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Excise tax policy on e-cigarettes soon out

The government is only now beginning to craft the policy on e-cigarettes and how the excise tax may be applied on them, the most senior government official on tax matters said on Friday.

But something more definite than a mere plan should form shortly as policymakers are already finding ways to address the lack of policy or regulation over so-called alternative forms of consuming nicotine, Finance Secretary Carlos G. Dominguez III said.

“First, we want to see where the technology is and where it is going and we have to address it. But definitely there will be regulations and taxation involved,” he told reporters.

He acknowledged there are new alternative cigarette products in the market that for the lack of a tax framework have not been properly levied appropriate charges. That should soon change as the government is even now thinking of ways to address it.

“I understand that in other countries, they have products that taste like mango, taste like candy and I think that is something that we have to address because those were designed to entice young people to start the nicotine habit. We are doing the discussions,” he said of the still unregulated public consumption of nicotine under a fad known as vaping.

Vaping involves vaporizing nicotine along with additives whose potential harm have variously been documented elsewhere by not in the Philippines. Dominguez acknowledged there are few import regulations for these products.

Health Secretary Francisco Duque III said while there is a huge resource of studies on the impact of e-cigarettes to one’s health, the government still has a lot to learn by way of crafting the regulations for such products.

“There’s a dearth of data related to (e-cigarette impact). Financial and control bureaus of the Department of Health (DoH) have been quite aggressive in gathering data internationally and we have to learn from this as we frame our regulatory review and eventually issue our administrative order (AO) for this particular product,” Duque said.

According to him, the Food and Drug Administration (FDA) was earlier tasked to come up with the AO for e-cigarettes but this was not broad enough to cover newer products hitting the market such as the vaporizer, colloquially known as vape.

“The FDA has been tasked to come up with the AO for the electronic nicotine and non-nicotine delivery systems. There was an attempt, actually there was an AO issued in 2014 but when we undertook a review it had been overtaken by events (such as) vaping and other electronic delivery systems,” Duque said.

According to the health secretary, the 2014 AO cannot address the new technological developments that cropped up, which was why the DoH is coming out with a draft IRR likely in three to six months,” he added.

Earlier, Dominguez and Duque urged lawmakers to adopt the original proposal increasing the current excise tax on tobacco and alcohol to at least P60 per pack and P40 per liter, respectively, to enable the government to generate additional funding for the Universal Health Care (UHC) program.

The so-called funding gap in the UHC program is projected to balloon to P1.44 trillion over the next five years.

This means the government’s ability to address smoking-related illnesses of Filipinos should prove woefully short of the requirement unless the excise levy is adjusted to help bridge the funding gap.