Brazil's tax stamp system improves tax collection and facilitates a tobacco tax increase

Cigarettes manufactured for export display unique visible code.

In 2007, Brazil began requiring cigarette manufacturers to install equipment to count output, as well as devices to control, register, record and transmit information about the quantity of cigarettes manufactured. Implementation of this system, known as Scorpios, was completed in March 2008 and enabled nationwide control and tracing of all domestically produced cigarettes. The Scorpios system applies a unique invisible and traceable code on tax stamps to ensure their correct use to identify the origin of cigarettes and suppress illegal production, imports and counterfeiting. The Scorpios system was further strengthened in 2011 to include cigarettes manufactured for export, with unique visible codes directly on the packs that include all required fiscal information and country of destination to facilitate field inspections. Legislation requires cigarette manufacturers to pay for system maintenance through an excise fee applied to each pack of cigarettes controlled by the Scorpios system. This system has gained the support of manufacturers as it improves tax collection, facilitates quick and effective action in the event of any irregularities, and automates and streamlines tax-related reporting. The improved control of cigarettes provided by Scorpios allowed Brazil to increase excise taxes on cigarettes by 30% in 2009 and an additional 105% (in phases) from 2012 to 2015 of cigarettes controlled by the Scorpios system.

Higher tobacco taxes in the Philippines are a win-win for both health and revenues

In 2012, soon after guidelines were issued for implementing WHO FCTC Article 6 (Price and tax measures to reduce the demand for tobacco), the Philippines passed its landmark Sin Tax Reform Law. This legislation, which became effective on 1 January 2013, simplified what had been a complex tobacco excise tax structure and increased excise rates by as much as 341% (for low-priced brands) compared to those of the previous year.

The tax reforms were promoted primarily as a public health measure with attendant revenue implications, based on the fact that annual losses to the economy related to tobacco use were at least 177 billion Philippines pesos (PHP) (US$ 4.2 billion), compared to annual tobacco excise revenues of only PHP 32.9 billion (US$ 779.1 million) in 2012. Prior to the law's passage, tobacco excise revenues for 2013 were projected at PHP 52 billion (US$ 1.2 billion), but actual tobacco excise collections that year were PHP 70.4 billion (US$ 1.6 billion) – an increase of 114% in its first year of implementation.

Of this amount, the additional revenues totalled PHP 41.8 billion (US$ 984.7 million), far exceeding the projected revenue-increase target of PHP 23.4 billion (US$ 551.2 million). A national survey in 2009 showed that 28.3% of adults aged over 15 years smoked, with nearly half of men and one in 10 women being current smokers. With such a substantial increase in tobacco tax, an upcoming national survey is expected to show its impact on smoking prevalence. In addition, the incremental revenues generated from the Sin Tax Law are earmarked to ensure a source of sustainable financing for the country's Universal Health Care Programme. Incremental revenues generated by the Sin Tax Law enabled the National Government to subsidize the health insurance premiums of 14.7 million poor members in 2014, up from only 5.2 poor members of the programme registered in 2013. These members and their dependents account for about half of the Philippines' population.

President Benigno S. Aquino III signs into law Republic Act 10351, the Sin Tax Reform Law of 2012.

Kenya implements excise tax management system to enhance tax collection and eliminate illicit trade

The Kenya Revenue Authority's Excisable Goods Management System features an enhanced excise stamp with multiple security layers for various stakeholders along the supply chain; production accounting; and track and trace modules. The system, used for both alcohol and tobacco products, also provides for online forecasting, application and processing of stamps, management of manufacturer and distributor tax accounts, a stock control module, and tax forecasting and business intelligence modules. This has led to reduced costs to government for tax compliance, faster access to stamps by manufacturers and distributors, and enhanced service delivery throughout the supply chain. This system enabled the Kenya Revenue Authority to seize more than 300 000 illegal products from about 900 outlets and to prosecute more than 150 offenders between February and June 2014. Controls over the distribution chain and improved technologies such as these – as used by the Kenya Revenue Authority – can improve tax administration and complement tobacco tax reforms.

Destruction of seized smuggled cigarettes by members of the Kenya Revenue Authority and the police.