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'More tobacco excise will disrupt balance'



The Philippine unit of the Japan Tobacco International sees no point in upsetting the tax cart too soon after the recalibrated excise levy on alcohol and cigarettes has been adopted.

Increasing the excise tax on cigarettes and alcohol too fast and too soon should in the long run prove detrimental to government and the national coffers, the Japan Tobacco International Philippines Inc. said on Monday.

The young people have turned their backs to smoking at the highest rate as never before, minus 48 percent.

JTI general manager Manos Koukourakis said while there are short-term benefits on the proposed excise tax increase on so-called sin products, the joint Department of Health and Department of Finance proposal will only disrupt the current balance between government revenues on one hand and corporate profits on the other.

“Countries that raised taxes steeply still suffer from the effects of smuggling, the national coffers included. Everything looks good on short term but mid- to longer-term, the consequences are rather dire and we’ve seen it in Malaysia, Thailand, Singapore, Indonesia and in so many other places,” Koukourakis said.

“The current House of Representatives passed a bill which increases tobacco taxes in a reasonable and predictable way. This bill will not disrupt the balance explained before and ultimately everybody will benefit from it,” the JTI executive said.

But he argues the Philippines has already achieved a balance in terms of curbing the smoking habit as the number of smokers significantly went down from 26 million in 2013 to 16 million in 2018.

“The young people have turned their backs to smoking at the highest rate as never before, minus 48 percent,” the tobacco executive noted.

He said the government’s coordinated effort against the illegal trade of tobacco has paid off as smugglers are broadly kept at bay. Incremental revenues have likewise been generated from the current excise tax structure.

“When such a unique balance is stricken, why would anyone like to disrupt it? (We’re) not sure there is another country in the entire Asia-Pacific to be at this (same) fortunate situation,” Koukourakis said.

“We have a big respect for the DoF and its leadership. Whatever they decide is law for us. However, no industry is immune to tax increases and the tobacco industry falls in this category too,” he acknowledged.

Finance Secretary Carlos Dominguez III earlier said the original P60 per pack additional excise tax proposal will be necessary to help close the funding gap in the government’s universal health care program seen to balloon to P1.44 trillion over the next five years.

That much money has to come from somewhere and the government seem intent on taking it from cigarette and alcohol product manufacturers.