



PRESS RELEASE

SICPATRACE® Revenue-Enhancing Technology Could Increase Philippine Tax Revenues by PHP 75 Billion over 7 years

(Manila, January 26, 2010) The global trade in illicit tobacco products results in lost tax revenues for governments around the world worth some US\$40 billion to US\$50 billion annually, according to Bloomberg Philanthropies and the Bill and Melinda Gates Foundation. That trade is growing at an estimated 6 percent every year. In the case of the Philippines, that illicit trade in cigarettes is costing the Bureau of Internal Revenue (BIR) over PHP 10 billion in lost tax revenues annually, says Hans Schwab, Director for Institutional Relations for Switzerland-based SICPA Product Security SA.

Given the significance of this global challenge, some governments, such as Canada, Brazil, Turkey, and Malaysia as well as the US state of California and recently the state of Massachusetts, have adopted sophisticated solutions designed, produced and managed by SICPA that allow their revenue and law enforcement officials to track and tax legitimate tobacco products and detect counterfeit or contraband products that represent lost tax revenue and violations of their laws. In all countries this has resulted in a substantial increase in excise tax revenues and a decrease in the amount of counterfeit and contraband products being sold, according to Schwab.

SICPA has been in discussions with the Philippine government over the past three years to offer its revenue-enhancing solutions to assist the BIR, Customs and law enforcement authorities to meet their tax revenue targets while reducing distribution of illicitly traded products. Those discussions have centered on an effective solution which comes at no cost to the government and is projected to generate over PHP 10 Billion in additional tax revenues annually while not interfering with the manufacturing and trade processes.

“We are certain that our revenue-enhancing solutions will enable the Philippine government to generate significant new tax revenues from tobacco sales and dramatically reduce the level of tax evasion as has been the case in other countries where it has been applied. Financial resources generated through the illicit trade of tobacco products are today associated with criminal operations and we are eager to partner with the government of the Philippines in an effort to eliminate those activities and add additional sources of government revenue.” said Hans Schwab, SICPA’s Director for Institutional Relations.

In addition, the SICPATRACE® solution allows regulatory authorities and consumers to verify product authenticity and compliance, thereby alleviating product quality concerns.

At the same time, the SICPATRACE® system allows Customs and other law enforcement authorities to verify the legitimacy of any consignment, down to the individual product, at any stage in the supply chain. This is possible because the system provides real-time data for effective field inspections and audits. The result is that governments are able to independently reconcile excise tax revenues against production and distribution levels of all tobacco products.

According to Schwab, SICPA expects to soon enter into an open government tender process for the application of secure, technologically enhanced strip stamps to be



applied on all nationally manufactured and imported cigarettes in the Philippines. “Entering the public tender or “Swiss Challenge” process will create transparency in showcasing the technologies currently available and prove SICPA’s technological superiority for the deployment of large government solutions. Our system is one that has been shown to deliver tremendous revenue-generation benefits to the governments that have adopted it around the world and we know that it can increase the tax revenues required to support the Philippine government’s important national development objectives,” said Schwab.

About SICPA

SICPA is a private Swiss company, founded in 1927, with headquarters in Lausanne, Switzerland. At the core of SICPA’s security expertise are high-technology security inks that protect a majority of the world’s banknotes, identity documents as well as many other valuable documents from counterfeiting and fraud. The company employs over 1900 people and is established in 22 countries on 5 continents, with products sold in many countries worldwide. SICPA is a trusted advisor to governments, central banks and high-security printers.

The Product Security Division of SICPA, founded in 2001, protects billions of consumer products. Building on the heritage and the global experience of its security ink business, SICPA Product Security has established itself as the provider of a new security standard that integrates ink-based covert features and sophisticated track and trace technology for product authentication and excise tax enhancement. SICPA has Product Security operational centres in Switzerland, the United States, Turkey, Brazil, Malaysia and Spain. To date, it is the only organisation in the world to have successfully installed secure track and trace systems that are independently run and controlled by governments. These systems monitor hundreds of tobacco and beverage production lines worldwide, which results in more than 50 billion individual consumer products secured by SICPA Product Security every year.

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