

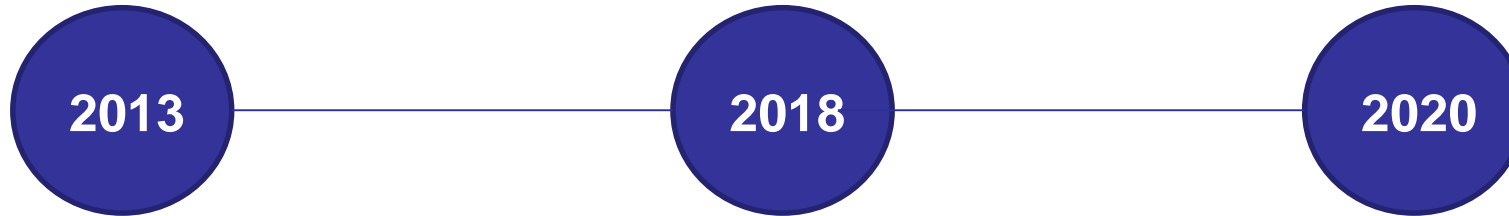


# Updates on Sin Tax Reform

September 5-6, 2019  
9<sup>th</sup> ASEAN Sub-forum on Excise Taxation  
Chiang Mai, Thailand

# Tobacco tax reform at a glance

- The Philippines was able to raise tobacco taxes 3x since 2012



Excise tax on cigarettes (in PHP (USD) per pack of 20)

Sin Tax Reform of 2012		
	Tier 1	Tier 2
2013	12.0 (0.28)	25.0 (0.59)
2014	17.0 (0.38)	27.0 (0.61)
2015	21.0 (0.46)	28.0 (0.62)
2016	25.0 (0.53)	29.0 (0.61)
2017	30.0 (0.60)	
2018	4% indexation rate	

Tax Reform for Acceleration and Inclusion (TRAIN) Package 1		
2018	32.5 (0.62)	35.0 (0.66)
2019	35.0 (0.67)	
2020	37.50 (0.72)	
2021	37.50 (0.72)	
2022	40.0 (0.77)	
2023	4% indexation rate	

Tax Reform for Acceleration and Inclusion (TRAIN) Package 2+	
2020	45.0 (0.87)
2021	50.0 (0.96)
2022	55.0 (1.06)
2023	60.0 (1.15)
2024	5% indexation rate

Note: Using US\$1=P52 for 2019-2023

# Key features of Package 2+ reform

## Cigarettes for pack of 20 (in pesos per pack)

Current (2019)	35.0 (0.67)
2020	45.0 (0.86)
2021	50.0 (0.96)
2022	55.0 (1.05)
2023	60.0 (1.15)
2024	5 percent indexation every year thereafter (63 (1.21) in 2024)

## Heated tobacco products for pack of 20 (in pesos per pack)

2020	2021 onwards
10	5 percent indexation every year thereafter (10.5 (0.20) in 2021)

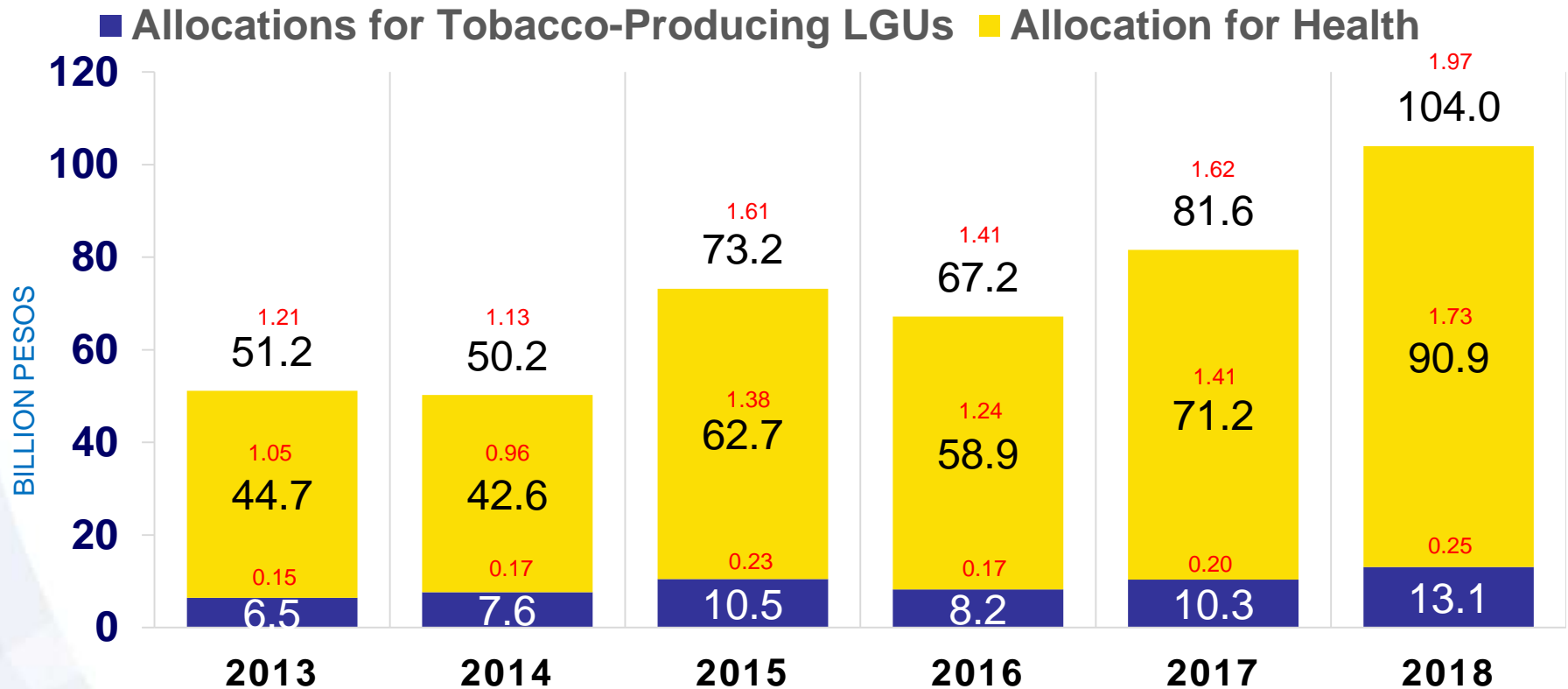
## Vapor products (in pesos)

Volume (in ml)	2020	2021 onwards
0.00 to 10.00	10 (0.19)	5 percent indexation every year thereafter
10.01 to 20.00	20 (0.38)	
20.01 to 30.00	30 (0.57)	
30.01 to 40.00	40 (0.76)	
40.01 to 50.00	50 (0.96)	
More than 50.00	50 (0.96) + 10 (0.19) for every additional 10.00 ml	

PARTICULARS		2020	2021	2022	2023	2024 Onwards
<b>A. Distilled spirits</b>						
1. Ad Valorem Tax, on NRP per proof		25 percent				
2. Specific Tax, per proof liter		40	45	50	55	Shall increase by 10percent every year there-after
<b>B. Wines, per liter of volume capacity</b>						
1. Sparkling Wines or Champagnes, where the NRP per bottle of 750ml volume capacity	P500 or less	348	10 percent indexation every year thereafter (382.8 in 2021)			
	More than P500	974	10 percent indexation every year thereafter (1,071.4 in 2021)			
2. Still wines and carbonated wines	14percent alcohol or less	42	10 percent indexation every year thereafter (46.2 in 2021)			
	More than 14 percent but not more than 25 percent	84	10 percent indexation every year thereafter (92.4 in 2021)			
	More than 25 percent	Taxed as distilled spirits				
C. Fermented liquors, per liter of volume capacity		40	45	50	55	Shall increase by 10percent every year there-after
D. Alcopops		40	45	50	55	Shall increase by 10percent every year there-after

# Actual Incremental Revenues under RA 10351

In billion pesos



Source: Based on Certifications submitted by BIR and BOC



# Lessons learned from Package 2+

- Pushing the reform alongside the Department of Health provided a strong message that the reform is a health measure.
- Reforming tobacco taxation is a sustainable financing source for Universal Health Care (UHC) law.
- Strong political will proved to be key in the passage of the bill increasing tobacco excise tax. The President certifying the DOH-DOF proposal as urgent, provided signal to the legislative that the bill needs to be passed at a shorter time period.
- The support of the leadership of both Houses of Congress prompted the movement of the bills in their respective chambers.
- Technical discussions with the legislative branch opened doors to negotiate provisions and elicit support.
- Constructive engagement with various stakeholders, including civil society, and medical community strengthened public support.



# Challenges from Package 2+

- The original DOH-DOF proposal for tobacco has been watered down.
- Alcohol reform was not included in the enrolled bill. Passing the proposal on increasing the excise tax on alcohol was not politically feasible during the 17<sup>th</sup> Congress due to alcohol industry lobby.
- There was difficulty in preparing technical analyses on heated tobacco products and e-cigarettes due to lack of available data.



# Moving forward

- Increase alcohol tax rates to fund the remaining funding gap for UHC
- Propose amendments to e-cigarette and illicit trade
- Strengthen monitoring of tax administration and implementation of the UHC law.





**Thank you**