



HM Revenue  
& Customs

# Tobacco Traceability and Security Features

6 July 2018

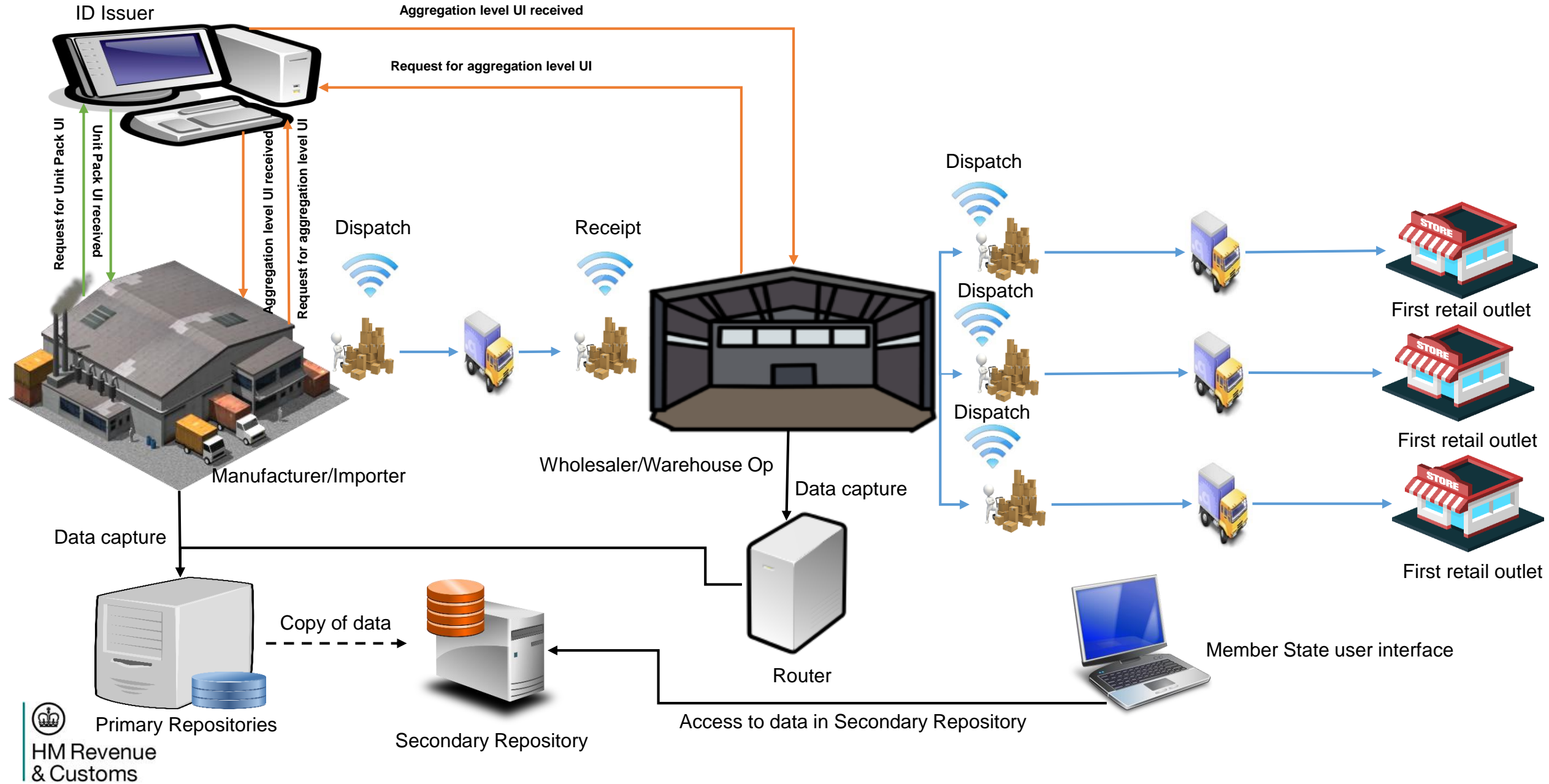
Neil Pedersen - Customer Strategy & Tax Design

# Tobacco track and trace - overview

- Under the revised Tobacco Products Directive 2014/40/EU (TPD), EU Member states must introduce a traceability system and new security features for tobacco products.
  - ❖ Article 15 –the introduction of a track & trace system from point of manufacture or importation to the first retailer
  - ❖ Article 16 – each pack must carry security markings that consist of overt and covert elements.
- For cigarettes and hand-rolling tobacco this requirement must be in place by 20th May 2019 and for Other Tobacco Products (cigars, etc) by 20th May 2024.
- All tobacco products to be marked with a unique identifier (UI) and new security feature. The UIs will be applied to all unit packets, which will be linked to corresponding UIs applied to all aggregated packing (cartons, mastercases, pallets, etc).
- The ID issuer must be independent from the tobacco industry
- HMRC must appoint the UK's ID Issuer before April 2018



# Operational System Structure



# Wholesaler/Warehouse Operators - Obligations

| By May 2019  | From May 2019  |
|--|--|
| <ul style="list-style-type: none"><li>• apply for an economic operator identifier code</li><li>• apply for a facility identifier code</li><li>• If you operate in any other member states, inform the ID issuer of any economic operator identifier codes issued to you by another ID issuer</li><li>• If offered, apply for identifier code on behalf of retail outlets</li></ul> | <ul style="list-style-type: none"><li>• generate or request aggregated level unique identifier codes for re-aggregated packaging.</li><li>• apply aggregated level unique identifier codes to re-aggregated packaging.</li><li>• transmit information to link unit level unique identifier codes to aggregated level unique identifier codes.</li><li>• scan tobacco product when it is received or dispatched from a facility.</li><li>• record and transmit transaction information whenever you issue an order number, an invoice or receive a payment.</li><li>• record and transmit information in the event of tobacco product being transferred from one vehicle to another without entering or leaving a facility 24 hours before the event occurs when tobacco is being transported between facilities.</li><li>• exchange information on your respective economic operator identifier codes with other economic operators so they can record and transmit transactional information.</li></ul> |



# Retailers- Obligations

| By May 2019  | From May 2019  |
|--|--|
| <ul style="list-style-type: none"><li>• apply for an economic operator identifier code</li><li>• apply for a facility identifier code for each facility</li></ul> <p>*The regulations permit retailers to let another economic operator apply for identifier codes on the retailer's behalf.</p> | <ul style="list-style-type: none"><li>• exchange information on your respective economic operator identifier codes with other economic operators so they can record and transmit transactional information</li><li>• inform the ID issuer of any economic operator identifier codes issued to you by another ID issuer</li></ul> |



# Tobacco track and trace – Security features

- At least five security features required and at least one:
  - ❖ overt
  - ❖ semi-covert
  - ❖ covert
- The UK will define the combination or combinations of authentication elements (visible & invisible elements)
- At least one element to be provided by an independent third party provider



# Tobacco track and trace – Next Steps

- Timeline
- Consultation
- Sanctions
- Stakeholder engagement



# Questions

