such as authorization/licensing and fiscal markings.

Without effective measures to control the movement of tobacco products, the illicit market will proliferate because potentially huge profits provide an incentive to pursue illicit activities. A number of policies need to be implemented to curb illicit trade; these include establishing a tracking and tracing mechanism and licensing of manufacturers, importers, retailers and other persons or companies involved in the tobacco business. A track-and-trace system will help prevent the diversion of tobacco products into the illicit market and help identify leakage points in the supply chain, while a robust licensing system will help the government to keep track of and regulate the different parts of the supply chain.

In the ASEAN region, according to the “SEATCA Tobacco Tax Index”¹, the majority of countries face challenges to control tobacco product supply chains, making it necessary to review the current situation and provide appropriate recommendations.

II. Objectives:

This publication aims to review the (a) fiscal markings, (b) tracking and tracing technologies, and (c) licensing systems implemented by ASEAN countries for tobacco and tobacco products. Participating countries include 10 ASEAN countries (Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam).

Specifically, the paper aims to answer the following questions:

1. What is the excise tax stamp system and/or other fiscal markings in place? (Process of granting tax stamps for tobacco companies)
2. What is the description of the tax stamp and/or other fiscal markings technologies used?
3. What is the cost of tax stamps and/or other fiscal markings to manufacturers/importers?
4. Is the data below embedded in the tax stamps and/or fiscal marking in your country as part of the track-and-trace mechanism?
 - Date and location of manufacture
 - Manufacturing facility
 - Machine used to manufacture tobacco products

¹ Southeast Asia Tobacco Control Alliance. (2019). *SEATCA Tobacco Tax Index: Implementation of WHO Framework Convention on Tobacco Control Article 6 in ASEAN Countries*.

- Production shift or time of manufacture
 - The name, invoice, order number and payment records of the first customer who is not affiliated with the manufacturer
 - The intended market of retail sale
 - Product description
 - Any warehousing and shipping
 - None of the above
5. Does your country have a license or equivalent approval or control system for the following? Which authority grants the license?
- Manufacture of tobacco products and manufacturing equipment
 - Import or export of tobacco products and manufacturing equipment
 - Retailing of tobacco products
 - Growing of tobacco, except for traditional small-scale growers, farmers and producers
 - Transporting commercial quantities of tobacco products or manufacturing equipment
 - Wholesaling, brokering, warehousing or distribution of tobacco and tobacco products or manufacturing equipment
6. What are the requirements for the selected actors to acquire a license?
7. What is the cost of each licensee?

III. Literature Review

All countries in the ASEAN region, except Indonesia, are parties to the WHO FCTC. Parties to the WHO FCTC are obliged to develop and implement laws addressing illicit trade in tobacco products (WHO FCTC Article 15), particularly establishing a tracking and tracing mechanism that makes use of markings containing relevant information to allow ease of monitoring and control of the movement within the supply chain of tobacco products.²

Illicit trade is broadly defined in the treaty as any practice or conduct prohibited by law and which relates to production, shipment, receipt, possession, distribution, sale or purchase including any practice or conduct intended to facilitate such activity.³ This encompasses tax evasion, smuggling, illicit manufacturing, and counterfeit production.

In November 2012, Parties to the WHO FCTC adopted the ITP during the Fifth Conference of Parties to the WHO FCTC to curb the undermining effect that illicit trade has on price and tax measures, health objectives, and the economy. The ITP entered into force on 25 September 2018. As of September 2019, there are 54 signatories and 56 Parties to the ITP.

² WHO FCTC, Article 15

³ WHO FCTC, Article 1

Some of the key features of the ITP include:

- **Due diligence, monitoring, and record-keeping** Gathering information about persons involved in producing, manufacturing, and distributing tobacco and its products are necessary to build the database and to ease the recording and manufacturing of supply chain activities.⁴
- **Implementing regulatory measures** such as requiring a license for each activity in the tobacco supply chain to regulate their activities.⁵ The ITP also calls on Parties to completely ban retail sales transactions done over the internet due to the difficulty of monitoring and regulation.⁶
- **Development and implementation of other measures** such as requiring the supply chain to report suspicious transactions and illicit trade activities,⁷ implementing effective controls over the free zones,⁸ and defining punishable acts and providing measures to ensure accountability for the commission of punishable acts.⁹
- **International cooperation** with states with limited capacities and resources, sharing of scientific, technical, or technological matters,¹⁰ and assisting in the investigation and prosecution of offenses.¹¹
- **Establishing mechanisms to provide financial support** for local activities to achieve the objectives of the ITP and promoting financial mechanisms to build the capacity of developing countries in implementing the ITP.¹²

The first session of the Meeting of the Parties to the ITP (MOP 1) in October 2018 identified key issues below:¹³

- The **Panel of Experts on the Protocol to Eliminate Illicit Trade in Tobacco Products** was established. The technical documents prepared by the Panel of Experts were made available in a report posted on the website of the Convention Secretariat.
- **Establishment of tracking and tracing systems, including the global information-sharing focal point (Article 8).** The Parties proposed the establishment of a working group to compile an overview of good practices in the development and implementation of tracking and tracing systems and to develop a conceptual analysis of how a global information-sharing focal point might be set up.
- **Timelines for evidence-based research (Articles 6.5 and 13.2).** There was general agreement on the need to formulate a road map that clearly prioritized actions to be taken to achieve the

⁴ HealthJustice, Primer on the Protocol to Eliminate Illicit Trade in Tobacco Products (2013).

⁵ Protocol to Eliminate Illicit Trade in Tobacco Products, Article 6.

⁶ Article 11, Protocol to Eliminate Illicit Trade in Tobacco Products.

⁷ Article 10, Protocol to Eliminate Illicit Trade in Tobacco Products.

⁸ Article 12, Protocol to Eliminate Illicit Trade in Tobacco Products.

⁹ Articles 14 – 19, Protocol to Eliminate Illicit Trade in Tobacco Products.

¹⁰ Article 20 and 23, Protocol to Eliminate Illicit Trade in Tobacco Products.

¹¹ Article 24, Protocol to Eliminate Illicit Trade in Tobacco Products.

¹² Article 36, Protocol to Eliminate Illicit Trade in Tobacco Products.

¹³ WHO FCTC, Report of the First Session of the Meeting of Parties to the Protocol to Illicit Trade in Tobacco Products, Geneva, Switzerland, 8-10 October 2018

objectives of the Protocol. Whereas some Parties considered prioritizing the implementation of tracking and tracing systems, under Article 8 of the Protocol, which established a shorter timeline, there were concerns about the availability of resources under the Secretariat to carry out activities.

- **Financial resources and mechanisms of assistance.** The Parties agreed to conduct needs assessments as part of the information-gathering required to enable the Convention Secretariat to develop a comprehensive strategy on mechanisms of assistance. It was also suggested that, of the two State Party representatives attending each session of the MOP, one should be the tobacco control focal point from the Ministry of Health and the other should be from the Ministry of Finance, which in many countries houses the tax and customs authorities.
- **International assistance and cooperation.** The MOP decided that the Convention Secretariat should engage with relevant international and regional intergovernmental organizations, including financial and development institutions, to facilitate the ITP implementation.
- **Mutual administrative and legal assistance.** The MOP decided to establish a working group to deal with matters related to enforcement, information-sharing, mutual administrative assistance, investigation and prosecution of offences, and mutual legal assistance.

IV. Tobacco industry interference in measures to control the tobacco supply chain in ASEAN countries

There have been recurring concerns about tobacco industry interference in government control of the tobacco supply chain. Inadequate government resources for implementing the ITP or strict control measures over the tobacco supply chain could lead to cooperation between governments and the tobacco industry by allowing funding and/or technologies from the industry to be integrated within measures to control the tobacco supply chain. Developing countries will be at more risk of the industry investing in market- and border-control resources to influence the governments.¹⁴ Thus, the ITP clearly specifies that Parties shall not delegate or assign any of their tracking and tracing (Article 8) obligations to the tobacco industry, and that relevant authorities interact with the industry “only to the extent strictly necessary”.

It is evident that the tobacco industry is offering its own tracking and tracing system called “Codentify” to governments. In November 2010, Philip Morris International (PMI), British American Tobacco (BAT), Japan Tobacco International (JTI), and Imperial Tobacco Limited (ITL) signed an agreement that would use PMI’s Codentify marking system on their cigarette products. In addition, the companies agreed to develop a common strategy to convince governments to replace “outdated tax stamps” by digital tax verification based on this Codentify marking technology.¹⁵ According to PMI, Codentify “uses advanced digital coding technology printed directly onto product packaging which can effectively replace outdated, easy-to-copy paper-based tax stamps

¹⁴ Tobacco Tactics (University of Bath). Illicit Trade Protocol. Available at [https://www.tobaccotactics.org/index.php?title=Illicit_Trade_Protocol_\(ITP\)](https://www.tobaccotactics.org/index.php?title=Illicit_Trade_Protocol_(ITP)).

¹⁵ L. Joosens, FCA Bulletin Issue 113 (March 2012).

and fiscal markers or burdensome administrative processes.”¹⁶ Leaked documents also show that the industry is seeking to promote its own Codentify system over those of competing marking and digital tax stamp companies, such as SICPA (Switzerland), DeLaRue (UK), EDAPS (Ukraine) and 3M (USA).¹⁷ Additionally, the tobacco industry created front groups such as “Digital Coding and Tracking Association (DCTA)” to promote Codentify to governments.¹⁸

Public health advocates have rejected and criticized Codentify because the system is primarily a brand authentication system and not a tracking and tracing system,¹⁹ hence it does not fulfill the requirements of Article 15 of the WHO FCTC or the ITP. In addition, the ITP’s tracking and tracing provisions should be implemented under the strict control of governments.²⁰ Codentify’s control by the industry and not by the government gives the industry sensitive information that, if misused, can make it easier for the industry to engage in illicit trade activities.²¹

Furthermore, in adopting Codentify, the government will be put in a precarious situation where it will partner with or unnecessarily interact with the tobacco industry, a violation of Article 5.3 of the WHO FCTC. There are some efforts to reject the Codentify system in the ASEAN. In the Philippines, for example, Philip Morris Fortune Tobacco Corporation (PMFTC) had pushed Codentify to the Bureau of Internal Revenue (BIR) for its planned implementation of high-tech tax stamps. However, the BIR rejected the unsolicited proposal of PMFTC stating that it cannot allow the company to participate in the public bidding, citing PMFTC’s conflict of interest and the government’s obligations under the WHO FCTC.^{22 23}

In addition to interfering in tracking and tracing technologies, the tobacco industry has attempted to influence the decision-making processes related to trade and illicit trade. The tobacco industry has utilized the US-ASEAN Business Council (US-ABC) for lobbying opportunities through the annual ASEAN Customs Directors-General meeting. The Vice President for External Affairs at Philip Morris International (PMI), Mr. J.B. Simko is on the US-ABC Board of Directors.²⁴ The US-ABC has played a prominent role in convening several Customs and Trade Facilitation meetings for customs officials in the Southeast Asia region. Owing to the fact that ASEAN has attempted to promote trade and reduce trade barriers through regional and bilateral trade agreements, the US-ABC stated that their “goal is to improve the understanding of members’ understanding of customs systems, build working relationships with regulators, support the implementation of ASEAN’s Trade Facilitation Frameworks and support its expansion to new policy areas”.²⁵ One of their priorities is to enrich cooperation between ASEAN Customs Administrations and the private sector. This has effectively

¹⁶ Philip Morris International. Codentify. Available at http://www.pmi.com/eng/documents/Codentify_E_Brochure_English.pdf

¹⁷ L. Joossens and A. B. Gilmore, The transnational tobacco companies strategy to promote Codentify, their inadequate tracking and tracing standard citing Hill M. Digital Tax Verification (DTV) Codentify, the industry standard. 2010. Tob Control published online March 12, 2013 doi: 10.1136/tobaccocontrol-2012-050796 Available at <http://tobaccocontrol.bmj.com/content/early/2013/04/26/tobaccocontrol-2012-050796.full.pdf+html>.

¹⁸ Gilmore AB, Gallagher AWA, Rowell A. Tobacco industry’s elaborate attempts to control a global track-and-trace system and fundamentally undermine the Illicit Trade Protocol *Tobacco Control* 2019;28:127-140.

¹⁹ Corporate Accountability International, *Codentify: An Industry Attempt to Control Illicit Trade*. Available at www.stopcorporateabuse.org.

²⁰ Supra note 15.

²¹ Supra note 18.

²² Reyes, Mary Ann LI., *Adopting a real track-and-trace system (2013)*, Available at <http://www.philstar.com/business/2013/04/17/931436/adopting-real-track-and-trace-system>

²³ Business Mirror, *BIR readies new stamp-tax technology on ‘sin’ products*. Available at <http://www.businessmirror.com.ph/index.php/en/business/banking-finance/4391-bir-readies-new-stamp-tax-technology-on-sin-products>

²⁴ US-ASEAN Business Council. *Board of Directors*. Available at <https://www.usasean.org/about/board-of-directors>

²⁵ US-ASEAN Business Council. *About the Customs and Trade Facilitation Committee*. Available at <https://www.usasean.org/industries/customs/about>

given PMI a direct channel to interfere with customs policies in ASEAN while claiming that their assistance will help reduce the counterfeit and illicit trade of products. A key piece of evidence showed that in June 2019, PMI participated in the Mutual Recognition Agreement Mission in Vientiane, Lao PDR. This mission aimed to support cross-border e-commerce trade flow by tackling illicit trade and counterfeit products. The meeting brought top executives from nine U.S. companies, including PMI, to meet with officials from all 10 ASEAN member states.²⁶

V. Fiscal markings/tax stamps, track-and-trace, and licensing systems available in the world

According to market analysts, the use of technology for tracking and tracing is not widespread and under half of the world's countries actually use some form of cigarette tax stamps.²⁷ A few implement high-tech stamps such as digital stamps, which use invisible ink and feature a unique hidden code with data for each cigarette pack and encrypted information that can be read using a portable scanner.

California has been requiring the licensing of all entities engaged in selling tobacco products within the state²⁸ and has been using digital tax stamps since January 2005. The stamps use invisible ink and feature a unique, covert code with product data related to each cigarette pack.²⁹ Retailers and distributors can immediately detect counterfeit products through use of hand-held scanners, while law enforcement officers are equipped with more sophisticated scanners, giving them access to a whole range of data.³⁰



Image 1: California tax stamp³¹

California's Cigarette and Tobacco Products Tax Law, as amended, provides that digital stamps should contain (1) the name and address of the distributor affixing the stamp or meter impression; (2) the date the stamp or meter impression was affixed; and (3) the denominated value of the stamp or meter impression.³²

²⁶ US-ASEAN Business Council, Press Release. Available at

<https://www.usasean.org/press-release/2019/06/12/us-businesses-support-facilitating-e-commerce-tackling-illicit-trade-and>

²⁷ D. Hedley, "Fighting Illicit Trade in Tobacco with Technology" citing Tax Stamps Technical Study and Market Report (2012).

Available at <http://blog.euromonitor.com/2012/12/fighting-illicit-trade-in-tobacco-with-technology-does-it-work.html>

²⁸ Cigarette and Tobacco Products Licensing Act (2004).

²⁹ Framework Convention Alliance. *The use of technology to combat the illicit tobacco trade*,

Available at http://www.fctc.org/publications/bulletins/doc_download/124-technology-and-the-fight-against-illicit-tobacco-trade

³⁰ Supra note 28.

³¹ What is the California tax stamp program. Available at

<https://surety1.com/why-do-we-need-to-post-a-california-cigarette-tax-stamp-surety-bond/>

³² Cigarette and Tobacco Tax Information (2013). Available at

<http://linglederpia22.soup.io/post/369131070/Cigarette-and-Tobacco-Tax-Information-and>

Meanwhile, Massachusetts uses “encrypted” stamps under the SICPATRACE platform.³³ The system provides secure, comprehensive excise tax stamp solutions, including tax stamp production, ordering and fulfillment, data management and reporting, realizing the government’s mission to improve compliance and tax collection. Under the new contract signed in 2019, SICPA’s technology will enhance field authentication tools that allow for greater data capture and verification capability. The SICPA HORIZON inspection platform allows inspectors to access information on licensees being inspected from anywhere and record data in real time; and provides expanded data visibility that enables regulators to more easily draw actionable insight from collected data.³⁴

The Canada Revenue Agency currently uses a tax stamp system which “integrates various visible features combined with overt and covert security features, similar to those used in banknotes and passports.” These tax stamps are affixed on locally-manufactured cigars/tobacco products, imported cigarettes, and Canadian raw leaf tobacco.



Image 2: Canadian Federal Tax Stamp³⁵

To address illicit trade problems plaguing the country since the mid-1990s, Brazil implemented the following policies: the licensing of its manufacturers and the integrated control and monitoring system for cigarette production coupled with the use of a digital tax stamp system.³⁶ The stamps are produced in the Brazilian Mint; each stamp has a code that is unique to its cigarette pack and is encrypted with the following information: (1) the name of the manufacturing site, (2) the date the stamp was validated, and (3) the tax category of the stamp. The policies aim to ensure that due taxes are collected and to quickly distinguish genuine from counterfeit cigarettes. Turkey has been implementing a similar technology since 2007. The digital tax stamp applies to both cigarettes made in Turkey and to legally imported cigarettes.³⁷

Aside from the examples above, implementation pending in several other countries.³⁸

³³ SICPA. *SICPA Awarded New Contract to Provide Massachusetts with SICPATRACE® Tax Stamp Solution to Protect Close to \$600M in Annual Tobacco Excise Tax Collections*. Available at <https://www.sicpa.com/news/massachusetts-tax-stamp-solution-protect-close-600m-annual-tobacco-excise-tax-collections>

³⁴ *Ibid.*

³⁵ Government of Canada. *END26-New Excise Stamp Security Features*. Available at <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/edn26/new-excise-stamp-security-features.html>

³⁶ *Supra* note 29.

³⁷ *Supra* note 29.

³⁸ Campaign for Tobacco Free Kids. *The Case for High-Tech Cigarette Stamps*. Available at http://www.tobaccofreekids.org/facts_issues/fact_sheets/policies/tax/us_state_local/

In July 2012, INTERPOL, the world's largest police organization, announced the creation of the INTERPOL Global Register (IGR).³⁹ The system would focus on products under threat from illicit trade and aims to provide tools to help law enforcement and the public to determine the authenticity of a product.⁴⁰ INTERPOL also announced that it would be working with British American Tobacco, Imperial Tobacco Group, Japan Tobacco International, and Philip Morris International and will make the Codentify system accessible via IGR. Interestingly, a month prior to this announcement, INTERPOL accepted a donation of €15 million from Philip Morris International.⁴¹ Because of the history of the tobacco industry's complicity in illicit trade,⁴² this partnership raised serious concerns among public health advocates and Parties to the WHO FCTC.

In 2014, the European Union adopted a Tobacco Products Directive (TPD) to consider new technologies in tobacco manufacturing as well as to form a unified rule among EU members that are Parties to the WHO FCTC. Among the measures that will be implemented are an EU-wide tracking and tracing system.⁴³

The TPD includes strong measures against illicit trade of tobacco products to ensure that only products complying with the Directive are sold in the EU.⁴⁴ It introduces an EU-wide tracking and tracing system for the legal supply chain with visible and invisible security features (e.g. holograms) which should facilitate law enforcement and help authorities and consumers detect illicit products. The measures foreseen in the TPD will help to redirect tobacco trade to legal channels and may also help Member States restore lost revenues. Tracking and tracing of tobacco products will be phased in, with cigarettes and Roll-Your-Own cigarettes the first required to comply, followed by all other tobacco products.⁴⁵

In 2019, the Low Range Wide Area Network Technology (LoRaWan) was introduced in South Africa. LoRaWan is touted to be an affordable and easy-to-deploy technology; it is becoming the de facto technology for the Internet of Things (IOT) as it enables smart IOT applications to be devised to resolve illicit trade of tobacco products. LoRaWAN is underpinned by blockchain technology which has the potential to overcome tracking/distribution/management challenges as a result of its distributed, secure and private nature.⁴⁶ Nonetheless, there has not been any evidence that this technology has been adopted within the government. The South African Revenue Service (SARS) instead stated that it is looking for and attempting to introduce the new track-and-trace marker technology in the cigarette industry, which will enable it to monitor the journey from cigarette manufacturing plants to points of sale and import or export trades since the country has suffered significant losses in excise revenue due to a global increase in the manufacturing, supply and sale of illicit excisable products.⁴⁷

³⁹ INTERPOL. *INTERPOL Global Register unveiled at Google Ideas INFO summit*. Available at <http://www.interpol.int/News-and-media/News/2012/PR057>

⁴⁰ *Supra* note 17.

⁴¹ PMI. *Philip Morris International Provides 15 Million Euro Contribution to INTERPOL to Fight Trafficking in Illicit Goods*. Available at http://www.pmi.com/eng/media_center/press_releases/pages/201206210200.aspx#

⁴² Campaign for Tobacco Free Kids. *Illegal Pathways to Illegal Profits, The Big Cigarette Companies and International Smuggling*. Available at http://global.tobaccofreekids.org/en/resources/by_issue/illicit_trade_smuggling/

⁴³ European Commission. *Questions and Answers: New rules for tobacco products (February 2014)*. Available at http://europa.eu/rapid/press-release_MEMO-14-134_en.htm

⁴⁴ European Commission, Public Health. Available at http://ec.europa.eu/health/tobacco/products/index_en.htm

⁴⁵ *Ibid.*

⁴⁶ IT Web. *New technologies in the fight against illicit trade*. Available at <https://www.itweb.co.za/content/ILn14MmyVWaMJ6Aa>

⁴⁷ Business Report. *Sars to use technology to target illicit tobacco industry*. Available at <https://www.iol.co.za/business-report/economy/sars-to-use-technology-to-target-illicit-tobacco-industry-22212231>

VI. Fiscal markings/tax stamps, track-and-trace and licensing systems implemented in ASEAN countries

1. Brunei Darussalam

Among ASEAN countries, Brunei Darussalam is one of the most advanced in tobacco control. It is implementing a strict smoke-free policy, a comprehensive ban on tobacco advertising, promotions and sponsorships, large pictorial health warnings, and high excise taxes on cigarettes.⁴⁸

However, Brunei Darussalam does not have any mechanism for excise tax stamps or other track-and-trace systems. The country does not have any domestic production of tobacco products, and has not yet considered using tax stamps and/or track-and-trace mechanisms.

Brunei Darussalam requires licenses for importing or exporting tobacco products and manufacturing equipment, and for retailing and wholesaling of tobacco products. Licenses are issued by the Ministry of Health. Since 2014, no importer or retailer has applied for a tobacco license.

The requirements for obtaining a license for importing or exporting of tobacco products and manufacturing equipment as well as wholesaling of tobacco products include: the applicants must obtain a valid Company and Business Registration Certificate, they must be a citizen or permanent resident of Brunei Darussalam. In case if the licensee commits any offenses under the Customs Act relating to tobacco products, the license will be suspended or terminated.

There are specific requirements for obtaining a license for retailing of tobacco products such as the retail license will be issued to shops and supermarkets that have Company and Business Registration Certificate as well as a valid Miscellaneous License. However, shops or supermarkets are not allowed to sell any tobacco products:

- Located in any buildings belonging to the Government of His Majesty the Sultan and Yang Dipertuan of Brunei Darussalam.
- Located within 1 kilometer radius of an educational institution.
- Located at a petrol station.
- Located in a market, stalls and hawker stall.

In addition, the licensee must ensure that tobacco products sold in their premise may only be obtained by the customer through the assistance of a shop worker or the licensee, only one pack for each brand are allowed to be displayed, all tobacco products may only be sold at one place in the retail outlet i.e. may not be sold at every level of the shop. The licensee must only sell tobacco products which are declared in the application form. In case if there is any change of the types of tobacco products in the premises, the licensee must inform the Tobacco Control Unit, Department of Health Services. They also need to display the original copy of the valid Tobacco Retail License at a place that can be easily seen and studied.

The annual Tobacco Import and Wholesale License costs BND 5,000 (USD 3,619) while the annual Tobacco Retail License is BND 600 (USD 434).

⁴⁸ Tobacco Excise Tax Collections. Available at Southeast Asia Tobacco Control Alliance. (2019). SEATCA Tobacco Tax Index: Implementation of WHO Framework Convention on Tobacco Control Article 6 in ASEAN Countries.

2. Cambodia

All local cigarette manufacturers and importers must apply for the tax stamp form at the General Department of Taxation (GDT) and the General Department of Customs and Excise (GDCE) respectively. They have to submit their annual cigarette plan for production/importation to GDT and GDCE in which the serial and number of stamps data will be prepared and sent to the printing house.

Cambodia's current tax stamp size is 20mm x 45mm printed in the UV dull paper of 70 GSM, green surface, and straight cut on all sides. The stamp's security features contain invisible UV ink over printed logo of GDT and GDCE, invisible UV logo over the Angkor Wat emblem, tamper evidence die-cut pattern, sequential numbering of 13 digits, QR code, security guilloche graphic design, and visible and invisible fibers, and a generic watermark pattern. Additionally, the stamps contain information on manufacturing facility and intended market of retail sale. The tax stamps from both GDT and GDCE cost KHR 50/stamp (USD 0.01/stamp) which manufacturers and importers pay. They also have the responsibility to affix the excise tax stamp on the tobacco products before transporting them out of their factories or of customs control.



Image 3: Cambodia Tobacco Excise Stamp⁴⁹

Cambodia currently has a partial track-and-trace system for tobacco products by having the information of the manufacturing facility and intended market of retail sale embedded in tax stamps. However, there is no special licensing procedure specific for tobacco manufacturing and importation. There is only a general system requiring all manufacturers and importers to obtain patents for business operation at the GDT.

⁴⁹ Source: Ministry of Economy and Finance, Cambodia

3. Indonesia⁵⁰

The Indonesian government implements excise tax stamps. The excise stamp contains various features such as a hologram, excise tariff, fiscal year, type of cigarette, Garuda bird symbol, banderol price, number of cigarette sticks, a statement: "Cukai Hasil Tembakau Indonesia", and the logo of Directorate General Customs and Excise. The most important feature of the tax stamp is the hologram, giving it additional protection against counterfeiting. The government bears the costs of the tax stamp, which is affixed after the excise tax on the tobacco product is paid.



Image 4: Indonesia Tobacco Excise Stamp⁵¹

Indonesia does not have a track-and-trace technology, and it is not currently required by law to implement such system. The government is focusing on excise stamp to control distribution of cigarettes through strengthened law enforcement.

With regard to licensing, the government requires the cigarette manufacturer to procure a license from the Directorate General of Excise and Customs and from the local government before engaging in business; however, a license is not required for tobacco distribution and retail. The requirements to apply for a license for cigarette manufacture are as follows:

- Minimum land size of 200 meter square
- Building permit from local government
- Building industry permit (tanda daftar industri) from local government
- Trade permit (surat ijin usaha perdagangan) from local government
- Tax identification number
- Identification number
- Recommendation letter from manpower agency of local government

In addition, tobacco importers and exporters are required to obtain a license from the Directorate General of Excise and Customs as stipulated in the Excise Law number 39, 2007 (verse 14).

⁵⁰ 2014 data

⁵¹ Source: Mouhamad Bigwanto

4. Lao PDR

The Minister of Finance issued Tax Stamp Regulation No. 1619/MOF on 22 July 2017. The production, monitoring and control of cigarette stamps is under the responsibility of the Tax Department. The tax stamps are enforced on locally manufactured cigarettes and cigars, and are generally meant to ensure that taxes on these products are paid. The costs for the stamps are borne by the tobacco industry. Each stamp costs LAK 5 (USD 0.00065). The current tax stamp size is 20 mm x 45 mm printed in Grade A white paper, weight 55 grams with purple background and embedded with invisible code. The code is unique in each of the 8 rows and 48 columns. The Inspection Officers of the Tax Department have specific equipment to check tax stamps at the warehouse and point of sale.



Image 5: Lao PDR Tobacco Excise Stamp ⁵²

Regarding the imported tobacco products, the government requires a duty stamp for imported tobacco products. The fixing of stamps on imported goods is done at the customs station or enterprise warehouse by customs officers, the costs of stamps being borne by the tobacco industry at the following rates:

Imported items	Price
Stamps for Duty-Paid (large sheet)	600 LAK/sheet
Stamps for Duty-Paid (medium or small sheet)	500 LAK/sheet
Stamps for duty-free tobacco	1,500 LAK/sheet

Lao PDR does not have a track-and-trace mechanism on tobacco products since none of the information recommended by the ITP is embedded on tax stamps.

In terms of the licensing systems for tobacco business in Lao PDR, licenses are required for:

- Manufacturing of tobacco products and manufacturing equipment – under the Ministry of Industry and Commerce
- Importing or exporting of tobacco products and manufacturing equipment – under the Ministry of Planning and Investment
- Retailing of tobacco products – under the Ministry of Industry and Commerce
- Transporting commercial quantities of tobacco products or manufacturing equipment – under the Ministry of Industry and Commerce

⁵² Source: Tax Department, Ministry of Finance, Lao PDR

5. Malaysia

The Malaysian government enforces the Tax Stamp Management System (TSMS) in which the tax stamps have the following physical and security features:

- Size: 20 mm x 44 mm (0.5mm)
- Color: i. Blue (Duty Paid), ii. Red (Duty Not Paid)
- Unique Serial Number (alphanumeric): i. Human Readable Code (HRC), ii. 16 digit characters
- Security Ink with the security features of i. Overt, ii. Semi Covert, iii. Covert, and
- Customs logo and the word of JKDM.

Each stamp costs MYR 0.065 (USD 0.015). The data of product description is the only data embedded in Malaysian tax stamps. Therefore, the track-and-trace system is partially implemented.



Image 6: Malaysia Tobacco Excise Stamp⁵³

Licenses are required for manufacturing of tobacco products and manufacturing equipment, importing or exporting of tobacco products and manufacturing equipment and retailing of tobacco products. These licenses can be obtained from Bahagian Perkastam Putrajaya (Royal Malaysian Customs Department).

Requirements to obtain licenses are as follows:

- Manufacturers of tobacco products are required to have the Excise License under Section 20, Excise Act 1976. The license costs MYR 4,800.00 (USD 1,143.67) per year.
- Importers of tobacco products must meet several requirements such as paid-up capital of at least MYR 350,000 (USD 83,392.37) and must pass security vetting by Customs. The license costs MYR 20 (USD 4.76) per calendar month and MYR 96 (USD 22.87) for 6 consecutive calendar months.

⁵³ Source: Ministry of Health and Royal Customs Department of Malaysia

6. Myanmar

In Myanmar, tax stamps have been used on commodities (spirit/liquor, beer, wine, cigarette and imported purified water) since April 2007, in order for the government to track sales volumes and control tax evasion. All imported and locally produced cigarette brands must carry tax stamps. The current tax stamps are paper-based, and the government shoulders their cost. The industry reports to the relevant tax administration office the quantity they use and pay the appropriate excise taxes. Myanmar is planning to introduce new tax stamps with advanced technology in order to strengthen tax administration in the future.

The current tax stamps do not contain track-and-trace features, while licensing is imposed on tobacco manufacturers, wholesalers and importers. The producers and wholesalers must register their business at the local tax office; the registration must be renewed annually. Tobacco importers have to obtain a business license at the local tax administrator and customs offices.



Image 7: Myanmar Excise Stamp for Cheroot Product ⁵⁴

7. Philippines

In 2014, the Bureau of Internal Revenue (BIR) began implementing the Internal Revenue Stamp Integrated System (IRSIS) to enforce the affixture of new internal revenue stamps on both imported and locally manufactured cigarettes, whether packed by machine or hand. Through the IRSIS, revenue stamps can be ordered, distributed, and monitored in real-time, and these stamps possess multi-layered security features.

According to Section 3 of Revenue Regulation (RR) No. 7-2017, tax stamp applicants must apply for a user account at the BIR in order to create a user account on the IRSIS. Once approved, the account holder can place stamp orders through the IRSIS section on the BIR website. Payments shall be made via authorized banks of the BIR. Once the payment has been credited and approved, the authorized representative of the company can claim the cigarette tax stamps in the APO-designated plant.⁵⁵

⁵⁴ Source: People's Health Foundation

⁵⁵ APO Production Unit is the authorized printer of cigarette tax stamps in the Philippines.

The current cigarette tax stamps feature the Philippine Tarsier, an animal endemic to the Philippines. Stamps come in five different color designs and carry an IRSIS-generated unique identification code and quick reference code containing information pertinent only to the cigarette container. The tax stamp costs 15 centavos/piece which is shouldered by the tobacco industry.



Image 8: Philippines Tobacco Excise Stamp⁵⁶

In terms of track-and-trace mechanism, the Philippines uses technologies to differentiate the counterfeit tax stamps only. In 2016, the BIR launched the use of a Stamp Verifier application in verifying the authenticity of revenue stamps. The Stamp Verifier app is innovative and smart, as it uses modern technology as well as involving the cigarette user or smoker in identifying illegal cigarettes. This technology encourages consumers to download the mobile app and use it to check the validity of the revenue stamp affixed to the cigarette pack being purchased.

Licenses are required for selling, importation, and/or manufacturing tobacco. The applicants must register with the Securities and Exchange Commission, apply for a business permit with the Department of Trade and Industry, the Bureau of Customs (if importing products), the Bureau of Internal Revenue, the City or Municipal Mayor's Office, and the Barangay. Tobacco farmers and retailers are not required a license; however, the retailers must apply for a general business permit.

⁵⁶ Source: Department of Finance, Philippines

8. Singapore

Unlike in other ASEAN countries, Singapore does not employ tax stamps. Instead, under the Customs Act of 2009, Singapore Customs requires that individual sticks of duty-paid cigarette packs are marked with the letters "SDPC" (Singapore Duty-Paid Cigarettes). The purpose of marking is to deter market of contraband cigarettes and help Singapore officers in their enforcement efforts. The SDPC fiscal marking does not contain any track-and-trace data such as product description and manufacturing facility. There is no track-and-trace system for tobacco products in Singapore.

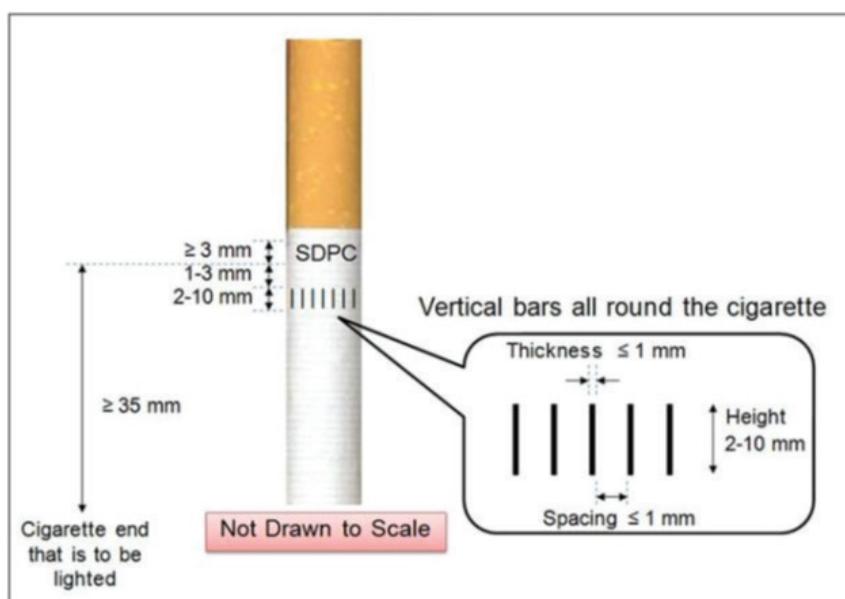


Image 9: Singapore fiscal markings on cigarette sticks⁵⁷

Singapore required licenses for;

- Manufacturing of tobacco products and manufacturing equipment – under Singapore Customs. The license fee costs SGD 1,800 (USD 1,308.57). The applicant must provide name, address, type of goods and intended location of the factory/warehouse.
- Warehousing of tobacco products – under Singapore Customs. The cost of license fee is varied from SGD 2,500–21,000 (USD 1,817.39-15,266.05) depending on the projected potential duty of the dutiable goods stored in the licensed premises. The requirements are similar to the manufacturing license.
- Importing or exporting of tobacco products – under Health Sciences Authority. The new license fee costs SGD 2,720 (USD 1,977.42) while the renewal license costs SGD 2,400 (USD 1,744.79).
- Wholesaling of tobacco products – under Singapore Customs. The license fee costs the same as importing or exporting of tobacco products.
- Retailing of tobacco products – under Health Sciences Authority. The new license fee costs SGD 400 (USD 290.80) while the renewal license costs SGD 300 (USD 218.10). The applicants must be registered with Accounting and Corporate Regulatory Authority (ACRA) or National Environment Agency (NEA), be above the minimum legal age, not committed any offence selling tobacco to anyone under the minimum legal age, the store must not be located at hospitals, health centric institutions, gaming arcades and youth centric institutions.

⁵⁷ Source: Singapore Health Promotion Board

9. Thailand

The Thai Excise Department, Ministry of Finance uses excise tax stamps to indicate that the tax payment has been made. In order to grant excise tax stamps, manufacturers and/or importers shall submit a request form after the excise tax has been paid. The excise tax stamps must be affixed on tobacco products before being taken out of the factory or customs house.

The current excise tax stamps use secure printing technologies which include; security paper, hidden image technology, intaglio printing, barcode RFID and hologram. The new excise tax stamps will use QR code to improve track-and-trace system with embedded information such as running number, date of manufacture, price and brand. However, the current tax stamps only have the information of product description embedded in the stamps. Therefore, the track-and-trace system is not yet fully enforced in Thailand.



Image 10: Thailand Tobacco Excise Stamps⁵⁸

The Thai Government requires licenses for the entire tobacco business supply chain from growing, manufacturing, warehousing, importing or exporting, wholesaling and retailing of tobacco products, all of which are under the Excise Department, Ministry of Finance.

The requirements for granting a permission to grow, manufacture and sell tobacco are as follows; the applicants must be a Thai state enterprise, legal entity under the laws of Thailand, and/or individuals aged 20 or above.

Regarding the retailing license, in addition to the requirements mentioned above, the Excise Department also set additional requirements on the locations to sell tobacco products as follows; the retailers must be qualified by the Tobacco Product Control Act, and the premises must not be situated in the same location where a permit has been revoked within the past 5 years.

The cost of each license varies from THB 100-150,000 (USD 3.28-4,931.63) depending on the types of tobacco the licensees aim to grow/produce/sell/import and/or export; the cigarette license costs the highest when compared with other types of tobacco such as shredded or chewing tobacco.

⁵⁸ Source: The Excise Department, Ministry of Finance, Thailand

10. Vietnam

Vietnam started implementing tax stamps on imported cigarettes and cigars since 1989 through the Ministry of Finance's Decision No. 138-TC/CTN and on locally manufactured cigarettes since 1999 through the Prime Minister's Decision No. 175/1999/QĐ-Ttg. All kinds of domestically produced and imported cigarette tax stamps are issued by Ministry of Finance, and provided to tobacco manufacturing and importing enterprises free of charge.

The stamp for domestically-produced cigarettes has a size of 2.2cm x 4.5cm and is printed on special paper with shadow pattern weighted 65g/m². The cigarette stamp is printed with special protection techniques, has a multi-dimensional barcode, and can be checked for authenticity by barcode scanners. It has consecutive symbol and ordinal numbers, and each symbol has 01-10 million numbers depending on the quantity issued.

The stamp for imported cigarettes is printed on a yellow pattern paper with a size of 2.2 cm x 4.5 cm. There are 3 black text lines on the stamp; 2 lines are in Vietnamese, and 1 line is in English ("Imported Cigarettes Stamp"). The imported-cigar stamp is printed on a blue pattern paper with a size of 2.2 cm x 4.5 cm. On the stamp are 3 black text lines; 2 lines are in Vietnamese, and 1 line is in English ("Imported Cigar Stamp").



Image 11: Vietnam Tobacco Excise Stamp ⁵⁹

The tax stamp determines if taxes have been paid and determines whether the product is licit or illicit. All tobacco products without the affixed stamp are recognized as illegal products. Tax stamps in Vietnam are not embedded with the track-and-trace information. Therefore, Vietnam does not have any tracking and tracing mechanism in place.

In Vietnam, the licenses are required for tobacco business as follows;

- Manufacturing of tobacco products – under Ministry of Industry and Trade. The license fee is VND 4,500,000 (USD 196)
- Importing or exporting of tobacco products and manufacturing equipment - under Ministry of Industry and Trade. The license fee is similar to the manufacturing of tobacco products.
- Retailing of tobacco products – under Ministry of Industry and Trade. The license fee is between VND 200,000-1,200,000 (USD 8.7-52) depending on the appraising of goods and services as well as locations (cities or towns).

⁵⁹ Source: Ministry of Finance, Vietnam

- Growing of tobacco – under Services of Industry and Trade of central-affiliated cities and provinces (here in after referred to as Services of Industry and Trade). The license fee is VND 2,200,000 (USD 96)
- Wholesaling and distribution of tobacco products – under Ministry of Industry and Trade. The license fee is similarly to the retailing of tobacco products.

The requirements in applying for all of the mentioned licenses are varied while the requirements for manufacturing tobacco products are stringent since the tobacco production is state-owned in Vietnam. The key requirements include; enterprises that manufactured tobacco products must have their investment policies approved by the Prime Minister when merging or entering into joint ventures to manufacture tobacco.

VII. Conclusion

a) Fiscal markings/tax stamps and track-and-trace mechanisms

Most of the countries in the ASEAN have a tax stamp system to ensure that taxes on tobacco products are paid. However, there is variance in the processes and the technologies used due to differences in capacity and the situation in each country. When compared with findings from the 2014 report, countries such as Cambodia, Philippines, Singapore and Thailand have since attempted to implement better security features on fiscal markings/tax stamps such as the use of unique identification codes, QR codes, hidden image technology, intaglio printing, barcode RFID and holograms. The cost of tax stamps is mostly shouldered by the tobacco industry.

Fiscal markings/tax stamps implemented in ASEAN countries are not part of track-and-trace mechanisms. However, a few countries such as Cambodia, Malaysia, Philippines, and Thailand have partial track-and-trace information such as the manufacturing facility, intended market of retail sale and product description embedded in fiscal markings/tax stamps.

b) Licensing to control tobacco supply chain

Similar to fiscal markings/tax stamps, countries in the region have licensing systems but not all parts in the supply chain are covered. Cambodia and Myanmar do not implement a tobacco licensing system; these countries implement a general system requiring all manufacturers, wholesalers and importers to obtain a patent for business operations from their respective local authority (Myanmar: local tax and customs offices; Cambodia: General Department of Taxation). **Thailand, Singapore and Vietnam enforce more control on the supply chain; almost all actors (such as growers, producers, exporters/importers, wholesalers and retailers) in the supply chain are required to apply for licenses.** This enables the government to more effectively monitor and regulate the overall business activity of the industry. Ministries of Health, Ministries of Finance (Tax and Customs Departments) and Ministries of Industry and Trade are the common authorities granting and monitoring tobacco supply licenses in ASEAN. In Malaysia and Thailand, the Royal Malaysian Customs Department and the Thai Excise Department in the Ministry of Finance respectively possess the sole mandate to grant licenses and oversee the overall tobacco supply chain in the country. License fees are high in Brunei Darussalam, Malaysia, Singapore and Thailand, ranging from USD 100 to over USD 4,000. The highest license fees are typically applied to tobacco manufacturers, importers and wholesalers.

VIII. Policy Recommendations

Considering that the region is a destination and transit point for illicit trade in tobacco products, countries in the ASEAN region should review and revise their policies, ensure strict enforcement of measures, and promote efficient coordination for a strengthened approach in eliminating illicit trade.

Countries in the ASEAN region should consider aligning their policies with best practices in preventing illicit trade in tobacco products. Using high-tech unique identification markings such as codes or stamps, as well as embedding track-and-trace information recommended by the ITP (such as manufacturing facility, product description and intended market of retail sale) is an efficient way to check whether the product is counterfeit and to monitor whether the taxes due have been paid.

We recommend that countries study their capacity to implement a tracking and tracing mechanism, which must be established within five years from entry into force of the ITP. A tracking and tracing mechanism has the capacity to determine the origin and point of diversion and to monitor and control the movement of tobacco products, which can provide essential information in combating illicit trade.

Countries should also require licensing of all commercial activities related to the manufacture and distribution of tobacco products. The ITP recommends establishing a mandatory licensing system for those involved in manufacturing, importing, or exporting tobacco products or manufacturing equipment, while other activities such as retailing or tobacco growing can also be licensed. In addition, due diligence is required from all persons or entities engaged in the supply chain of tobacco products and manufacturing equipment and to take measures to prevent the diversion of tobacco products into illicit trade channels.

Further, a recommendation on measures to address illicit trade in tobacco products from the ASEAN through the ASEAN Secretariat's Health Division/ ASEAN Health Cluster 1 (previously ASEAN Focal Points for Tobacco Control (AFPTC)) will be helpful in setting the standard for the region. The recommendation will help promote the adoption and implementation of effective policies and encourage a more cohesive action plan within the region, which is necessary considering the nature of illicit trade.

Lack of capacity to implement measures to control the supply chain is a hindrance. But the issue of illicit trade crosses boundaries, mutual cooperation among countries and the transfer of technical, scientific and legal expertise and technology is critical. Thus, there is a need for countries with more capacity to provide technical assistance to other countries that lack the capacity to implement such measures.

Lack of capacity of countries to implement strict measures on illicit trade also creates opportunities for tobacco industry interference under the guise of providing implementation assistance. Thus, concurrent with capacity building, there is a need to strictly implement measures to prevent tobacco industry interference through policies that prohibit unnecessary interactions or partnerships with the tobacco industry. We recommend that countries should not partner with the tobacco industry in efforts to address illicit trade of tobacco products. Partnerships or unnecessary interactions with the tobacco industry violate Article 5.3 of the WHO FCTC and its Guidelines.

IX. Tables

Table 1. Fiscal Markings/Tax Stamps in ASEAN

Country	Fiscal markings/ Tax stamps	Covered products	Cost	Issuing authority
Brunei Darussalam	X	N/A	N/A	N/A
Cambodia	✓	Both domestic and imported tobacco	KHR 50/stamp (USD 0.01/stamp)	General Department of Taxation (GDT) and General Department of Custom and Excise (GDCE)
Indonesia ⁶⁰	✓	All tobacco products	Directorate General Customs and Excise	No cost to tobacco industry
Lao PDR	✓	Cigarettes and cigars domestically manufactured and those imported into the local market	Domestically manufactured: LAK 5 (USD 0.00065) Imported: LAK 600 (USD 0.072) per large sheet of duty stamps LAK 500 (USD 0.06) per small or medium sheet of duty stamps LAK 1,500 (USD 0.18) per sheet of stamps for duty-free imported tobacco	Ministry of Finance, specifically: Taxation Department (local) Customs Department (imported)
Malaysia	✓	Imported cigarettes	MYR 0.065 (USD 0.015)	Royal Malaysian Customs Department
Myanmar	✓	Both domestic and imported tobacco	No cost to tobacco industry	Ministry of Finance
Philippines	✓	All tobacco products	PHP 0.15	Bureau of Internal Revenue (BIR)
Singapore	✓	"SDPC" (Singapore Duty-Paid Cigarettes) mark on every single stick of cigarettes	N/A	Singapore Customs
Thailand	✓	All tobacco products	No cost to tobacco industry	Excise Department
Vietnam	✓	Domestic cigarettes, and imported cigars and cigarettes	No cost to tobacco industry	Ministry of Finance

⁶⁰ 2014 Data

Table 2. Track- and-Trace Mechanisms in ASEAN

Country	Track-and-trace mechanism	Embedded track-and-trace data	Implementing authority
Brunei Darussalam	X	N/A	N/A
Cambodia	✓ (Partially)	Manufacturing facility and intended market of retail sale	General Department of Taxation (GDT) and General Department of Custom and Excise (GDCE)
Indonesia ⁶¹	X	N/A	N/A
Lao PDR	X	N/A	N/A
Malaysia	✓ (Partially)	Product description	Royal Malaysian Customs Department
Myanmar	X	N/A	N/A
Philippines	X	N/A	N/A
Singapore	X	N/A	N/A
Thailand	✓ (Partially)	Product description	Excise Department
Vietnam	X	N/A	N/A

⁶¹ 2014 Data

Table 3. Tobacco Supply Chain Licensing Systems in ASEAN

Country	Type of license	License fee (annually)	Issuing authority
Brunei Darussalam	<ol style="list-style-type: none"> 1. Importing or exporting of tobacco products and manufacturing equipment 2. Retailing of tobacco products 	<ol style="list-style-type: none"> 1. BND 5,000 (USD 3,619) 2. BND 600 (USD 434) 	Ministry of Health
Cambodia	No exclusive licensing system. But like other manufacturers and importers of other products, tobacco manufacturers and importers need to register at the General Department of Taxation	N/A	General Department of Taxation (GDT)
Indonesia	License/permit for tobacco manufacturers and importers/exporters of tobacco products	Directorate General Excise and Customs Local Government	No charge License cost depends on the policy of the local government
Lao PDR	<ol style="list-style-type: none"> 1. Manufacturing of tobacco products and manufacturing equipment 2. Importing or exporting of tobacco products 3. Retailing of tobacco products 4. Transporting commercial quantities of tobacco products 	N/A	<ol style="list-style-type: none"> 1. Ministry of Industry and Commerce 2. Ministry of Planning and Investment 3. Ministry of Industry and Commerce 4. Ministry of Industry and Commerce
Malaysia	<ol style="list-style-type: none"> 1. Manufacturing of tobacco products and manufacturing equipment 2. Importing of tobacco products 	<ol style="list-style-type: none"> 1. MYR 4,800.00 (USD 1,143.67) 2. MYR 20 (USD 4.76) per calendar month and MYR 96 (USD 22.87) for 6 consecutive calendar month. 	Royal Malaysian Customs Department
Myanmar	No exclusive licensing system. But like other manufacturers, wholesalers and importers of other products, tobacco manufacturers, wholesalers and importers need to register at the local tax and customs offices	N/A	Local tax and customs offices

Table 3. Tobacco Supply Chain Licensing Systems in ASEAN

Country	Type of license	License fee (annually)	Issuing authority
Philippines	<ol style="list-style-type: none"> 1. Registration fee as excise taxpayer - for tobacco manufacturers and importers 2. Permits to operate ⁶² 3. License to buy leaf tobacco 4. Permit to purchase leaf tobacco 5. Permit to redry leaf tobacco 6. Certificate of Authority to purchase leaf tobacco 7. Issuance of Authority/Accreditation to import/export/transship/process manufactured/unmanufactured tobacco 	<ol style="list-style-type: none"> 1. PHP 500 (USD 12) 2. None 3. Depending on tobacco type and volume 4. PHP 13,500 (USD303) 5. PHP 13,500 (USD303) 6. Depending on the volume / Certificate of Purchase is PHP250 (USD6) per booklet 7. PHP 11,500 (USD258) plus annual accreditation fee depending on the number of sticks manufactured 	<ol style="list-style-type: none"> 1.-2. Bureau of Internal Revenue 3.-7. National Tobacco Administration
Singapore	<ol style="list-style-type: none"> 1. Manufacturing of tobacco products and manufacturing equipment 2. Warehousing of tobacco products 3. Importing or exporting of tobacco products 4. Wholesaling of tobacco products 5. Retailing of tobacco products 	<ol style="list-style-type: none"> 1. SGD 1,800 (USD 1,308.57) 2. SGD 2,500–21,000 (USD 1,817.39-15,266.05) 3. SGD 2,720 (USD 1,977.42), SGD 2,400 (USD 1,744.79) for the renewal license 4. SGD 2,720 (USD 1,977.42), SGD 2,400 (USD 1,744.79) for the renewal license 5. SGD 400 (USD 290.80), SGD 300 (USD 218.10) for the renewal license 	<ol style="list-style-type: none"> 1. Singapore Customs Department 2. Singapore Customs Department 3. Health Sciences Authority 4. Singapore Customs Department 5. Health Sciences Authority

⁶² Permits to operate can cover a whole range of activities i.e. permit to export excisable articles; Permit to sell/import any apparatus or mechanical contrivance / Permit to sell/import cigarette paper in bobbins, cigarette tipping paper or cigarette filter tips (to be secured by the manufacturers, importers, indentors and/or wholesalers thereof); Permit to dispose tobacco/cigarette paper wastes by burning or other forms of destruction; Permit to deliver/sell tobacco wasters, scraps, stems, etc. for further processing; Permits to install cigarette making machine; Permit to sell/transfer cut tobacco; permit to transfer raw materials and/or packaging materials in the manufacture of cigarettes; permit to dismantle machineries and equipment used in the manufacture of excisable products; etc.) (Source: BIR RMO 38-2003)

Table 3. Tobacco Supply Chain Licensing Systems in ASEAN

Country	Type of license	License fee (annually)	Issuing authority
Thailand	<ol style="list-style-type: none"> 1. Manufacturing of tobacco products and manufacturing equipment 2. Importing or exporting of tobacco products 3. Retailing of tobacco products 4. Growing of tobacco, except for traditional small-scale growers, farmers and producers 5. Wholesaling and distribution of tobacco products 	<ol style="list-style-type: none"> 1. THB 330-150,000 (USD 10.83-4,924.60) 2. THB 300 (USD 9.84) 3. THB 100-500 (USD 3.28-16.41) 4. No cost 5. THB 100-1,200 (USD 3.28-39.39) 	Excise Department
Vietnam	<ol style="list-style-type: none"> 1. Manufacturing of tobacco products and manufacturing equipment 2. Importing or exporting of tobacco products and manufacturing equipment 3. Retailing of tobacco products 4. Growing of tobacco 5. Wholesaling and distribution of tobacco products 	<ol style="list-style-type: none"> 1. VND 4,500,000 (USD 196) 2. VND 4,500,000 (USD 196) 3. VND 200,000-1,200,000 (USD 8.7-52) 4. VND 2,200,000 (USD 96) 5. VND 4,500,000 (USD 196) 	<p>1.-3. and 5. Ministry of Industry and Trade</p> <p>4. Services of Industry and Trade of central-affiliated cities and provinces (here in after referred to as Services of Industry and Trade).</p>

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