
PRESS RELEASE

Heading: ASPA urges Indian Government to implement Tax Stamp under FCTC protocol on illicit tobacco trade

- ❖ Legal Cigarettes constitute only 10 percent of total tobacco consumption in India reveals ASPA 'Report for Nation'
- ❖ Illicit trade in tobacco and tobacco-based products is a global problem, leading governments to join public health agencies in calling for stronger measures to combat the practice. Implementation of Tax Stamps has been one of the most effective measure.
- ❖ Eliminating or reducing the illicit tobacco trade in India will reduce consumption (by increasing price), save lives, and increase tax revenue to governments. Governments of India is currently losing approximately Rs 13,000/- crore annually.
- ❖ The annual revenue loss in tobacco taxation worldwide is estimated at roughly US\$40 billion–US\$50 billion, that is, the equivalent of about 10 percent of global cigarette consumption.

New Delhi, January 20, 2020: Authentication Solutions Providers' Association has released an advisory report urging the Government of India to eliminate illicit tobacco trade in India according to WHO FCTC requirements. The Prime Minister has ratified FCTC protocol last year as India's commitment towards fighting illicit tobacco trade. The findings titled "Report for Nation – Confronting illicit tobacco trade in India for economic & development", provides an overview of illicit tobacco trade in India, global examples & usage of Phygital Tax Stamp as solutions in combating it.

According to report findings, **only 10 percent of total tobacco consumption** in the country constitute **Legal Cigarettes**. Illicit tobacco such as **chewing tobacco, Bidis and Gutkas**, etc comprise **90 percent** of the market in terms of volume. In the last three decades, the legal cigarettes' share amongst total tobacco consumption in India has **declined from 21% in 1981-82 to 10% in 2016-17**. On the other hand, during the exact period, the overall tobacco consumption within the country has increased by **33%**. This drop-in legal cigarette revealed in the shift to the illegal cigarette and the 3 unorganized sectors of the Industry.

Illicit trade in tobacco products contributes to numerous health, economic, and governance challenges.

- **Impact on Public Health:** All tobacco products are harmful to human health, even if they are produced and marketed legally. But, illicit tobacco harms individual and population health in additional ways. It has been estimated that the illegal cigarette market reduces average cigarette prices by about **4%** and is accountable for about **2% higher cigarette consumption**.
- **Impact on Society and Youth:** Illicit trade makes tobacco products more affordable and accessible to individuals from low-income groups, as well as children increasing consumption. According to reports, the average street price of cigarettes was 50 to 60% lower in comparison to taxation paid cigarettes.
- **Impact on Government:** Illicit trade siphons tax revenues away from governments impacting the capability of authorities to provide good governance. It also reduces the allocation of resources for socio-economic development, particularly in low-income nations that rely on consumption taxes. Recent consensus among experts estimates the yearly loss of income from tobacco taxation globally at **US\$ 40-50 billion, that's about 600 billion sticks or 10%** of consumption.

Factors that contribute to illicit trade are complicated. Contrary to tobacco industry arguments, taxes and prices only have a limited impact on the illicit cigarette market share at the country level. Evidence suggests that illicit cigarette market is relatively larger in countries with low taxes and prices while relatively smaller in nations with

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high cigarette taxes and prices. Non-price factors such as governance status, weak regulatory framework, social acceptance of trade, and the availability of informal distribution networks seem to be far more significant determinants of the size of the illicit tobacco industry.

Talking about the issue and the solution, **Mr. Nakul Pasricha, President, ASPA** said, "Illicit trade in tobacco and tobacco-based products is a global problem, leading governments to join public health agencies in calling for stronger measures to combat the practice. Implementation of Tax Stamps has been one of the most effective measure. Experiences in many countries, states, and other jurisdictions demonstrate that a comprehensive approach to address illicit tobacco markets is most effective. In Bangladesh, illicit trade in a cigarette was reduced from 20% in 2000 to 1.2 percent in 2009. In Turkey, Tobacco tax revenues rose by 31.5% within the first year of implementing the system, even though tax rates remained the same. In the Indian scenario, according to reports, usage of Tax Stamps has minimized the tragedies due to spurious liquor and substantially increased the excise revenue collection by more than 15-20% on year to year basis with proper enforcement. It has the potential to generate similar results for the tobacco industry."

He further added, "Since determining factors for illicit tobacco product market are multiple and complicated, an effective counter strategy needs to be explicitly multi-sectoral, involving all relevant agencies of government. Preferably, ministries of finance, trade, industry, foreign affairs, justice, interior, customs, education, and wellness are going to be involved, in addition to civil society and the media. Prioritizing and coordinating control of the whole distribution chain -from the areas at which tobacco leaves are grown, or the port of entry, to the final purchase by the respective consumer - and enforcement of tobacco regulations have proven to be effective measures in reducing tax evasion with the consumption of tobacco products. Proper monitoring of the supply chain and distribution should help in controlling illicit tobacco consumption. An increase in information sharing between various stakeholders and regulatory authorities will lead to better tracking of the illicit tobacco trail and curtail illicit tobacco trade.

About Authentication Solution Providers' Association (ASPA):

Authentication Solution Providers' Association (ASPA) is a self-regulated, non-profit organization of authentication solution providers. Formed in 1998 with the objective to fight fakes products in various sectors, it is one of its kind association in the world primarily focused on the adoption and advancement of authentication technologies and solutions for Brand, Revenue and Document Protection. ASPA members protect over 15,000 brands worldwide through the identification of genuine products and documents. ASPA is creating awareness to fight fake/duplicate & counterfeit products which are harmful to consumer, industry, economy, and society at large. ASPA works closely with global authorities such as International Hologram Manufacturers Association (IHMA), Counterfeit Intelligence Bureau (CIB - Interpol), FICCI CASCADE, and other industry bodies in India.

For more information, please contact:

Key Communications Pvt. Ltd.

Divya Mehra :9811753523

Randhir Verma:9312340831