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2016 – the Year of the Sugar Tax?

Governments should tax sugary drinks to fight the global epidemics of obesity and diabetes, said the World Health Organisation, in a recent Reuters article.

In its report titled *Fiscal Policies for Diet and Prevention of Noncommunicable Diseases*, published on World Obesity Day, the WHO claimed that a 20% price increase could reduce consumption of sweet drinks by the same proportion.

'We are now in a place where we can say there is enough evidence to move on this and we encourage countries to implement effective tax on sugar-sweetened beverages to prevent obesity,' said Temo Waqanivalu, of WHO's department of Noncommunicable Diseases and Health Promotion.

An example of such evidence is provided by Mexico (a country which, in 2012 had the highest worldwide consumption of sugar-sweetened beverages), where a tax rise in 2014 led to a 10% price hike and a 6% drop in purchases by year-end, according to the WHO report.

The Reuters article refers to a global soft drink market currently worth nearly $870 billion. 2016 could be the year of the sugar tax, said the article, as several large nations consider levies on sweetened food and drinks to battle obesity and fatten government coffers.

Unsurprisingly, the US-based soft drink industry's lobbying arm – whose members include Coca-Cola Co, Pepsico Inc and Red Bull – strongly disagrees with what it calls 'discriminatory taxation'.

'It is an unproven idea that has not been shown to improve public health based on global experiences to date,' the Washington-based International Council of Beverages Associations said in a statement. A comprehensive approach based on the whole diet was needed for a lasting solution to obesity, it said.

Continued on page 5 >

Ecuador Prepares for FCTC Protocol with New Tax Stamp System

The Servicio de Rentas Internas del Ecuador (SRI) – Ecuador's Internal Revenue Service – has awarded a five-year contract – from January 2017 – to the SICPA Ecuatrace consortium, for the implementation and operation of the *SIMAR* system on locally made cigarettes, spirits and beer. SIMAR stands for *Sistema de Identificación, Marcación, Autentificación, Rastreo y Trazabilidad* (or 'System for Identification, Marking, Authentication, Tracking and Tracing').

SIMAR forms an important part of the Government of Ecuador's recently introduced economic and fiscal policies to expand the domestic tax universe and strengthen tax collection controls. According to the SRI, the policy has been remarkably successful, even at the level of small taxpayers, and has created a significant tax culture.

However, it was recognised that fast-moving consumer goods sectors, such as tobacco products, liquor and beer, needed to be controlled by the SRI at the production and sales level, due to the great tax importance of these goods. This is where SIMAR comes in, as a comprehensive, technological, centralised system that controls the industrial production of excise products, in accordance with international recommendations and best practices.

Continued on page 3 >

Ecuador Prepares for FCTC Protocol
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The objectives of SIMAR are threefold: first, to strengthen and improve the controls related to the collection of special consumption taxes; second, to combat evasion, smuggling, under-invoicing, adulteration and unfair competition; third, to detect products of dubious origin that affect the health or life of citizens.

An expected annual volume of 1.2 billion individual tobacco, liquor and beer products will be marked under the SIMAR scheme, which features the following important functionalities:

- Direct control of automated production lines by means of devices installed inline and connected to a central database. The devices give the SRI full visibility on what is produced;
- Indirect marking through the affixing of tax stamps, and direct marking through codes applied directly to the product (the marking method used depends on the characteristics and production processes of each product sector);
- Aggregation of products, and track and trace along the distribution chain;
- Dedicated control devices for field inspectors;
- Smartphone app for consumers to control product legality.

The implementation of SIMAR allows Ecuador to comply with Article 8 of the WHO FCTC *Protocol to Eliminate Illicit Trade in Tobacco Products*, which calls for all parties to implement a tracking and tracing regime (Ecuador is one of 24 countries that has so far ratified the Protocol).

In addition, SIMAR complies with the Protocol requirement that obligations assigned to a party must not be performed by or delegated to the tobacco industry, in that it is completely independent from that industry, thereby avoiding conflicts of interest.

Tax stamps for imported liquor already in place

The SIMAR system – which is applied to locally made products only – joins Ecuador's existing tax stamp system for imported spirits, which was launched in 2015 by the country's customs agency Servicio Nacional de Aduana del Ecuador (SENAE). The SENAE system is also provided by SICPA, in consortium with the Ecuadorian company Supraplast (see TSN June 2015).