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House to back Senate sin tax bill

THE House leadership has committed to support and adopt the Senate’s version of a bill imposing higher excise tax rates on cigarettes in a bid to accelerate congressional approval of the measure and ensure its enactment into law during the 17th Congress.

In a letter to Senate President Vicente Sotto 3rd, House Speaker Gloria Macapagal Arroyo said the House would support the Senate’s decision on the excise tax to be imposed on cigarettes to collect bigger revenues to finance the Universal Health Care (UHC) program.

President Rodrigo Duterte has certified the sin tax bill as priority legislation.

A certified bill, if approved on second reading, is immediately voted on third and final reading. This does away with the reglamentary two-day printing rule.

Sen. Sherwin Gatchalian, chairman of the economic affairs committee, said Congress would go back to “zero” if it does not pass the bill before they adjourn sine die on June 7.

The Lower House has proposed a tax rate increase of P30 per pack.

There are three proposals in the Senate — P60 per pack by Sen. Emmanuel Pacquaio, P70 by Gatchalian and P90 by Sen. Joseph Victor Ejercito.

However, Finance Undersecretary Karl Kendrick Chua told the Senate Finance Committee on Monday that the revenue to be collected by the House bill was P11 billion for the first year, which was “too low.”

Chua said the “sin” tax measure needed P267 billion for the first year, and the government only had P195 billion. Thus, it has to raise P62 billion more, he added.

Bill pushed

Sen. Juan Edgardo Angara on Monday pushed the passage of a bill increasing the excise tax on tobacco products.

Angara, chairman of the Senate Committee on Ways and Means, sponsored Committee Report (CR) 714, which proposed to raise the excise tax for every cigarette pack from P45 to P60 for the next four years.

CR 714 proposes a starting rate of P45 in 2020 or an increase of P10 in the first year of implementation, followed by a series of annual P5-increases until the rate reaches P60 in 2023. Thereafter, the rate automatically increases by 5 percent.

In resorting to gradual tax increase instead of an immediate P25 bump to the current rate, Angara said the committee “did a delicate balancing act in considering a measure that will reconcile the competing interests of the government, health advocates, the cigarette industry and tobacco farmers.”

The senator said the tobacco tax hike bill is an important legislation because it would not only help reduce deaths and disabilities due to smoking, but also generate revenues for the UHC program.

“We’re legislating not so much a single sweet spot, but a ladder where we hope all stakeholders involved can make a smooth transition,” Angara said.

“In essence, we’re providing up to four years of graduated increases, so that more of our tobacco farmers can shift crops; the tobacco companies can recast their financial projections; and the DoH (Department of Health) can catch up with its underspending,” he said.

According to the DoH, 85 percent of the proceeds from the excise tax is used to finance government health programs — 80 percent for the UHC and 20 percent for improvement of facilities in government hospitals.

The remaining 15 percent of the proceeds goes to livelihood programs and financial assistance to tobacco farmers, the DoH said.