

Tobacco track and trace –
SWA Member Meeting 26 July 2018 & FWD Supply chain video
conference notes Friday 6 July 2018 &

1. Operational system structure

NP talked through the operational system structure and how the track and trace data is captured.

Q1. What tobacco products are included in track and trace?

A1. All tobacco products that are for consumption are included. Raw tobacco is not.

Q2. If an Economic Operator (wholesaler/distributor/retailer/3rd party) has several retail/wholesale outlets, would they need a facility identifier code for each outlet?

A2. A facility identifier code is required for each physical location.

Scanning for the tobacco product is required when:

- the Unique Identifier (UI) is applied to the pack by the manufacturer or importer
- on dispatch from a facility
- on receipt into a facility
- **when it is moved from one vehicle to another during which the product does not enter or exit a facility (including transloading or via a 3rd party).**

Q3. Will the UI be issued by the ID issuer of the country of manufacture or the country of consumption?

A3. HMRC are still in the process of deciding whether or not to enact the derogation which would require any tobacco products that are destined for consumption in the UK to carry a UI issued by the UK ID issuer.

2. Wholesaler and Warehouse Operators obligations

NP talked through the obligations for Wholesaler and Warehouse Operators by May 2019 and from May 2019.

There is also a general obligation for economic operators and owners of first retail outlets to maintain their details with the ID issuer. It is important that all Scottish retailers selling tobacco are registered on the Tobacco Register Scotland and also with the ID issuer.

Wholesalers currently selling half outers of tobacco will not be able to generate UIs for these and will either need to scan as a full outer or as a multiple of single packs.

Q4. Where is the first retailer for a wholesaler?

A4. The first retailer is where the tobacco product is put on sale to the general public for the first time.

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A point was raised in relation to the requirement to record and transmit transaction information whenever an order number is issued. For wholesalers, order numbers do not always exist as product is often not ordered in advance. Concerns were also raised about the time frame for transmitting the information for transactional events.

Q5 How will aggregated UI work?

A5. Economic operators can request aggregated UIs from the ID issuer or, if they are able to, generate them themselves as long as it meets ISO/IEC 15459-1:2014 or ISO/IEC 15459-4:2014 standards. This involves investing in barcode label printers and software, a list of approved manufacturers will be available through the T&T “single point of contact” once appointed by the government. Economic Operators would then need to establish a link between the unit level UIs in the aggregated packaging and the aggregated level UI.

Q6. If an Economic Operator already has aggregated UI codes, can they be used?

A6. Yes, but only if they meets the ISO/IEC 15459-1:2014 or ISO/IEC 15459-4:2014 standard.

Q7. Do Economic Operators need to produce aggregated UI codes or can they scan each outer at a time?

A7. It depends on the best fit for each operator. Aggregated UIs and its associated label, are not required if the operator scans out every single outer individually on each order. This includes having to scan every outer in a master case. This is the same process as a retail customer purchasing tobacco at a wholesalers till point.

Q8. How should Economic Operators scan out tobacco to retailers within their physical depots at the checkouts (ie not as part of a delivered order).

A8. Each retailer needs to provide their Facility Identifier Code to the checkout operator at the depot. If the Economic Operator has their T&T software integrated within their own scanning system then everything gets scanned as normal. If the T&T software is not integrated, then it would need to be scanned out separately on the T&T scanner in addition to the wholesalers own checkout scanning system.

The requirement for scanning equipment to be provided was raised. Discussions are still ongoing as to how this obligation can be fulfilled. It was discussed that the scanners and software would likely be reimbursed by the tobacco manufacturers. However the physical printers and ongoing consumables would be at the Economic Operators expense.

A “single point of contact” will be appointed by the government and who will oversee the distribution of all approved equipment and software to each Economic Operator. The tobacco manufacturers will not be involved in any of the equipment or software distribution.

A point was raised that a number of cash & carriers use 1D scanners. Anything different will be a big challenge for the industry, so there is a need to understand what the scanning

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equipment will be. If equipment needs to be changed, it would be a struggle to get the right fit in time.

3. Retailers obligations

NP talked through the obligations for retailers by May 2019 and from May 2019. Operators of retail outlets can allow another Economic Operator to apply for identifier codes on their behalf.

Q9. If an Economic Operator operates in multiple EU countries, how would this work when applying for an Economic Operator identifier code?

A9. *The Economic Operator identifier code would be from the first country they applied for one in. For example an Economic Operator operates in the UK, Spain and Belgium. The first country they apply in is the UK. The Economic Operator's operations in Spain and Belgium would need to inform the ID issuer in their respective countries of the codes issued by the UK ID issuer.*

Q10. If a retailer has multiple stores and use one store as a central distribution point, from where they send tobacco to their other stores, would they be required to scan in and scan out this tobacco?

A10. *Only where tobacco ends it's journey for final sale does the scanning and tracking stop. In this instance, they would be required to follow the same Track and Trace regulations and procedures.*

4. Security Features

NP provided an overview for the security features and what HMRC are doing to decide what security features will be for the UK.

HMRC will not be entering into a commercial contract with the suppliers of the security features. Tobacco Manufacturers and Importers will need to source a supplier for the required security features.

5. Tobacco track and trace –next steps

5.1 Timeline

The EU regulations were published in the OJEU on the 16 April 2018.

To date, HMRC have held supplier engagement days for both the ID issuer and the Security Features. The aim is to have the invitation to tender for the ID issuer published by mid-August and to appoint by November.

The UK Security Features must be published by the 20 September 2018.

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5.2 Consultation

NP confirmed although the EU's regulations take direct effect, UK legislation would be required to introduce sanctions for non-compliance and to enact a series of derogations. Current plans are to lay regulations next year, prior to the May 2019 implementation date,

subject to parliamentary timings. As with all new Statutory Instruments, HMRC will publish draft regulations for technical consultation.

NP confirmed that HMRC plan to develop draft external guidance in phases and to consult on each with individual stakeholder groups. This process will help identify various business practices and scenarios from across the supply chain that HMRC are currently unsighted on.

5.3 Sanctions

Members States are required to develop their own sanctions for track and trace and will require consultation and UK Parliamentary agreement.

Q11. If an Economic Operator or First Retail Outlet had their Economic Operator code deactivated on the request for HMRC, how long would it be before they could reapply for another code?

A11. *This has not yet been decided but it will be similar to duly justified cases.*

5.4 Stakeholder Engagement

HMRC plan to hold further meetings/workshops with all the sectors involved in the supply of tobacco and we are currently reviewing communication and stakeholder strategy.

The aim would be to target some meetings/workshops and communications to individual sectors including any informal consultations on guidance.