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Senate cuts projected take from tobacco tax

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THE MEASURE imposing a higher excise tax on tobacco products, as proposed by the Senate, is expected to generate P15 billion in revenues next year, the Department of Finance (DoF) said over the weekend.

The Senate Committee on Way and Means proposed to increase rates to P45 per pack of cigarettes in January 2020 from P37.50 currently, which will generate "P15B [illion] in 2020," Finance Assistant Secretary Antonio Joselito G. Lambino II said in a mobile phone message on Friday.

This is lower than the P60 per pack rate proposed under Senate Bill No. 1599, backed by both the DoF and the Department of Health (DoH), which was projected to generate P30.1 billion in the first year of implementation.

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Mr. Lambino said there is still a possibility that the rates may be increased as Senator Sherwin T. Gatchalian had disclosed plans to possibly amend the measure in the plenary and instead impose a P70 per pack rate.

"I believe Sen. Gatchalian, who sponsored a version of the bill, will propose to use the rates he included in his bill, which starts at P70," Mr. Lambino said in a separate text message on Sunday.

"We also have a proposal for raising alcohol excise to P40/liter, which is estimated to bring in around P30 billion."

The said proposal, carried under SB 2197 awaits approval at the committee level with less than two weeks left for this 17th Congress to wrap up its business; while its counterpart, House Bill No. 8618, was approved on third and final reading in December last year.

The Senate Bill, which will be sponsored for plenary approval on Monday, further provides for a P5 annual increase until it reaches P60 per pack in 2023 and by five percent every year thereafter.

Mr. Lambino said this will generate an estimated "P18B[illion], [P]24B[illion], [P]26B[illion], and [P]28B[illion] in each of the years that follow up to 2024. Those are the incremental revenues."

The DoF has noted that implementation of Republic Act No. 11223, or the Universal Health Care Act, will cost around P258 billion, which may be partially covered by national budget, the Philippine Amusement and Gaming Corp. and the Philippine Charity Sweepstakes Office in the amount of P195 billion.

It also noted that while current funding sources can cover P200 billion, it will not be sufficient as the UHC law's implementation cost is expected to grow up to P1.44 trillion in 2020-2024.

Mr. Lambino said that "[t]he funding gap for full implementation of UHC (Universal Health Care) is [P]63B[illion] for 2020 and P73 [billion], [P]85 [billion], [P]95 [billion] and [P]109B for subsequent years up to 2024."

"If in the end a funding gap remains, then coverage will be adjusted by DoH," he explained when asked on contingencies for the funding shortfall.

"All Filipinos will still be covered, but the package will not include everything currently proposed."

A DoF statement last weekend quoted Finance Secretary Carlos G. Dominguez III as saying: "With less than three session weeks left, I appeal to the Senate to prioritize increasing excise taxes on tobacco and alcohol."

"This reform is already in an advanced stage, so there is just enough time to deliberate, pass and ratify the measure."

The 17th Congress has six session days to tackle the proposed tobacco tax hike at the bicameral conference committee and ratify for President Rodrigo R. Duterte's signature ahead of the June 7 adjournment.

The House of Representatives had approved its version, under House Bill No. 8677, on third and final reading in December last year. It proposed to increase tobacco excise tax by P2.50 per pack annually until it reaches P45 per pack in 2022, and by four percent annually thereafter.

Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN) Law, increased among others the tobacco excise tax to P32.50 per pack from P30 in January 2018 and then increased it to P35 in July 2018.

It is scheduled to go up to P37.50 in January 2020.

Moreover, Mr. Dominguez also appealed to the 18th Congress to continue legislating the administration's remaining proposed fiscal reforms, which he said could bag another credit rating upgrade.

S&P Global Ratings last April 30 raised the Philippines' credit rating by a notch, citing above-average growth and strong external and fiscal position which have boosted the country's economic profile. The debt watcher raised the country's long-term sovereign credit rating to "BBB+" from "BBB," bringing it a step closer to bagging a single "A" grade. S&P assigned a "stable" outlook to the rating, which means it expects to maintain its grade in the next six months to two years as the economy is likely to remain strong over the medium term.

Moody's Investors Service and Fitch Ratings have so far kept the country a notch above minimum investment grade at "Baa2" and "BBB", respectively.

"All of these will translate into larger investments and more jobs for Filipino workers. So, you see, it is not just about getting an upgrade. It is about upgrading everyone's life," Mr. Dominguez said.