




Business groups call for the full implementation of the Sin Tax Law

The Philippine Business Group and Joint Foreign Chambers, a coalition of local and foreign business groups, support the Department of Finance’s position to fully implement the “Sin Tax Reform Act” or R.A. 10351 passed in 2012. This includes Section 11 of the said Act, which mandates the Congressional Oversight Committee to review the impact of the tax rates beginning the third quarter of calendar year 2016.

The original objectives set forth by the law were meant to enhance the government’s health goals and strengthen its tax administration efforts. Since the adjustment of excise tax rates for “sin” products in 2013, together with other reforms incorporated within R.A. 10351, we have noted the reduction of smoking prevalence and the significant increase in government revenues, which have supported various health projects and farmers’ livelihood programs. The scheduled unification of excise tax rates in 2017, on the other hand, would help simplify tax administration, optimize revenue collection, and reduce the system’s vulnerability to tax evasion and corruption.

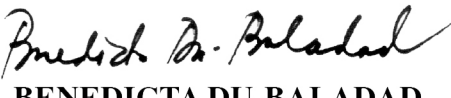
However, there is an aggressive push in Congress to amend Section 145 (C) of the National Internal Revenue Code of 1997, as amended by R.A. 10351, for the purposes of preventing the scheduled shift to a unitary tax for cigarettes packed by machine in January 2017. This is embodied in House Bill 4144 which proposes to retain the two-tiered system and to increase the excise tax rates for both the lower and higher brackets to P32.00/pack and P36.00/pack, respectively. The proponents of this legislative measure claim that their intent is to protect the welfare of the local tobacco farmers. However, the lack of proper consultation with stakeholders, including the local tobacco farmers themselves, and the absence of an impact assessment study validating the need for such amendments leave much room for concern and doubt.

We, therefore, call on our lawmakers to allow the Sin Tax Law to run its course. We believe that R.A. 10351 was carefully and properly designed to meet the desired national targets and has undergone proper consultations and thorough deliberations with key stakeholders. It is a good and sufficient law that would lead the government to attain its health and revenue goals.


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