

De La Rue



Government  
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# COVID-19 and excise taxes, an untapped opportunity for Latin America?

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## COVID-19 and excise taxes, an untapped opportunity for Latin America?

No one ever imagined the impact that the Coronavirus would have around the world. More than two months ago when the first cases appeared in Latin America, I never expected that things would escalate that quickly. The eye of the storm is now moving there. We've progressively seen how this health crisis has impacted the economies over there and the news is far from encouraging; day after day the governments are under more pressure from COVID-19.

Most of the countries in LATAM are considered as developing countries, which implies that they are more vulnerable to any unforeseen changes in the global economy. According to the International Monetary Fund (IMF), the countries with the highest debt level (Debt-to-GDP ratio) in the region are Argentina (93.9%), Brazil (91.5%), El Salvador (68.3%), Uruguay (64%), Bolivia (57.6%) and Costa Rica (57.1%). These are the countries that might face more economic challenges due to COVID-19.

**They have experienced an extended lockdown alongside a partial paralysation of the economies, which has resulted in a substantial drop in the main income of the governments: taxes (including excise taxes).**

Previous articles have described the problems related to duties that governments will face as a result of the pandemic. Is a general tax increase the best response? It depends on the circumstances of every country; **we strongly believe in another approach: a more efficient way of collecting levies using technology as a supporting platform.**

Governments in Latin America could transform the current challenges into opportunities by introducing and implementing the right technology for the excise tax collection. This will help them to overcome the existing difficulties and adjust themselves to the new reality.





Excise tax is an indirect tax imposed on goods that are typically damaging to people's health or the environment. Which products are affected by excise taxes? Mainly tobacco, alcoholic beverages (spirits, wine, beer), sugary drinks and energy drinks.

The good news is that most of the countries in LATAM already have regulations in place for collecting these levies onto the products already mentioned. These go from 5% up to 80% depending on the product and the country.

### **What is missing then? Adapting to the present times and applying cutting-edge technology for a more reliable collection of excise duties.**

Currently, the systems in place are outdated and defective. Our reference cases have shown that some of those countries that have put into service our solutions have even doubled their excise tax collection in less than 2 years. Moreover, when these schemes are correctly executed, they are self-funding and the benefits are noticed almost immediately.

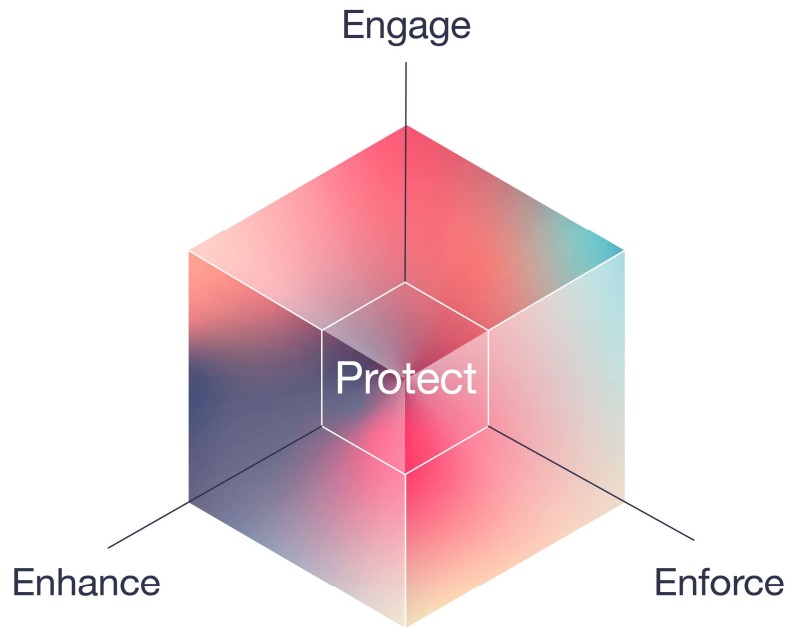






## ENGAGE, ENHANCE, ENFORCE

Three key principles of De La Rue's Authentication strategy; the combination of these values can be used as a good approach by the governments in Latin America to transform their existing system for collecting excise taxes.



**ENGAGE with all the stakeholders:** industry, distributors and consumers throughout an improved revenue protection scheme;

**ENHANCE, using a reliable Digital Tax Stamp scheme** that can combine the security features of a physical label with a digital solution.

**ENFORCE, applying the “trust but verify” principle.**

By verifying the volume of production of the excise goods, the government is certifying that the collected excise taxes match with the genuine volume of goods manufactured. This must come along with inspections and law enforcement.

For having a successful scheme, it should be crucial for governments to work with a reliable partner who comprehends the exceptional circumstances as well as having the required expertise in similar projects with a clear implementation methodology. Crisis brings changes and changes can be transformed into opportunities.



Latin American governments can use the extraordinary conditions created by COVID-19 to adapt themselves to the new panorama and be one step ahead towards finding the solution to the existing income crisis.

With over 200 years of anti-counterfeit experience, De La Rue is dedicated in the fight against illicit trade and the protection of brand, reputation and revenues. If you would like to find out more, please contact us directly on LinkedIn or email [authentication@delarue.com](mailto:authentication@delarue.com)



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