



# **TOBACCO BANDEROL SYSTEM APPLICATION IN TURKEY**

**Unal TAYYAN**  
**DG of Revenue Policies**  
**Ministry of Finance**



**Chiba, Japan**  
**August 20, 2013**



# 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**

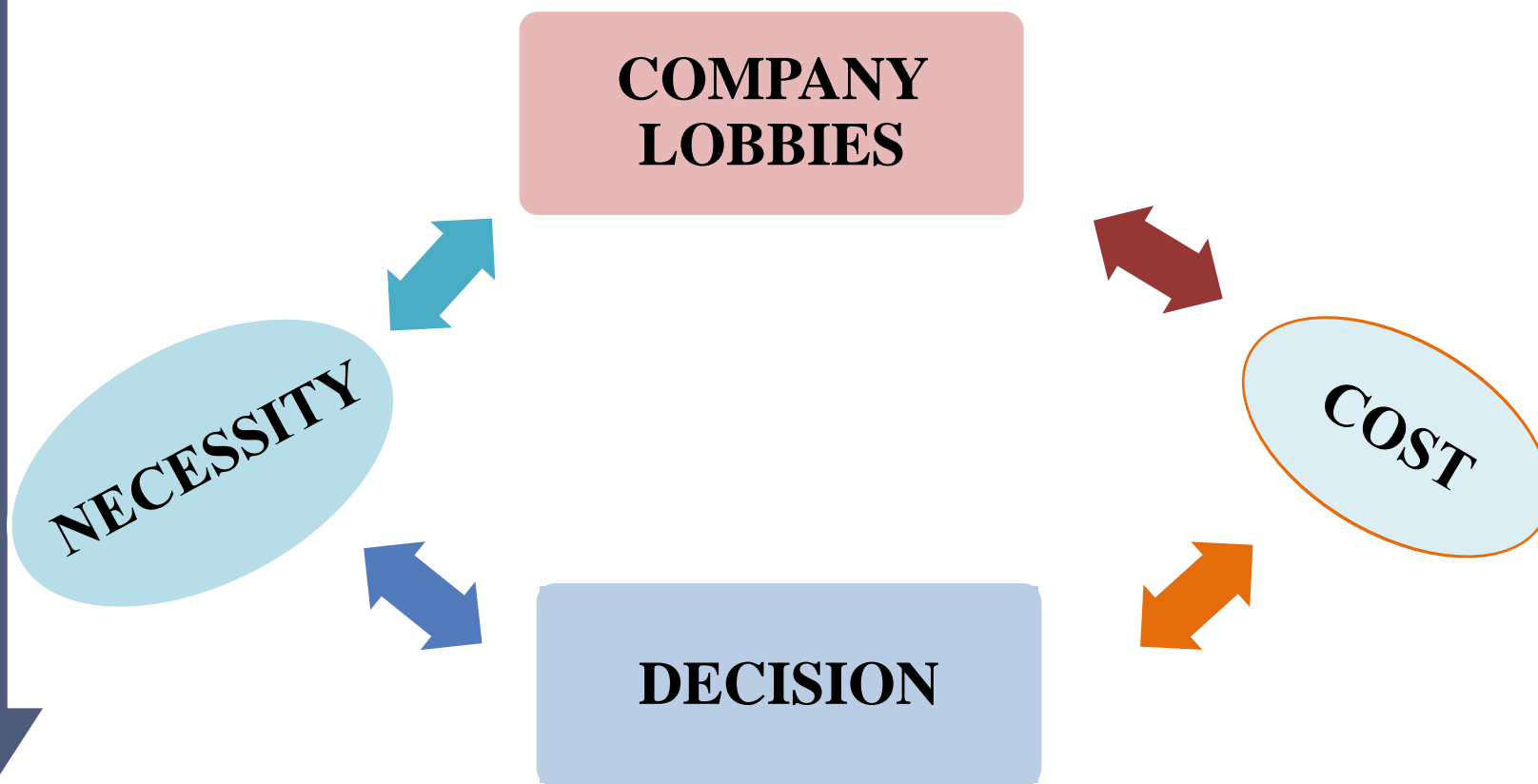
**Enhanced product  
security**

**Tax planning**

**Accounting control**

**Tobacco control policy**

## Some difficulties



# Some difficulties

**Producer  
Company  
Lobbies**

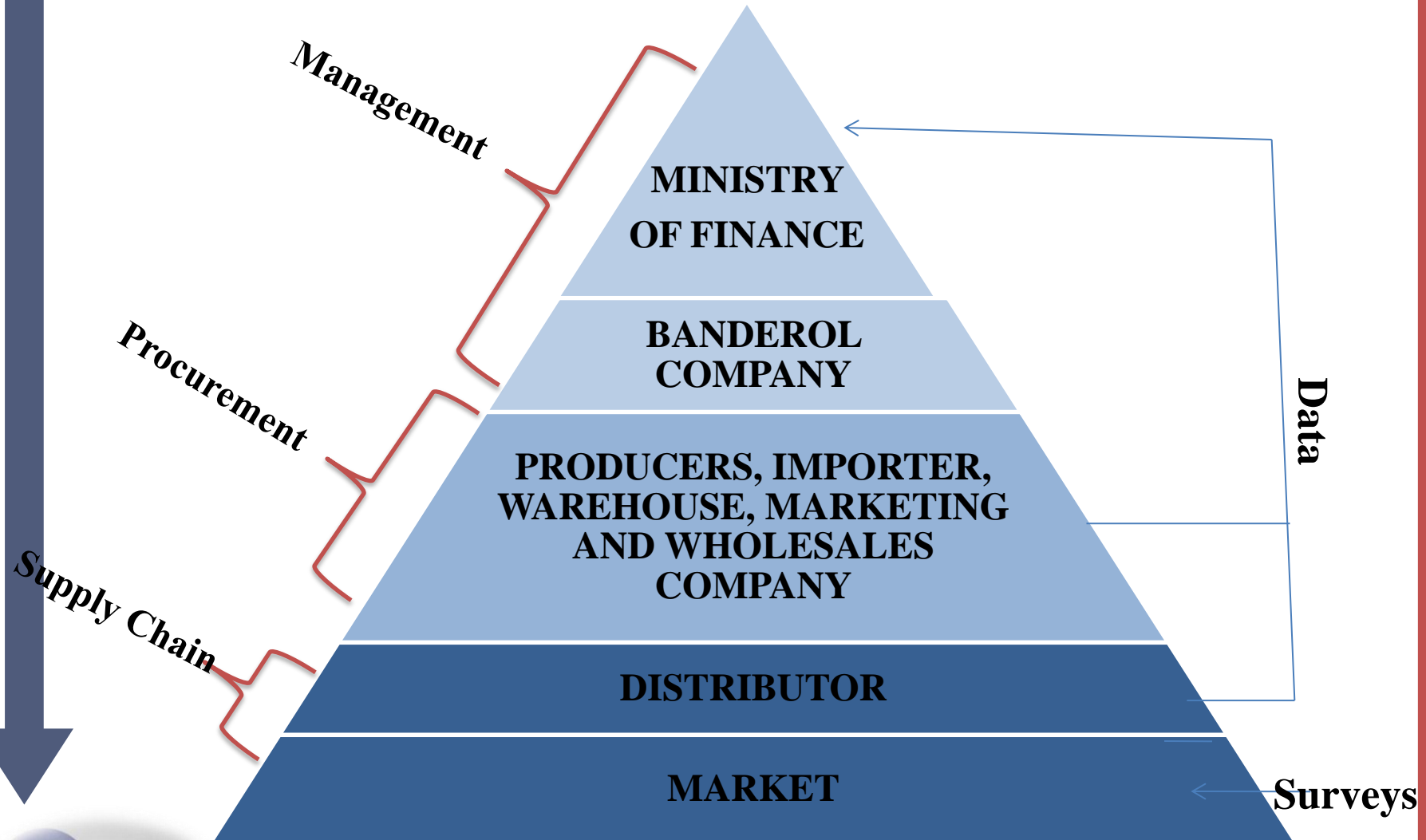
**Election  
Enviroment**

**LAW**

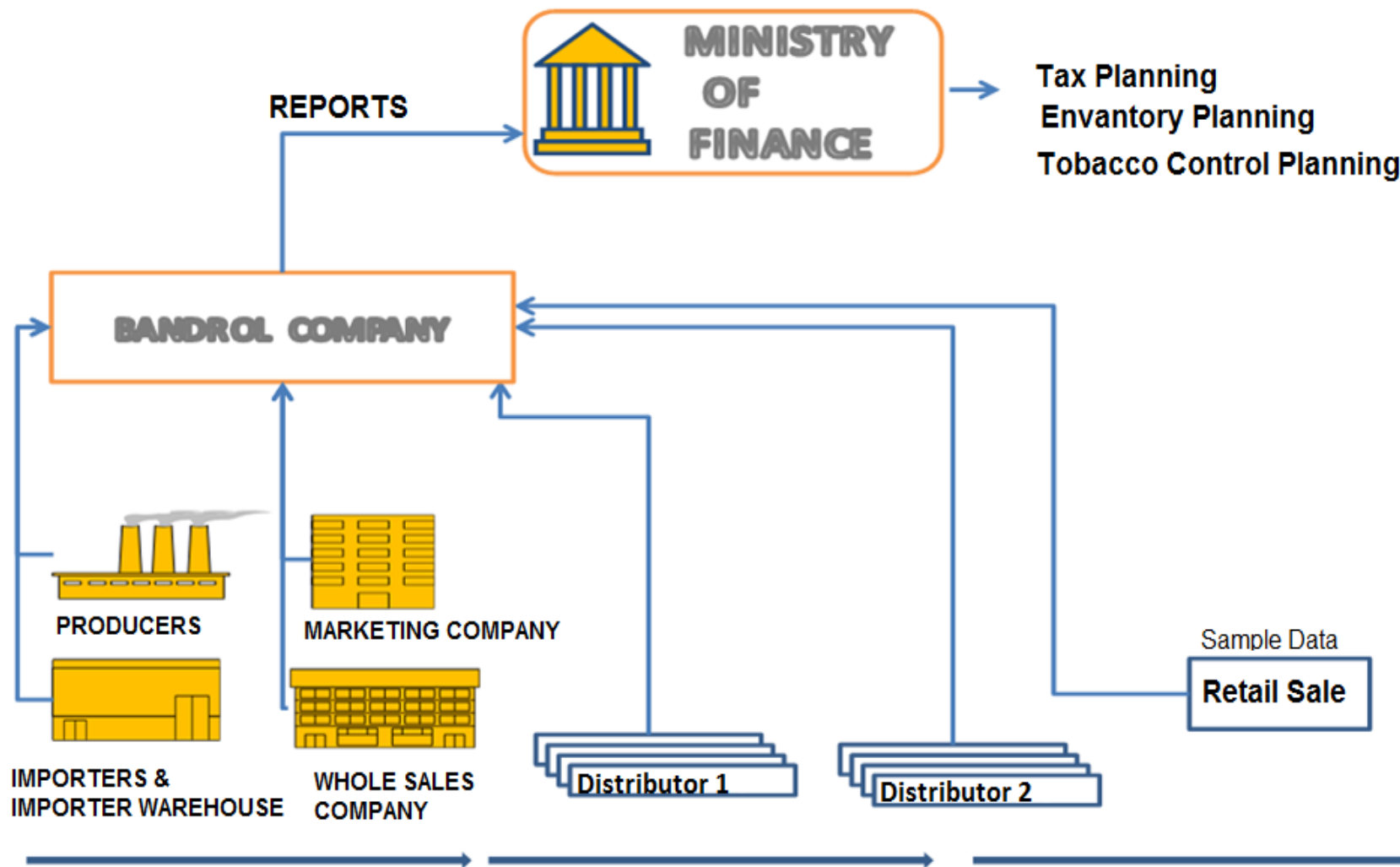
## Authorization from the Law

- \* 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

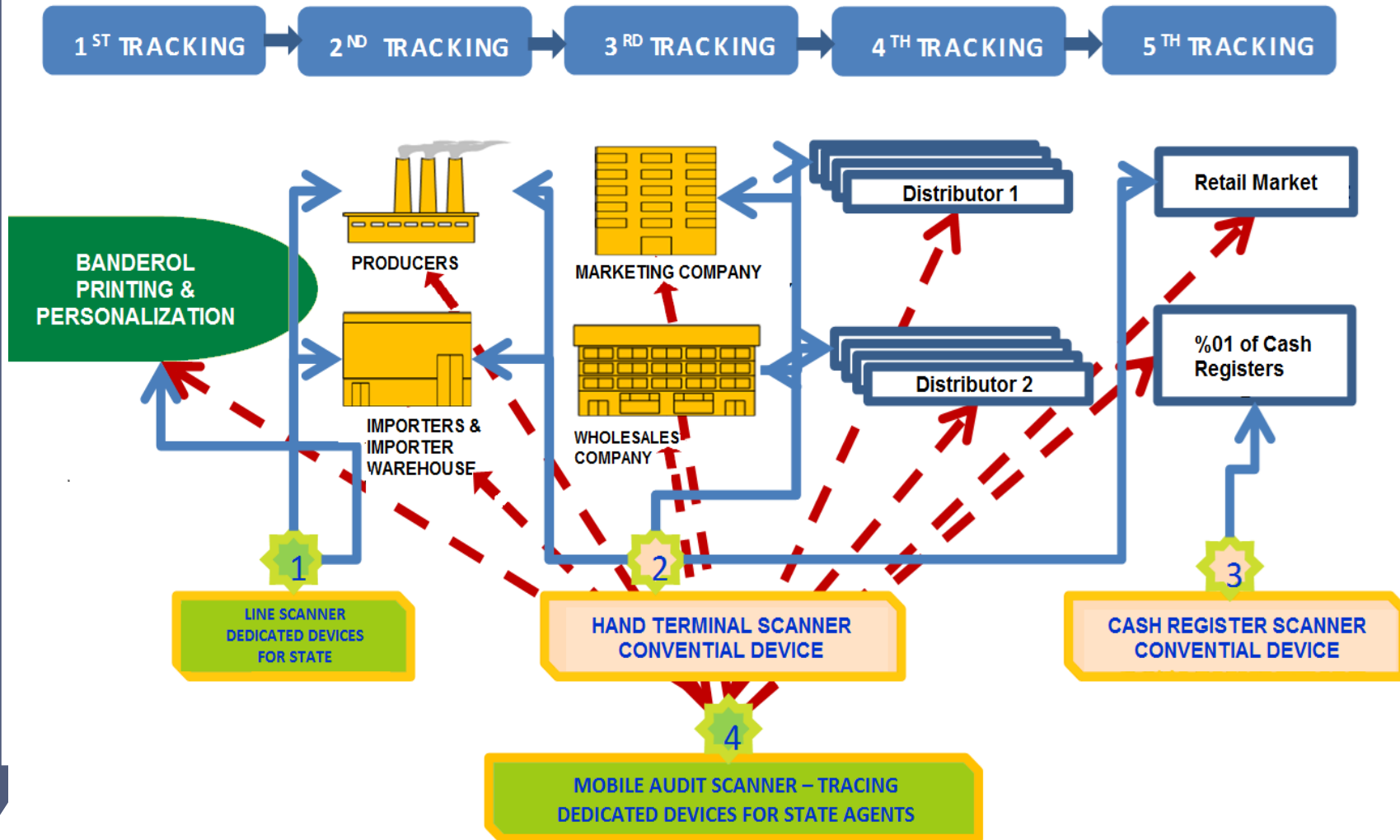


# System infrastructure

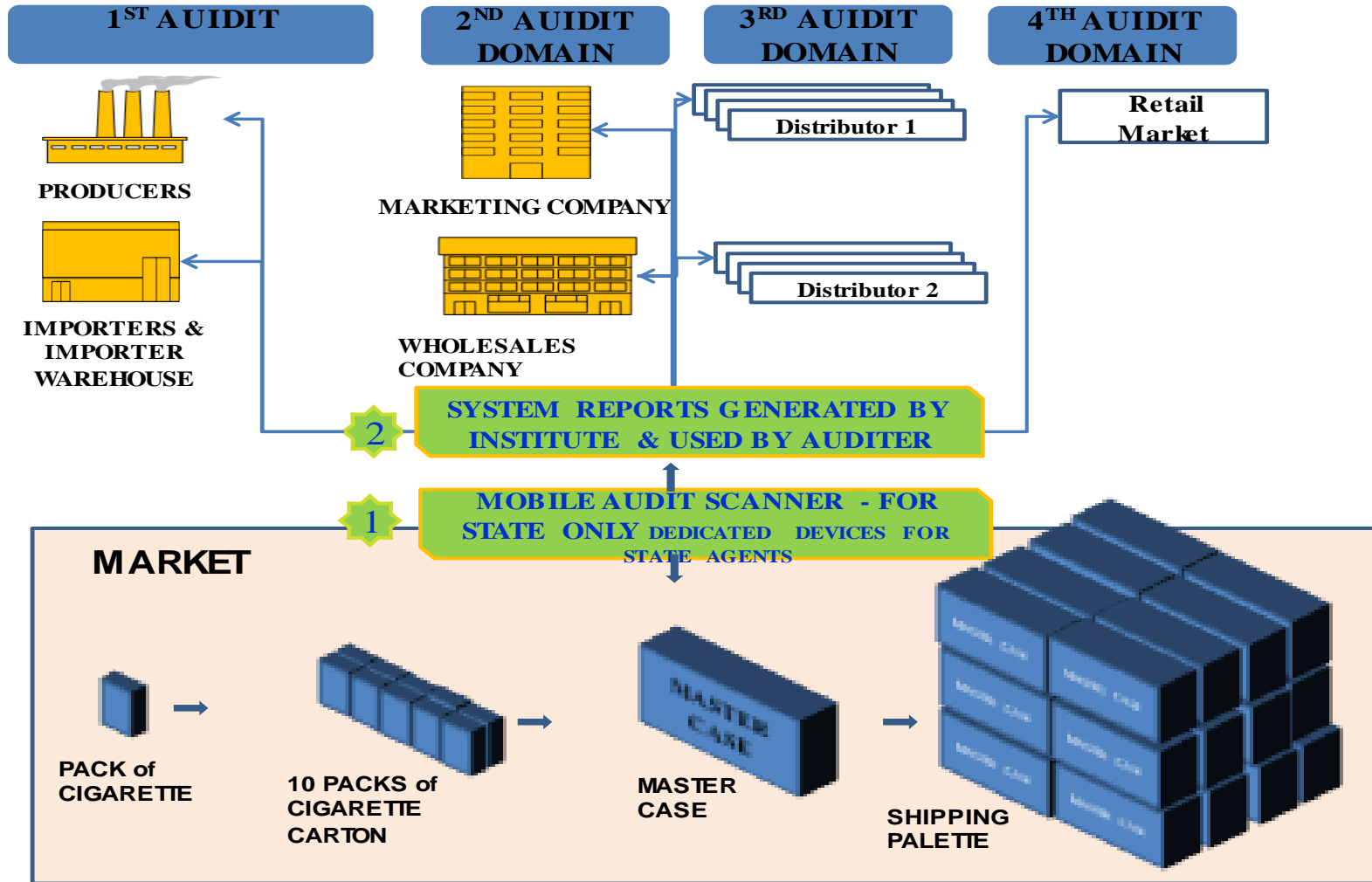




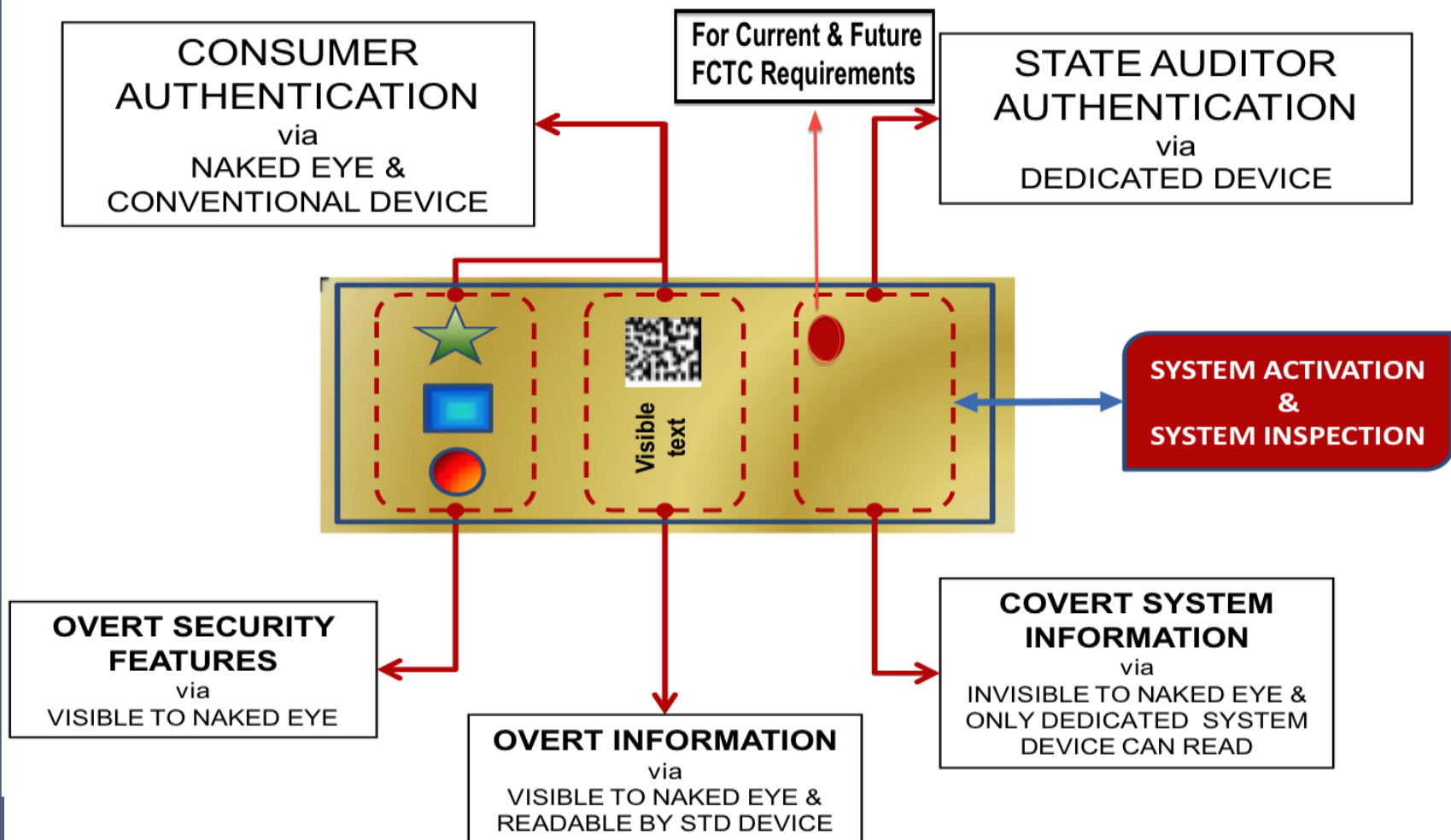
# Application process



# Auditing & Reports



# Inspection tools



# The results of Turk Trace

**ENHANCED  
PRODUCT  
SECURITY**

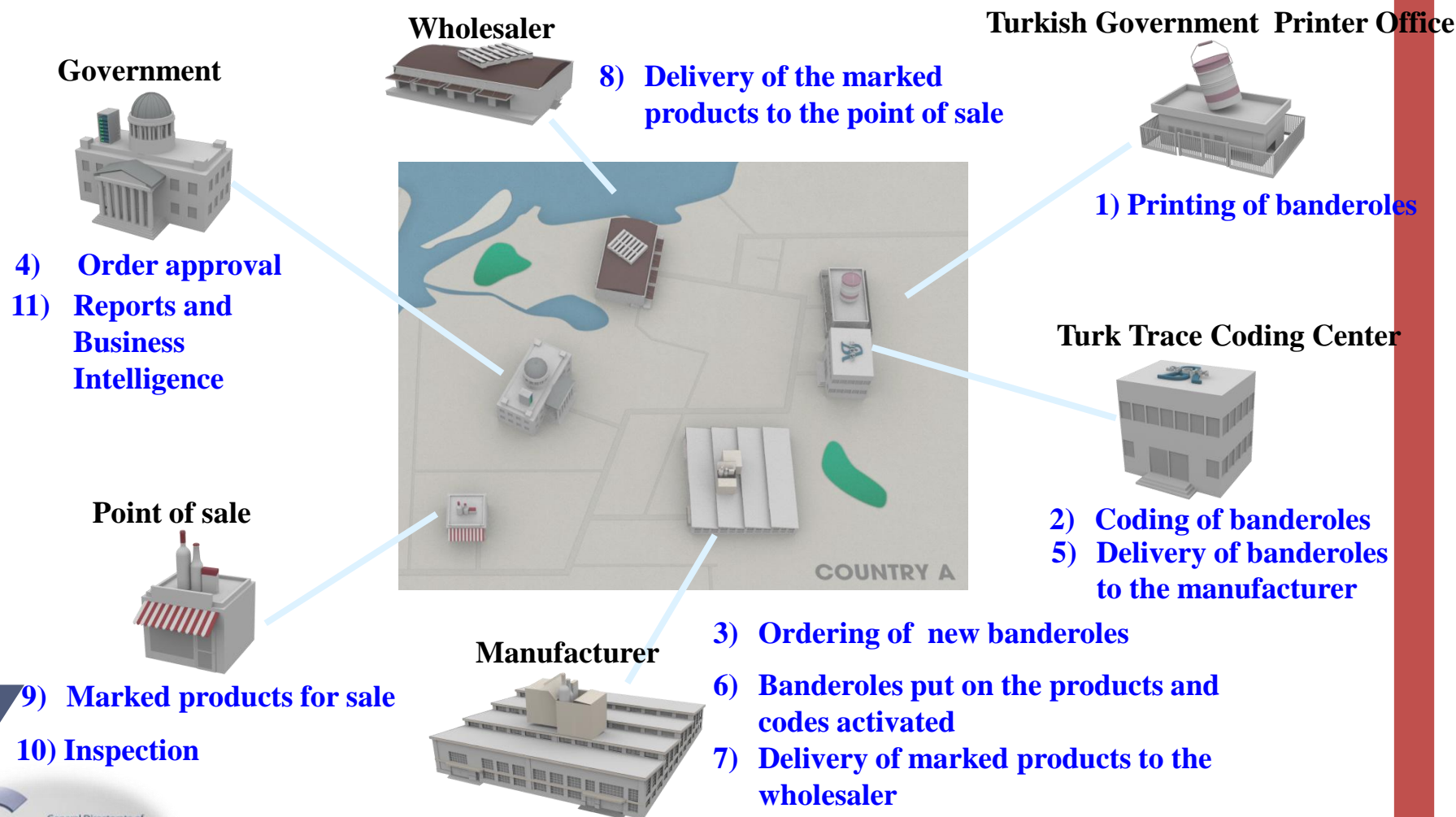
**TAX  
PLANING**

**ACCOUNTING  
CONTROL**

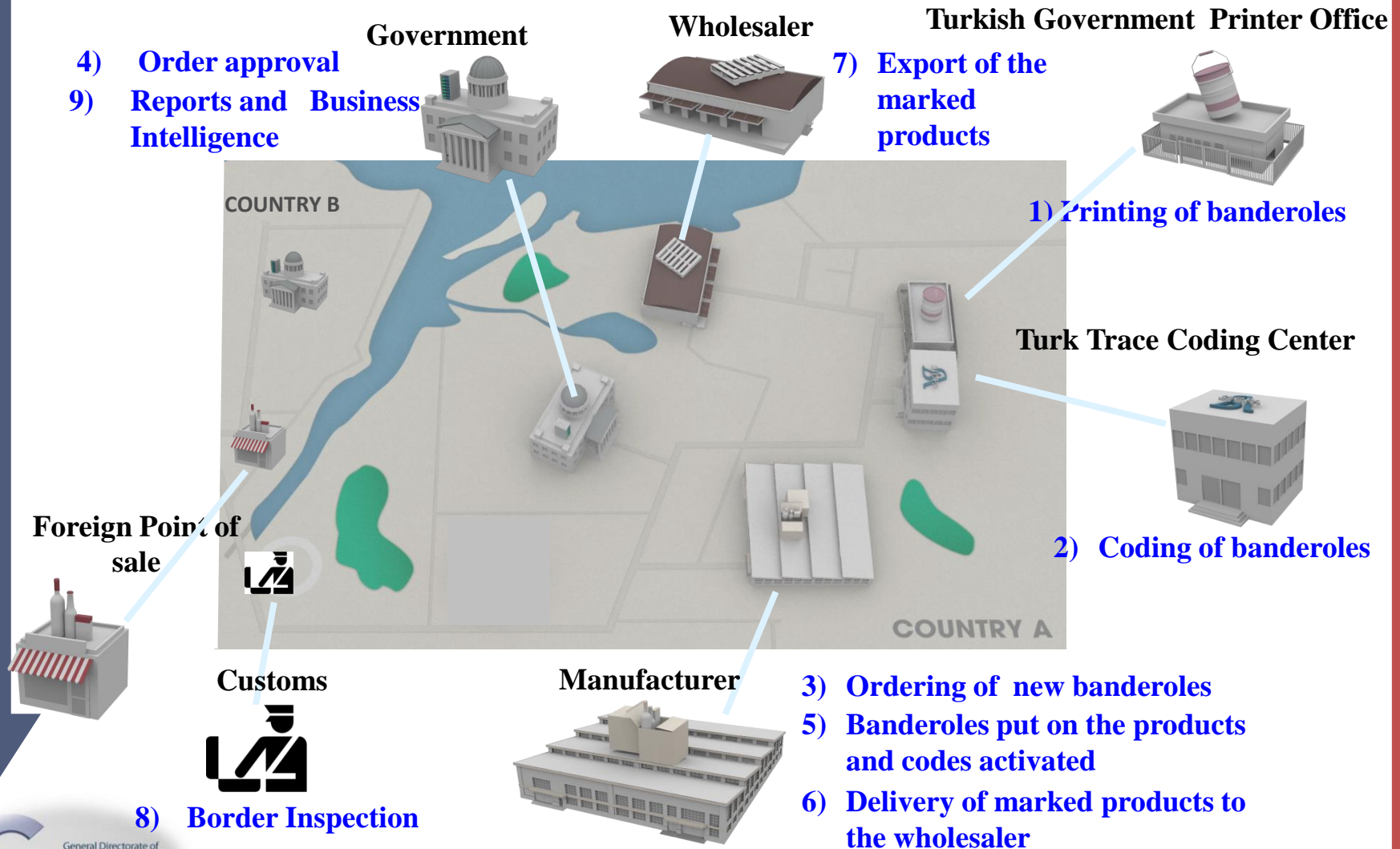
**TOBACCO  
CONTROL  
POLICY**

**TURK  
TRACE**

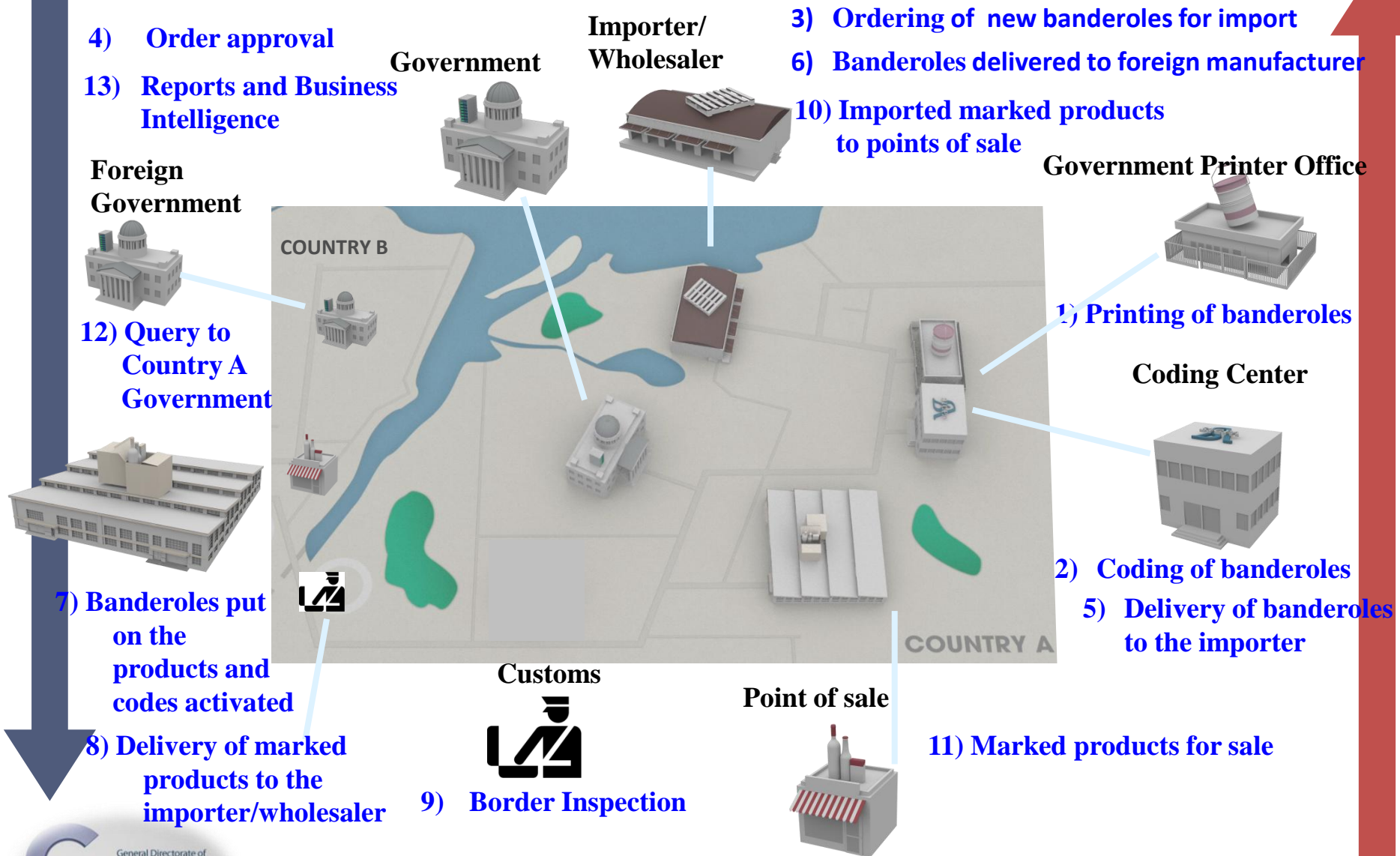
# Demo 1– Local production for local consumption



# Demo 2– Local production for export



# Demo 3– Import







## 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)

Year	Excise Taxes (end of year)		VAT Burden (%)	Total Tax Burden (%)
	Ad Valorem (%)	Minimum Specific Tax Per Pack		
2002	49.5		15.25	64.8
2003	55.3		15.25	70.6
2004	28	Plus 0.35 – 1.00 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**

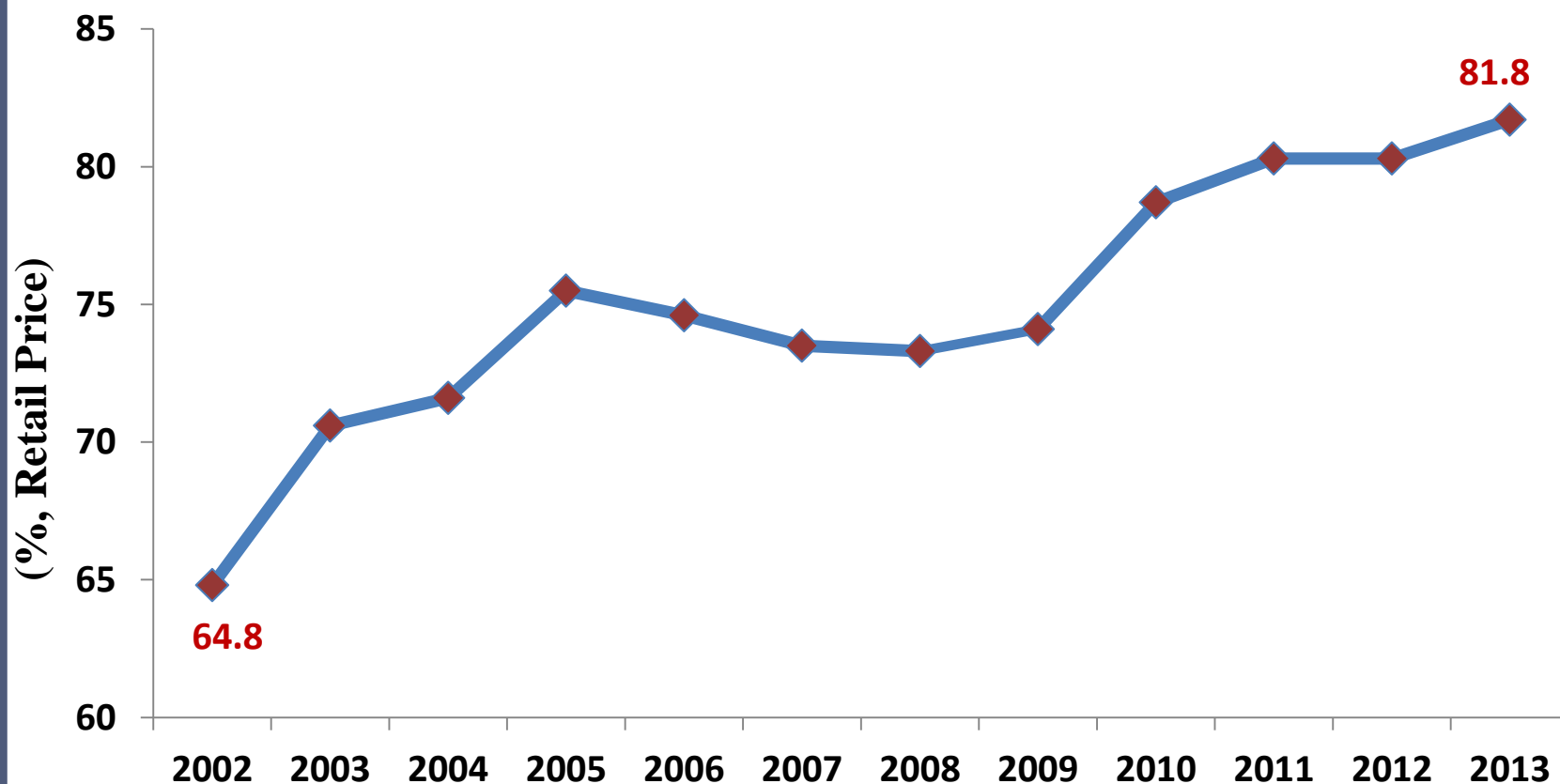
## ➤ Periodic Increases

# (Ad valorem + Specific tax with specific tax floor)

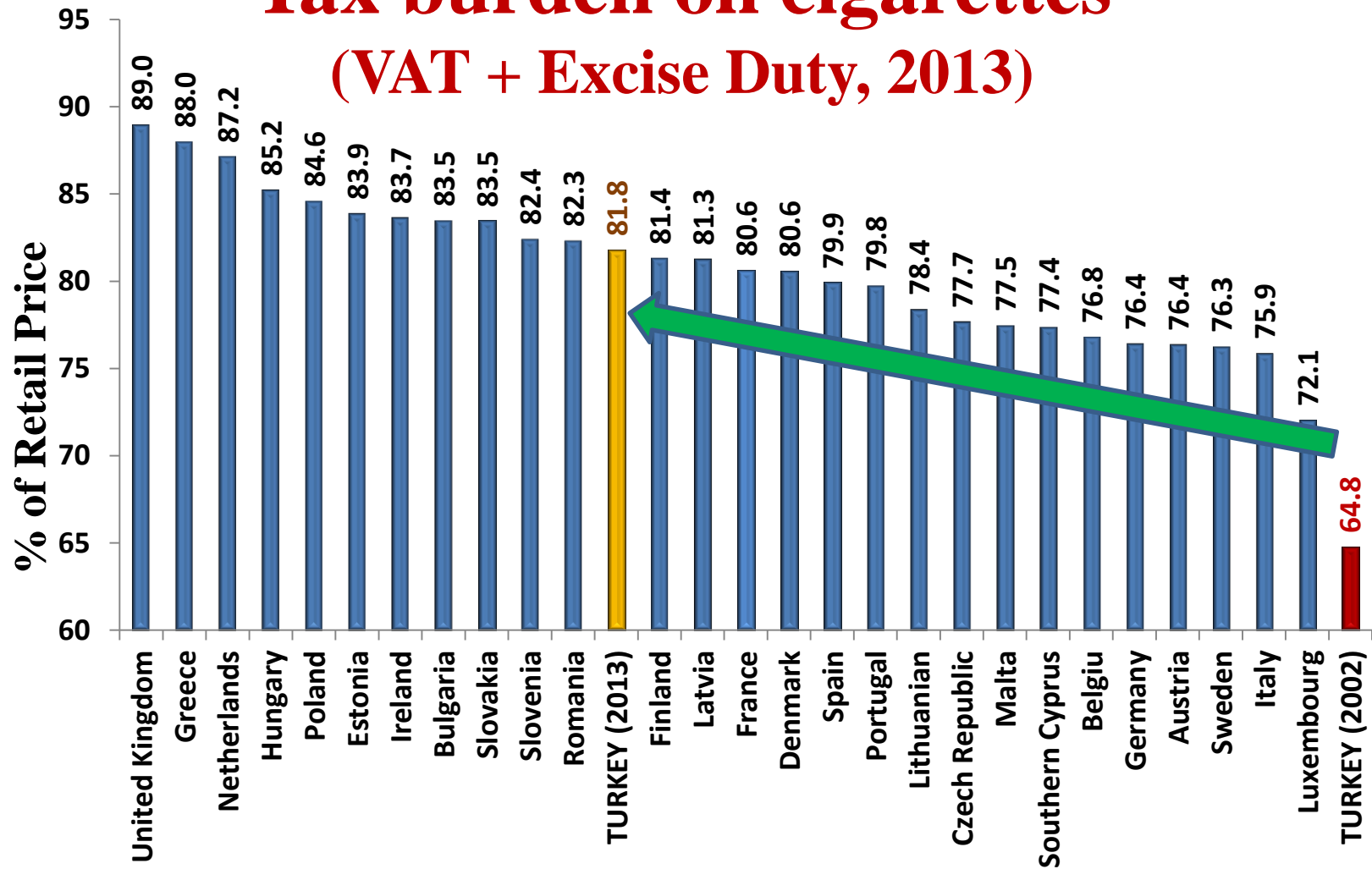
Excise Duty			VAT / Retail Price (%)	Total Tax/ Retail Price (%)
Specific Tax per Pack	Ad Valorem (%)	Minimum Specific Tax Per Pack		
0.09 TL	65.25	3.15 TL	15.25	81.79

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

# Tax burden on cigarettes (VAT + Excise Duty)

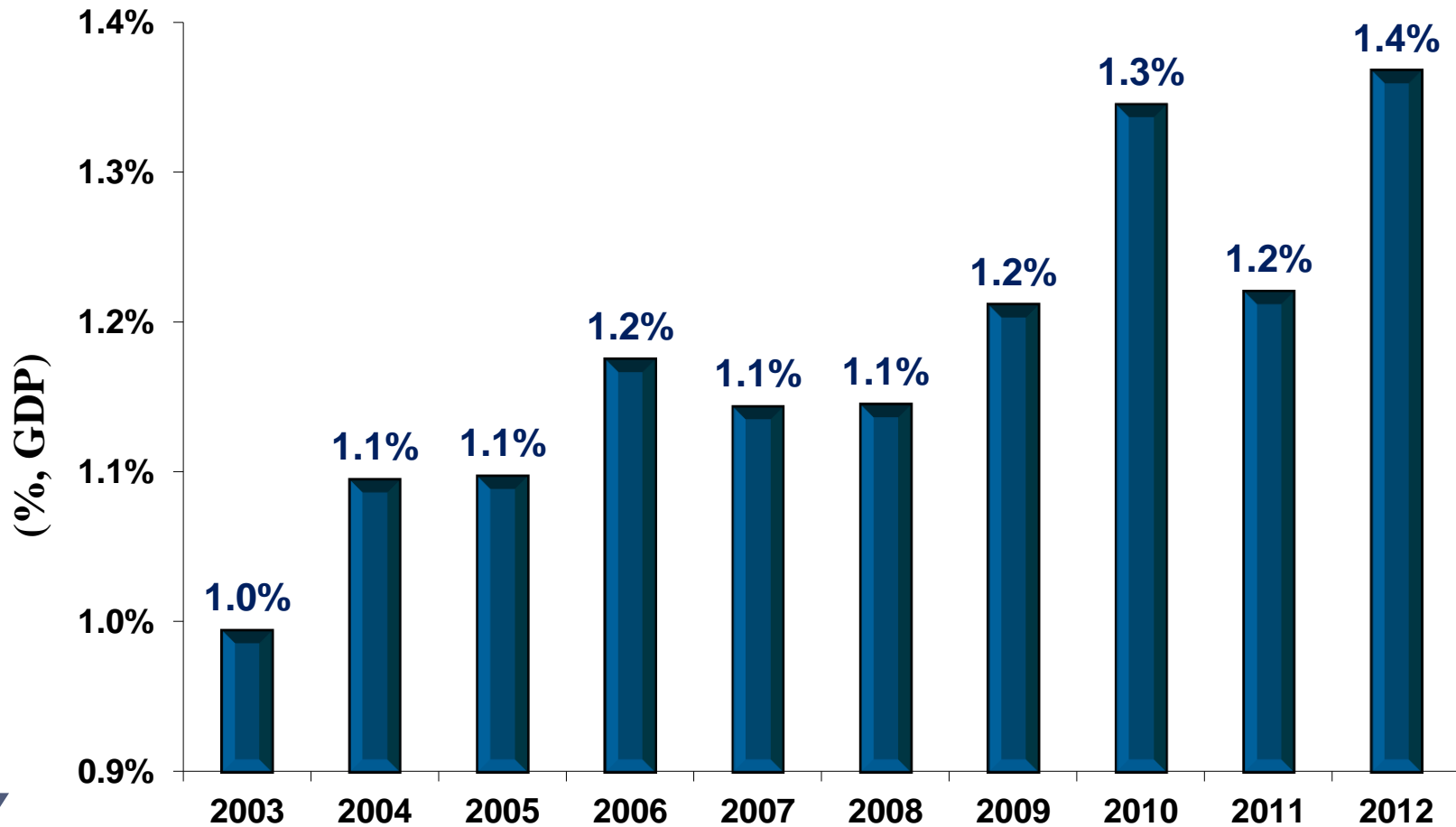


# Tax burden on cigarettes (VAT + Excise Duty, 2013)



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**



# Cigarette pricing in the region (per average pack)



NOTE: Price of a particular brand sold in the region

Tobacco Tracking & Tracing system in Turkey

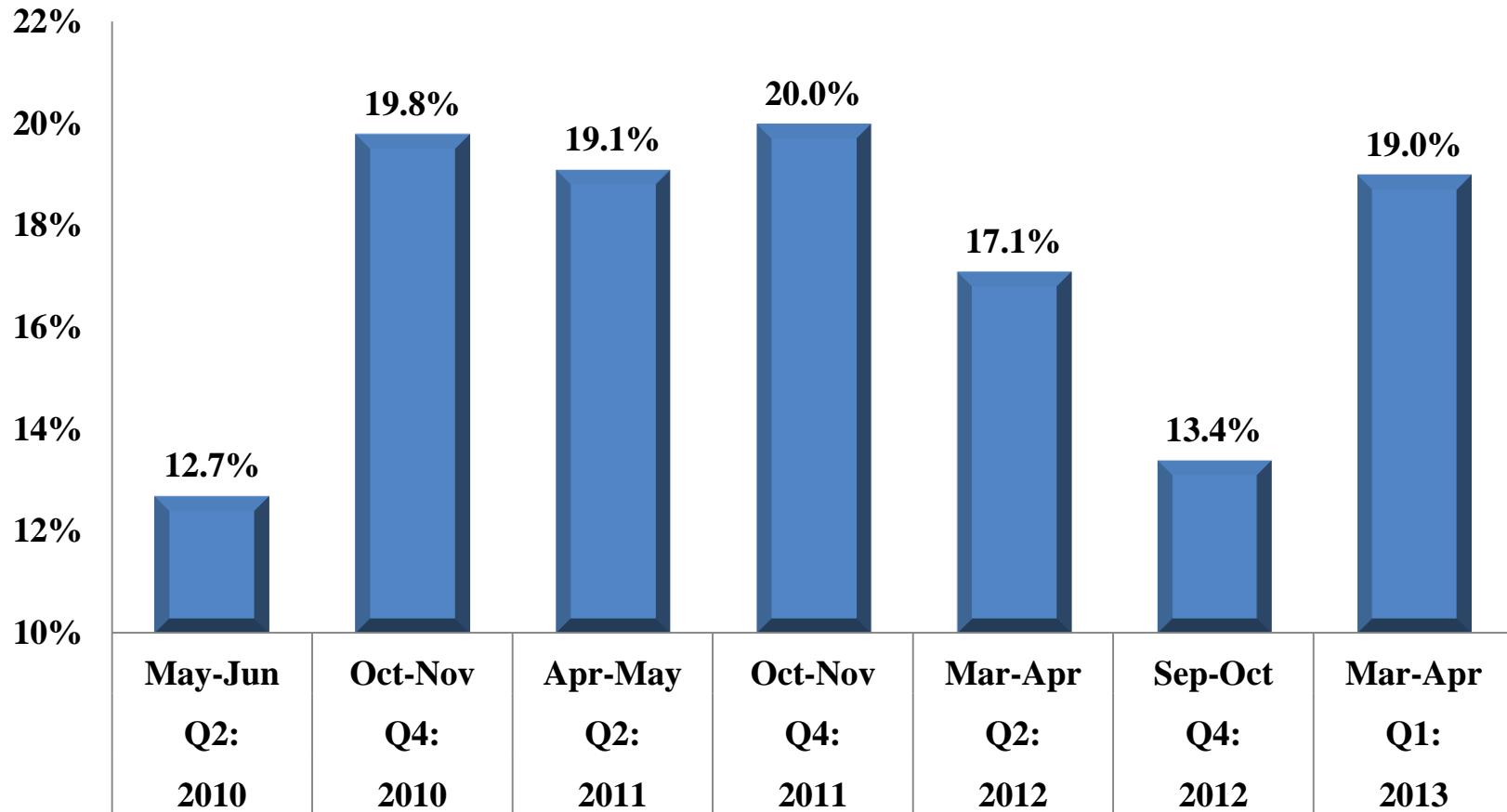
# Tobacco smuggling-action plan



**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

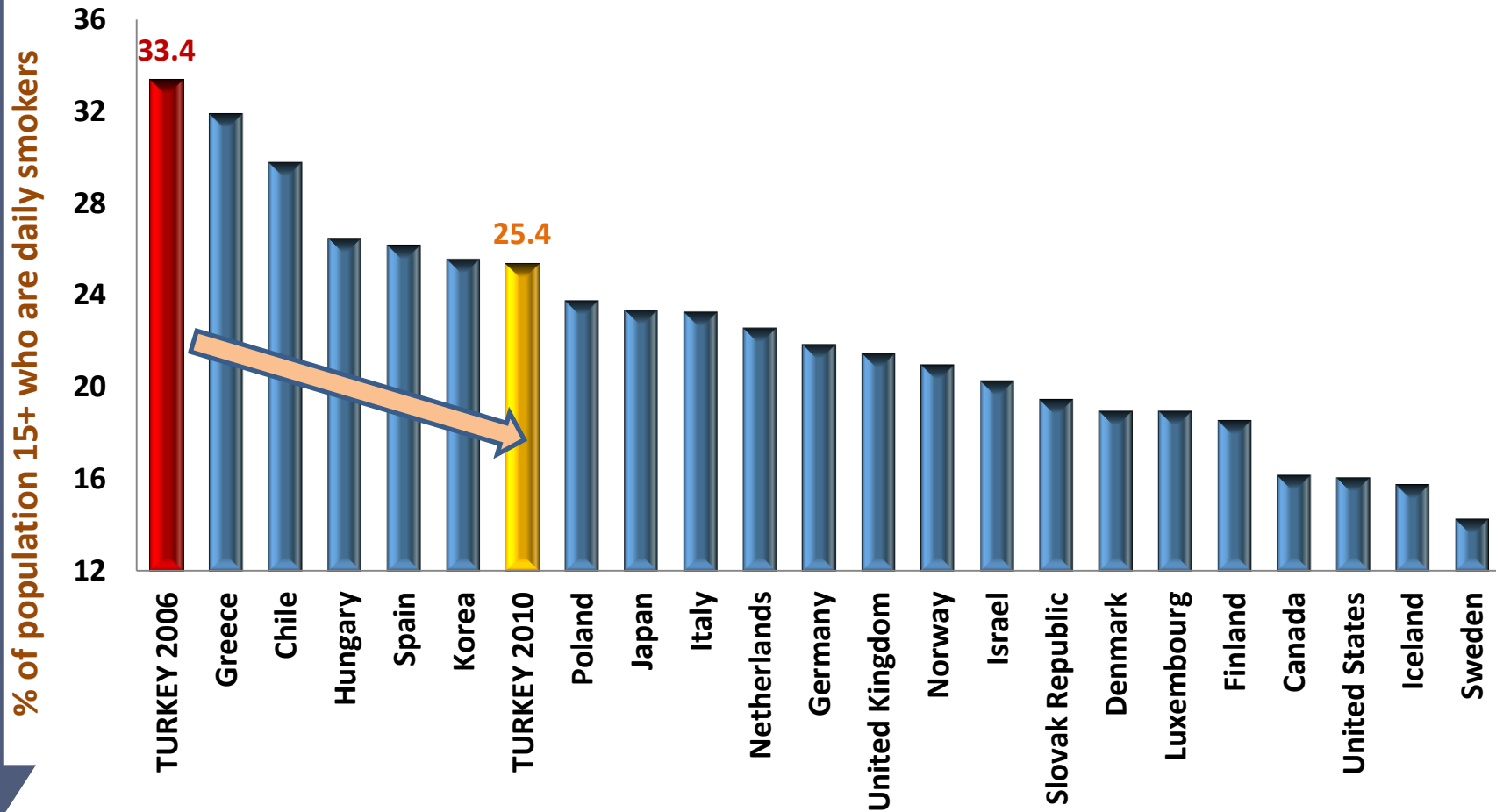
Increasing price  
of tobacco

through higher taxes



Most effective way to incentive  
people quit smoking

# Outcome- Tobacco consumption



Source: OECD

Note: For all other countries data belong to 2009

**Thank you ...**