How the Arab Republic of Egypt recovered millions in lost tobacco excise taxes.

THE SITUATION

In 2011, during the Egyptian revolution, an estimated 20% of the Egyptian cigarette market was flooded with smuggled goods from over sixty brands. This illicit activity prompted the Egyptian Minister of Finance to mandate (in 2012) a new high-security tax stamp for local and imported tobacco and alcohol products and a unique barcoded identifier for cartons.

This decision was made to:

- Generate an additional 3 billion Egyptian pounds (approximately $500 million) in annual state revenue
- Protect domestic industry and employment
- Improve health outcomes
- Reduce smuggling of illegitimate products

THE CHALLENGE

Tobacco industry officials and manufacturers were initially opposed to this mandate, as a tax stamp was already applied to Egypt's tobacco products and an additional stamp would increase costs and processes. However, the existing stamps had no security features, were printed by the tobacco manufacturers, and had no way of tracking and identifying legitimate and illegitimate products.

RESULTS

✔ **5 billion stamps produced annually**

✔ **Tax revenue increased 121% in 5 years (Source: Daily News Egypt)**

✔ **Additional revenue used to reform health insurance system for citizens**

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SECURITY PRINT SOLUTIONS

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THE SOLUTION

Egypt enlisted Authentix Security Print Solutions to help draft the technical specifications, which included track and trace, verification and authentication. Together, they conducted extensive testing to ensure the new stamp could be applied to the cigarette packets without affecting the speed of the manufacturing process.

A pilot program was initiated to demonstrate the ability of the stamps and the track and trace system to detect legitimate and illegal products. Once the pilot ended and was deemed successful, full program implementation began in 2014. The solution enables the state to sell official stamps that cannot be counterfeited and can be tracked to tobacco manufacturers who place the stamps on individual packets in the production process.

The secure system allows authorized companies and personnel to order and pay for tobacco stamps using a secure online portal. The tax stamps are dispatched and applied to the cigarette packets, each stamp having a unique pseudo random code tracked through the bespoke track and trace system. Authorized government inspectors can randomly check cigarette packets with ultraviolet light and other security devices to ensure authenticity and duty payment.

THE OUTCOME

In 2012, the government's projected stamp production in Egypt was 1.5 billion. Since implementing the program, this figure has grown to 6 billion stamps produced per year.

Data from the Finance Ministry shows that since implementing the tax stamps produced by Authentix, tobacco tax revenue has significantly grown year over year, with expected revenue of at least $580.3 million for fiscal year 2019/2020.

Egypt has used the increased tax revenue on tobacco products toward other initiatives for their citizens. In 2018, for example, approximately 50 percent of the tax increase went toward a newly reformed health insurance system which now serves over 45 million Egyptian citizens.

ABOUT

Authentix Security Print Solutions is one of the world's leading security print solution providers. For nearly 40 years, we have expanded our expertise in printing custom-designed security features to prevent fraud of critical legal documents, specialized certificates and commercial products. Our commitment to fraud prevention is proven through key patents in security design and production engineering, along with numerous certifications in the area of environmental, quality assurance and security printing processes. Our clients thrive because of a partnership approach and sector expertise leveraging track and trace solutions, in-service management and fulfillment to inspire a safe marketplace rid of counterfeit goods.

Find out how high-security tax stamps can help your organization prevent fraud.

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