

News release

Minister of National Revenue unveils a new state-of-the-art excise stamp to combat contraband tobacco

Ottawa, Ontario, September 4, 2008... The Honourable Gordon O'Connor, Minister of National Revenue, today unveiled a new state-of-the-art tool to target the market of contraband and counterfeit tobacco in Canada.

“Our Government takes the issues of tobacco contraband and counterfeit very seriously,” said Minister O'Connor. “While the new tobacco stamp will not single-handedly resolve all those issues, it is a key element in the government’s overall strategy to combat this illicit activity. We are all working together as a government to deliver on our commitment to keep our communities safe and secure.”

“Illicit cigarette manufacturing and sales represent a significant threat to the safety and security of our communities and to our economy,” said the Honourable Stockwell Day, Minister of Public Safety. “Trafficking in contraband tobacco fuels other illegal activities by organized crime, such as drug trafficking and gun smuggling. The new tobacco stamp will strengthen the ongoing efforts of law enforcement to prevent the production and distribution of illicit tobacco.”

As part of its Tobacco Compliance Strategy, the Canada Revenue Agency (CRA) recently contracted the joint venture of Canadian Bank Note Company and SICPA Product Security SA to design, produce, and distribute a new excise duty stamp for tobacco products. This sophisticated identifier contains a number of overt and covert security features, much like those found on Canadian currency, which, once fully implemented, will allow authorities to more easily identify legitimate tobacco products and detect counterfeit or contraband products.

The CRA works with a number of other government departments such as the Canada Border Services Agency, as well as with federal and provincial enforcement agencies, to ensure that Canada’s tobacco laws are applied effectively. The new excise duty stamp for tobacco products will add another important tool to strengthen the Agency’s and its partners’ efforts to fight contraband tobacco in Canada.

For more information about the new excise duty stamping regime for tobacco products, see the attached backgrounder.

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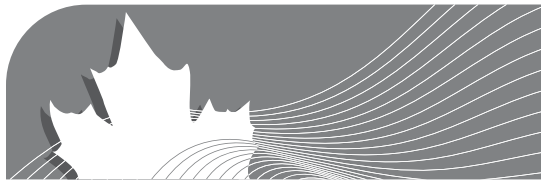
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Background

New Excise Stamping Regime for Tobacco Products

Background

In an effort to prevent contraband tobacco products from entering the Canadian market, and to ensure the integrity of the tobacco tax system which supports the Government's health objectives, the Canada Revenue Agency (CRA) is implementing a new excise duty stamping regime for tobacco products.

This new stamping regime is the third element of the CRA's Tobacco Compliance Strategy, which is designed to address the issues of contraband and counterfeit tobacco products in Canada, and which targets all areas of the tobacco production and distribution chain. Namely, the new stamping regime will:

- provide a reliable indication of the duty-paid status of tobacco products;
- make counterfeit products easier to detect and seize by enforcement agencies;
- strengthen controls over the manufacturing and the distribution of tobacco stamps; and
- provide an additional enforcement tool for federal and provincial compliance and enforcement authorities.

The other two elements of the Tobacco Compliance Strategy are: increased audits of tobacco manufacturers, and outreach and monitoring of tobacco growers.

Stamp Provider

The CRA has awarded a contract to one supplier for the design, production and distribution of new stamps that incorporate a number of sophisticated security features. The tobacco stamps will be required to appear on both domestically-produced and imported duty-paid tobacco products that are distributed and sold in Canada.

The cost of the stamp will be covered by tobacco importers and manufacturers through the sale of the stamp. The Government will not increase funding as a result of this initiative.

Security Features

The new excise duty stamps for tobacco products contain a number of overt and covert security features that are very difficult and costly to reproduce and counterfeit, including the following:

- Overt security features to assist in the unaided visual identification of the stamps by both the public and government agencies;
- A unique sequential identifier; and
- A number of covert security features that can be read by both tobacco manufacturers and other partners in compliance and enforcement.

The provinces and federal departments and agencies have been a part of the CRA's consultation process and they have been invited to participate in the new tobacco stamping regime.

Implementation

The stamps are currently in prototype form, and the CRA is moving ahead with the implementation phase, in consultation with industry, importers, and governmental stakeholders. The new stamp is expected to be fully implemented in early 2010, which will allow all parties sufficient time to prepare accordingly.

