

Urgency of Another Sin Tax Reform

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Why support Sin Tax Reform now?

1. Curb burden for non-communicable diseases (NCDs), especially among the poor.



- Maintaining status quo will result to 200,000 new smokers a year, most of whom are poor
- Tobacco use exposes these smokers to 47 life-threatening diseases including stroke, heart attack, lung cancer and chronic lung disease, resulting in 150,000 deaths a year and 210B pesos in annual losses.

2. Raise additional revenues for the health sector is needed.



- Even with Sin Tax Law of 2012, per capita public spending for health is still below the \$90 threshold set by the WHO.
- UHC reforms proposed under the UHC bill is expected to require additional revenues of at least Php 50B a year particularly to sustain 100% population coverage and build a strong primary care system.

History of the Philippine's Sin Tax Reform

1996

RA 8240

Act on Tobacco and Alcohol Taxation

2004

RA 9334

Act Increasing the Excise Tax Rates Imposed on Alcohol and Tobacco Products

2012

RA 10351

Act Restructuring the Excise Tax on Alcohol and Tobacco Products or the STL

2017

RA 10963

Section 42 - Tax Reform for Inclusion and Acceleration (TRAIN Law)

Gains after RA 10351

Decrease in smoking prevalence among adults

Current smoker of any tobacco products:

28.3% (2009)

22.7% (2007)

Current smoker of manufactured cigarettes:

27.00% (2009)

21.50% (2015)

Decrease in smoking prevalence among the youth and the poor-

Among youth

5.7% (2013)

4.2% (2015)

Among poor

38% (2012)

31% (2015)

27% (2016)

Increase in health budget



68% of the DOH Health Budget for 2018 contributed by Sin Tax

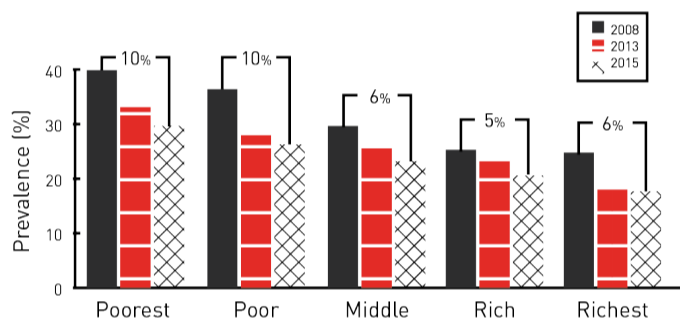
Increase in health service coverage, expansion and provision of health services



However, challenges remain

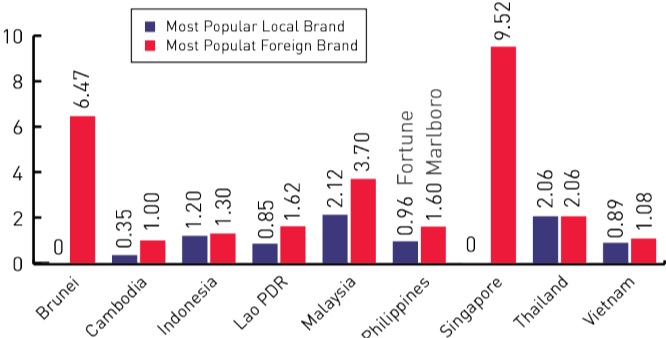
Smoking prevalence is still greatest in the poor who smoke cheap tobacco.

Figure 1. Prevalence of Current Smokers by Income Quintile, NNHeS



Compared to ASEAN neighbors, cigarette prices in the Philippines continue to be cheap (Southeast Asia Tobacco Control Alliance, 2014)

Figure 2. Price per pack of most popular local and foreign brands 2014 (in USD)



Sin Tax Rate Update From RA 10963

After five (5) years, minimal increase in tobacco excise tax was introduced through the TRAIN Law.

	Tax Rate (Php)	Net Price/Pack	Net Price/Stick
Jan. 1, 2018 - Jun. 30, 2018	2.50	32.50	1.63
Jul. 1, 2018 - Dec. 31, 2018	5.00	35.00	1.75
Jan. 1, 2020 - Dec. 31, 2021	7.50	37.50	1.88
Jan. 1, 2022 - Dec. 31, 2022	10.00	40.00	2.00
2024 onwards	4% annual increase		

The updated P2.50 tax rate per pack is very low and does not lead to health benefits and generate enough funds to support health reforms.

Proposed TRAIN Package Plus 2 by the Department of Finance

- The proposed Package 2 Plus of the TRAIN aims to increase current excise taxes of alcohol and tobacco products, and the mining tax.
- The DOH and DOF jointly supports the proposed rate of PHP 60 per pack of cigarettes from the current rate of Php 30 per pack, with a 9% annual increase in 2023 onwards. This is expected to prevent 200,000 new smokers per year and avert 2000 deaths annually.



P30 → **P60**

with 9% annual increase from 2023 onwards

Presently, two senate bills are filed in support of these:

	Proposed Price Per Pack Rate	Status
Senate Bill 1599 Senator Manny Pacquiao	 P60 Php 60.00 per pack + 9% inflationary increase per annum	Pending in the committee (11/20/2017)
Senate Bill 1605 Senator JV Ejercito	 P90 Php 90.00 per pack + 9% inflationary increase per annum	Pending in the committee (11/20/2017)

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operationalizes F1+ for Health's commitment to instill a culture of research and strengthen internal analytic capacity in the Department of Health and build health policy systems research capacity within the sector.

AHEAD is a collaboration between the Department of Health and the Philippine Council for Health Research and Development

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