

Case Study: Tax Stamps featuring PTEC Security materials

Introduction

This case study examines how PTEC security solution products were successfully employed in an eastern European country. In this case, the country's tax authorities were struggling to eliminate the forging of tax stamps by organized crime organizations.

When government entities use tax-stamp systems, manufacturers and distributors are responsible for purchasing all required tax stamps from the tax authority and attaching them to their products before the products are sent to stores. In many cases, tax stamps are used to tax "negative" products, such as tobacco and alcoholic beverages. In most cases, if any party in the supply chain has products in their possession whose tax stamps are found to be missing or forged, they are held responsible.

The Problem

An eastern European country was facing a large scale forgery scam. Various products, including medicines, alcoholic beverages, and tobacco, were taxed by the country using tax stamps. While the country's population was growing, and there was no sign of a decline in the usage of the products in question, the state's revenues from the relevant tax stamps were declining.

Investigators recovered fake tax stamps from various sources. From the large quantity, high quality, and variety of the fake stamps, it was evident that multiple organized crime organizations were involved in distributing the forged stamps. Clearly, these organizations were earning significant amounts of money by selling the "stamps" they made.



PTEC Security Solution

It was suggested that the country prevent further scams by adding a stripe of PTEC security material to the standard tax stamps that had been used up to that point. The PTEC stripes were laminated onto the stamps using a heat-activated adhesive. This bonding technique is the most economical way of implementing large-scale labeling. In addition, it prevents tampering, because the lamination film cannot be removed without damaging the stripe or tearing the paper of the tax stamp.



The PTEC solution was implemented using a two-stage process. During the first two months, both the old and the new tax stamps were legally valid. This was intended to give merchants time to sell old stock that was already labeled with the old stamps. After the two month transition period, the old tax stamps were declared invalid, and only the new stamps were accepted.

When implementation of the PTEC security solution began, all of the country's tax inspectors were supplied with polarized lenses with the state insignia printed on them. Using these polarized lenses, they could quickly and easily check tax stamps to see if they had the required laminated stripes. Inspectors enforcing the new tax-stamp system visited shops and warehouses to look for fake tax stamps. When they found a fake tax stamp, they filed a report with the tax authority and levied a fine on the merchant.

Results

Twelve months after project implementation, the country's monthly revenues from the relevant products had increased by 30%.

Conclusions

The case described here is a classic case of a professional counterfeiter attack. The fake tax stamps were of very good quality and it was difficult to differentiate between them and the original ones. The tax authority was aware of the situation, but until the PTEC security solution was implemented, it did not manage to find an effective way to stop the counterfeiters.



This solution brought the problem to a quick stop and generated millions of new tax dollars.

This case demonstrates some of the major benefits of PTEC security technology from H.W. Sands Corp:

- PTEC security solutions are nearly impossible to fake, even by sophisticated counterfeiters.
- The PTEC authentication method is easy to understand and explain. This makes it simple to implement on large scales. It also makes it simple to show sellers the "problem" with their tax stamps, which prevents unnecessary conflicts with angry merchants.
- The PTEC authentication device is a low-cost polarized lens. As a result, authentication devices can be distributed in large quantities, making immediate, large scale implementation feasible.
- The PTEC security solution from H.W. Sands Corp. is 100% safe and can be implemented by organizations without relying on expensive, real-time computerized databases.

