



TOBACCO BANDEROL SYSTEM APPLICATION IN TURKEY

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DG of Revenue Policies

Ministry of Finance

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MOF INANCE

Outline

- Advantages
- Some difficulties
- System infrastructure
- Application process
- Auditing, Reports & Inspections
- Demos
- Tobacco Taxation System in Turkey
- Outcomes





Tracking & tracing system

- Stamp-Applied Tracking System for Tobacco Products and Alcoholic Beverages was initiated July 24, 2007
- November 5, 2007 tobacco products and alcoholic beverages sales without stamp were banned





Advantages

Standard stamp

Product security

Turkey's Banderol system

Enhanced product security

Tax planning

Accounting control

Tobacco control policy





Some difficulties







DECISION





Some difficulties

Producer Company Lobbies

Election Environment

LAW

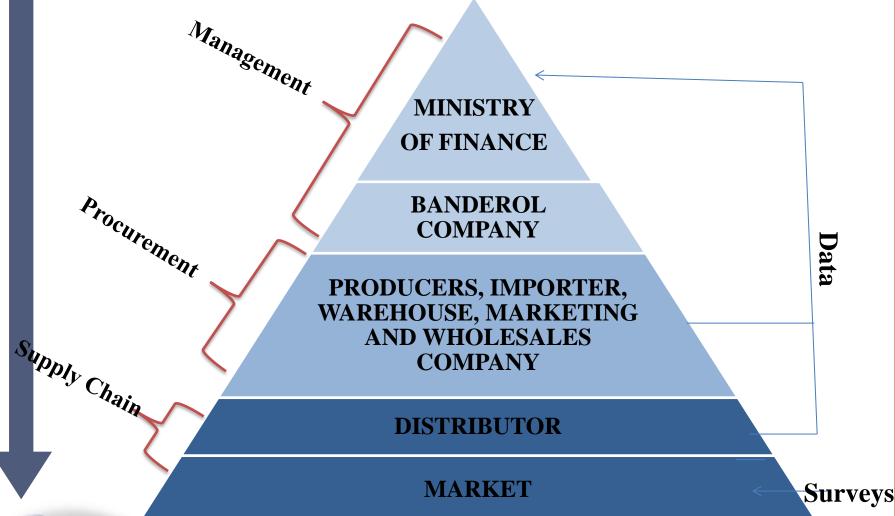
Authorization from the Law

- * Banderol systems can be used by state for tax controlling
- * State can publish documents (legislations and similars)
- * State can decide and declare banderol price
- * State can make the necessary arrangements
- * State can issue new rulling penal sanctions





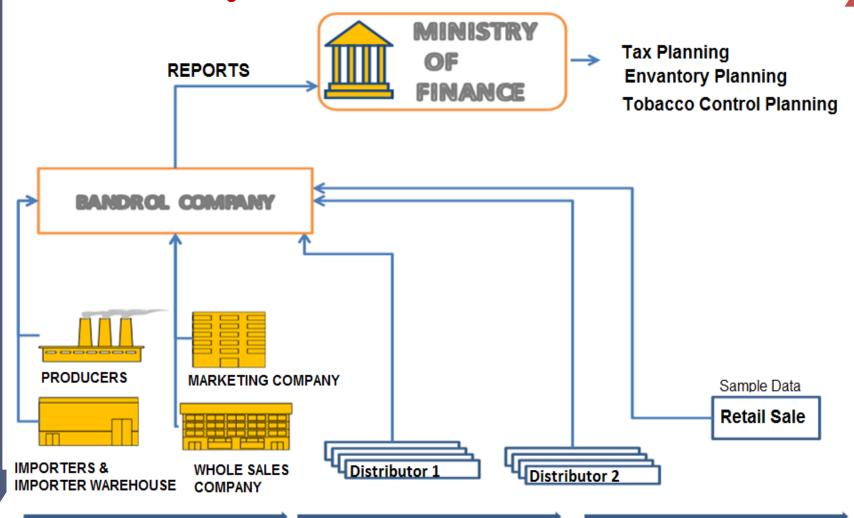
System infrastructure







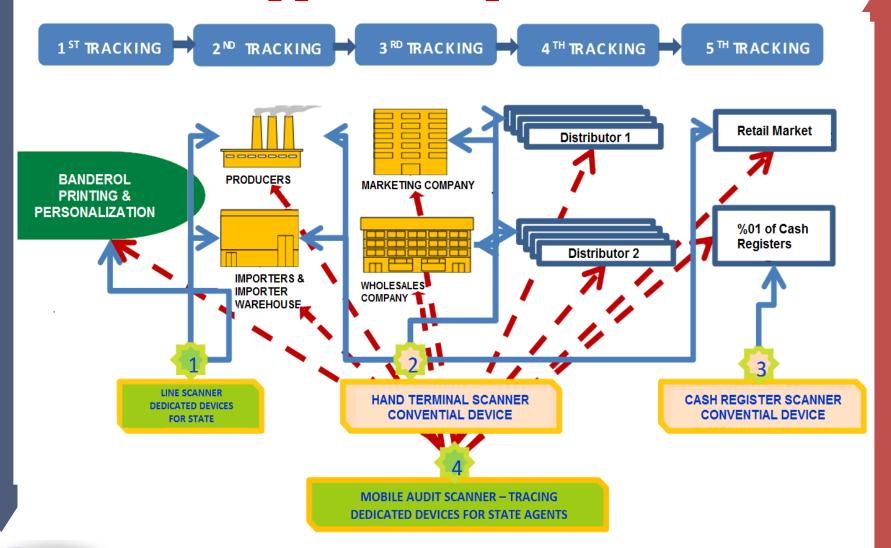
System infrastructure







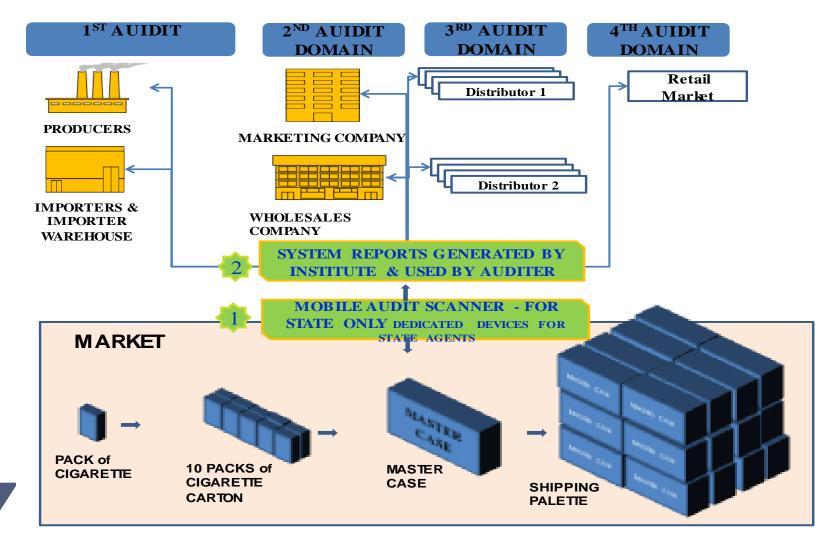
Application process







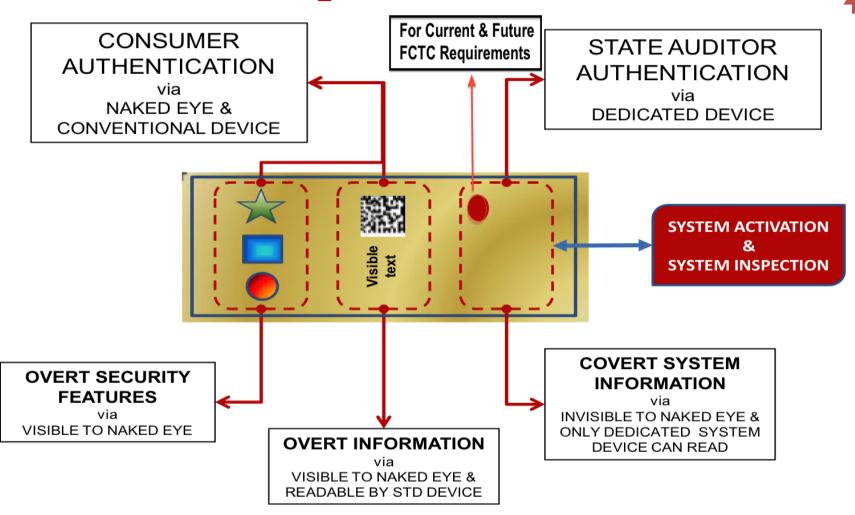
Auditing & Reports







Inspection tools







The results of Turk Trace

ENHANCED PRODUCT SECURITY

TAX PLANING ACCOUNTING CONTROL TOBACCO CONTROL POLICY

TURK TRACE



Demo 1– Local production for local consumption



Wholesaler



8) Delivery of the marked products to the point of sale

Turkish Government Printer Office

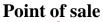


1) Printing of banderoles

Order approval

Government

Reports and Business Intelligence





- Marked products for sale
- 10) Inspection



Turk Trace Coding Center



- 2) Coding of banderoles
- 5) Delivery of banderoles to the manufacturer

Manufacturer

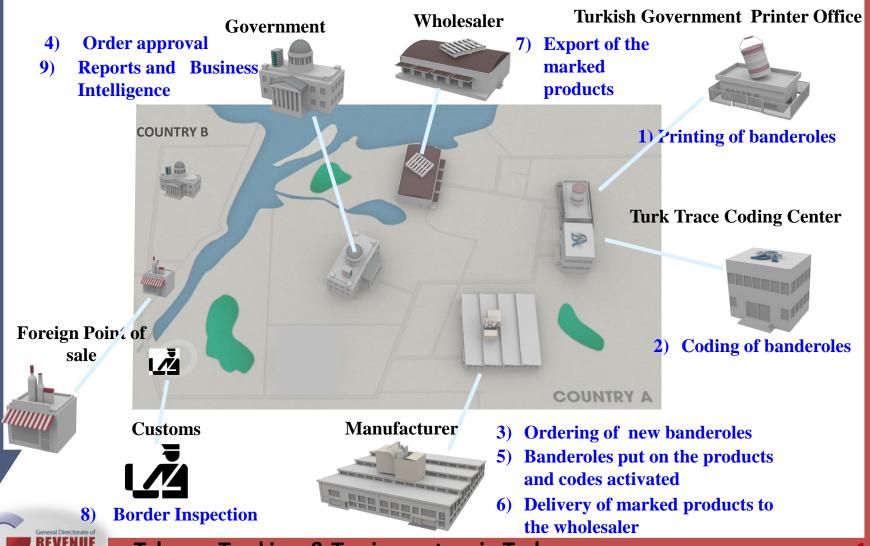


- Ordering of new banderoles
- Banderoles put on the products and codes activated
- **Delivery of marked products to the** wholesaler





Demo 2– Local production for export



Demo 3– Import



4) Order approval

Government

Reports and Business Intelligence

Foreign Government



Importer/ Wholesaler 3) Ordering of new banderoles for import

6) Banderoles delivered to foreign manufacture

10) Imported marked products to points of sale

Government Printer Office



12) Query to Country A Government



7) Banderoles put on the products and codes activated

8) Delivery of marked products to the importer/wholesaler



Customs



9) Border Inspection

Point of sale



11) Marked products for sale



1) Printing of banderoles

Coding Center



2) Coding of banderoles

5) Delivery of banderoles to the importer







Tobacco Taxation System in Turkey





Types of taxes on tobacco products

1-Value-Added Tax (VAT)

2-Excise Duty



Tax burden on cigarettes (per pack)

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	Excise Taxes (end of year)		VAT	Total
Year	Ad Valorem	Minimum Specific Tax	Burden	Tax Burden
	(%)	Per Pack	(%)	(%)
2002	49.5		15.25	64.8
2003	55.3		15.25	70.6
2004	28	Plus $0.35 - 1.00 \text{ TL}$	15.25	71.6
2005	58	or 1.20 TL	15.25	75.5
2006	58	or 1.20 TL	15.25	74.6
2007	58	or 1.55 TL	15.25	73.5
2008	58	or 1.55 TL	15.25	73.3
2009	58	or 2.05 TL	15.25	74.1
2010	63	or 2.65 TL	15.25	78.5
2011	65	or 2.90 TL	15.25	79.3
2012	65	or 2.90 TL	15.25	80.3





Recent changes in tax policy

> Harmonization with the EU Acquis

Ad valorem excise with a specific tax floor



Mixed ad valorem and specific excise with a specific tax floor

> Periodic Increases



(Ad valorem + Specific tax with specific tax floor)

Excise Duty				
Spesific Tax per Pack	Ad Valorem (%)	Minimum Specific Tax Per Pack	VAT / Retail Price (%)	Total Tax/ Retail Price (%)
0.09 TL	65.25	3.15 TL	15.25	81.79

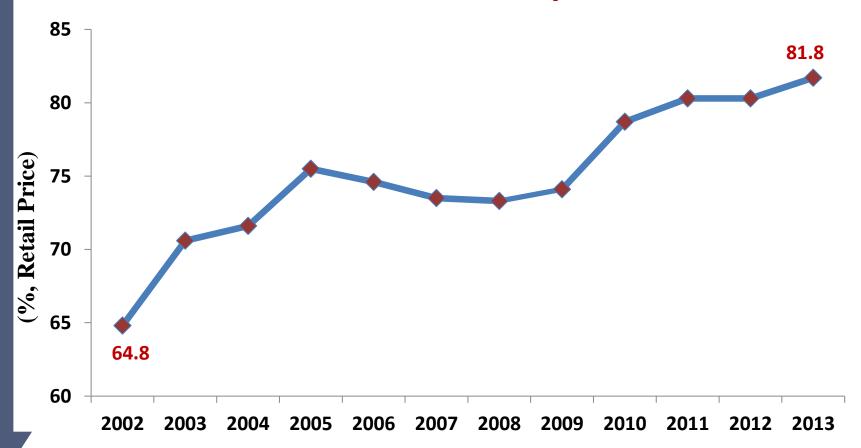
Note: On average, a pack of cigarette costs 7 TL in Turkey





Tax burden on cigarettes

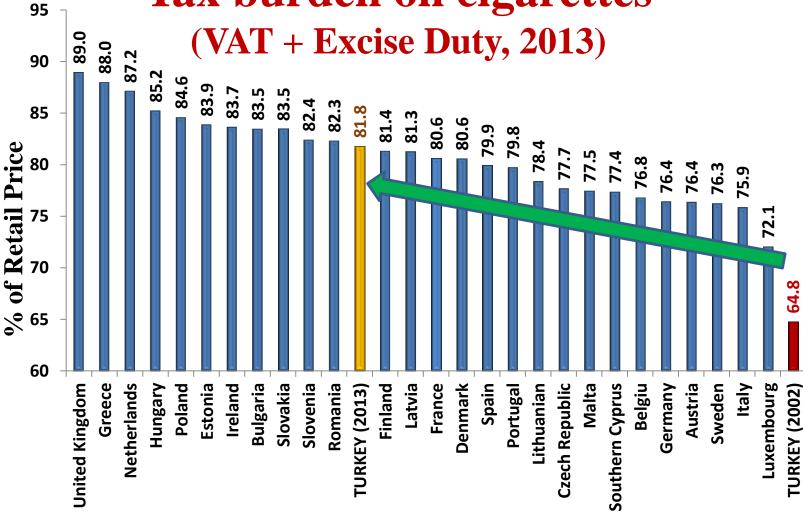
(VAT + Excise Duty)







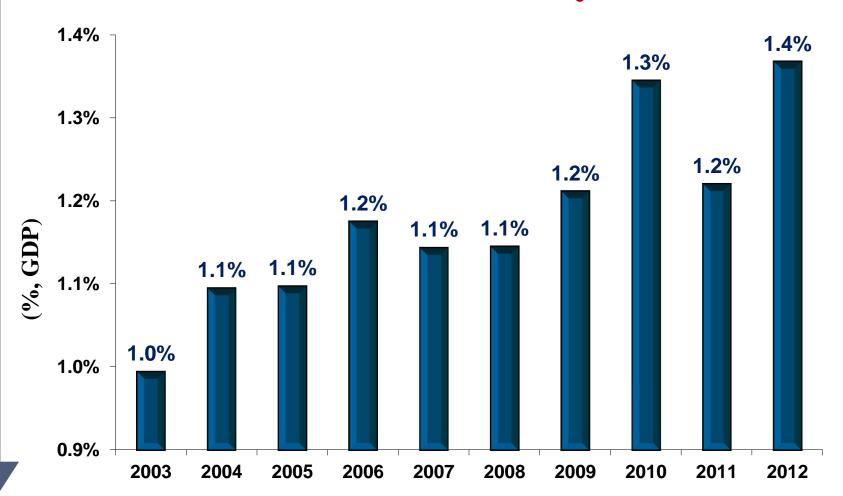
Tax burden on cigarettes



Source: Eurostat (1 January 2013)



Revenue: Tobacco excise duty collections







Tobacco taxation: Limit grey market

Taxes may create financial incentives for those who engage in illegal activities, because of

- Corruption
- Weak customs
- Slow judicial process
- Low penalties
- Lack of communication and collaboration between neighboring countries



MINIST

Cigarette pricing in the region (per average pack)





NOTE: Price of a particular brand sold in the region



Tobacco smuggling-action plan

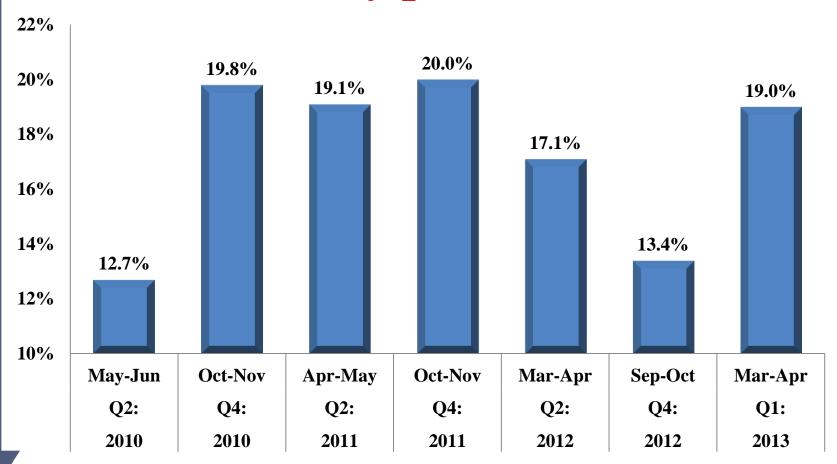
Action plan to combat smuggling of tobacco and tobacco products (2011-2013)

- Revenue Administration
 - Responsible for the action plan
 - Works in cooperation with relevant institutions (Ministry of Justice, Ministry of Foreign Affairs, Ministry of Economy, Ministry of Internal Affairs...)





Non-duty paid market



Source: Empty Pack Survey by MS Intelligence



Outcome-Limit consumption of tobacco products

Increasing price of tobacco



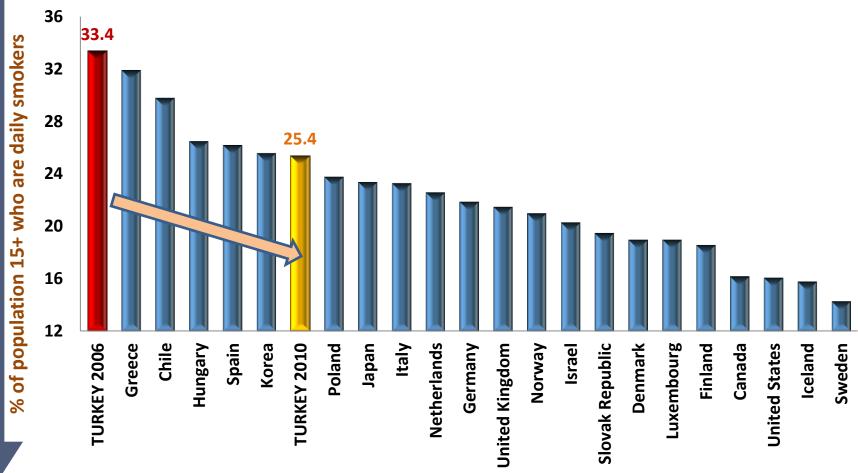
through higher taxes

Most effective way to incentive people quit smoking



MINISTRY OF FINANCE

Outcome- Tobacco consumption





Note: For all other countries data belong to 2009





Thank you ...

