



# Sin Tax Reforms Advocacy

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Action for Economic Reforms

# Main Objectives

- + Increase significantly the tax rates to meet health and revenue objectives.
- + Adopt a unitary rate to prevent downshifting of consumption and foregone revenues.
- + Remove the price classification freeze.
- + Index the tax rates to inflation to prevent revenue erosion.
- + Earmark funds for health and alternative livelihood for tobacco farmers.

# Original Bills and RA 10351

## + Distilled Spirits

### HB 2687 (Limkaichong et. al.) and SB 2763 (Lacson)

Tax Rate (per proof liter)	Year 1	Year 2	Year 3	Year 4
Not more than 45% in alcohol content	P30.00	P80.00	P150.00	Indexed to inflation thereafter
More than 45% in alcohol content	P150.00	P150.00		

### RA 10351

Tax Rate	2013	2015	2016
Specific Tax per proof liter	P20.00	P20.00	4% increase in specific tax rate thereafter
Ad Valorem Tax per proof	15%	20%	20%

# Original Bills and RA 10351

## + Fermented Liquor

<b>HB 2687 (Limkaichong et. al.) and SB 2763 (Lacson)</b>		
	Year 1	Year 2
Tax Rate (per liter)	P21.52	Indexed to inflation thereafter

<b>RA 10351</b>						
Tax Rate (per liter)	2013	2014	2015	2016	2017	2018
NRP not more than P50.60	P15.00	P17.00	P19.00	P21.00	P23.50	4% annual increase thereafter (indexation to inflation)
More than P50.60	P20.00	P21.00	P22.00	P23.00		

# Original Bills and RA 10351

## + Cigarettes (machine-packed)

### HB 3465 (Abad) and SB 2998 (Santiago)

Tax Rate (per pack)	Year 1	Year 2	Year 3	Year 4
NRP not more than P10.00	P14.00	P22.00	P30.00	Indexed to inflation thereafter
NRP > P10.00	P28.30	P30.00		

### RA 10351

Tax Rate (per pack)	2013	2014	2015	2016	2017	2018
NRP not more than P11.50	P12.00	P17.00	P21.00	P25.00	P30.00	4% annual increase thereafter (indexation to inflation)
NRP > P11.50	P25.00	P27.00	P28.00	P29.00		

# Old Law (RA 9334) vs. New Law (10351)

## + Distilled Spirits

<b>RA 9334 (Old Law)</b>	
	Tax Rate (per proof liter)
Local Spirit	P14.68
NRP < P250	P158.72
P250 < NRP < P675	P317.45
NRP > P675	P634.89

<b>RA 10351 (New Sin Tax Law)</b>			
Tax Rate	2013	2015	2016
Specific (per proof liter)	P20	P20	4% annual increase in specific tax rate thereafter (indexation to inflation)
Ad Valorem (per proof)	15%	20%	20%

# Old Law (RA 9334) vs. New Law (10351)

## + Fermented Liquor

RA 9334 (Old Law)	
NRP (per liter)	Tax Rate
<P14.50	P10.42
P14.50-P22.00	P15.49
>P22.00	P20.57

RA 10351 (New Sin Tax Law)						
Tax Rate (per liter)	2013	2014	2015	2016	2017	2018
NRP ≤ P50.60	P15	P17	P19	P21	P23.50	4% annual increase thereafter (indexation to inflation)
NRP > P50.60	P20	P21	P22	P23		

# Old Law (RA 9334) vs. New Law (10351)

## + Cigarettes (machine-packed)

RA 9334 (Old Law)	
NRP (per pack)	Tax Rate
<P5.00	P2.72
P5.00-P6.50	P7.56
P6.50-P10.00	P12.00
>P10.00	P28.30

RA 10351 (New Sin Tax Law)						
Tax Rate (per pack)	2013	2014	2015	2016	2017	2018
NRP ≤ P11.50	P12	P17	P21	P25	P30	4% annual increase thereafter (indexation to inflation)
NRP > P11.50	P25	P27	P28	P29		

# Old Law (RA 9334) vs. New Law (10351)

<b>RA 9334</b>	<b>RA 10351</b>
Multi-tiered Tax System	Unitary on the 5 <sup>th</sup> year of implementation for cigarettes and fermented liquor (Unitary on the 1 <sup>st</sup> year for distilled spirits)
Maintains Price Classification Freeze	Removes Price Classification Freeze
Low incremental tax increases every two years	4% tax adjustments every year
15% of incremental revenue from tobacco would be allocated for tobacco farming programs	15% of incremental revenue from tobacco will be allocated for alternative livelihood programs
Of the incremental revenue from tobacco and alcohol: 2.5% would be earmarked to Philhealth; 2.5% would be earmarked for disease prevention programs	Of the remaining balance: 80% will be earmarked for the Universal Health Care; 20% for the health facility enhancement among political and district subdivisions

# Strategies

- + Framing the issue: Sin tax as a health measure.
- + Adopting a central but flexible strategy with clear, identifiable objectives at each sub-stage of the struggle.
- + At the same time encouraging initiatives decentralized operations and initiatives that serve the essential objectives.
- + Internalizing the essential objectives, the bottom-line positions, and thus having a handle on the tactics of compromise.
- + Knowing when to attack and when to take defensive actions.

# Strategies

- + Identifying tactical objectives and formulating key messages at each stage of the struggle.
- + Deploying and combining different forces to win key battles.
- + Gathering sensitive information, splitting the enemy and creating tactical alliances.
- + Forming informal networks and using personal connections.

# Lessons

- + Timing is key.
  - + Once you get it, make the most out of it.
  - + Know when to attack/defend or take 2 steps backward.
- + Political constraints are inevitable; but working with/around them is possible.
  - + Agendas change throughout the course of the battle.
- + Strong research/evidence is necessary but not sufficient. You need to learn how to communicate these to people from all walks of life.

# Lessons

- + Doctors and health professionals are a force to reckon with.
- + Keeping in touch with all stakeholders at all times.
  - + SMS is more effective than email.
- + Social media: a powerful tool for advocacies.

# New Challenges

- + Defend the gains in light of the counter-attack of vested interests.
- + Make the reform credible: address the issues on the threat of smuggling and the effective, efficient use of earmarked funds for tobacco farmers and UHC.
- + Monitor the health outcomes; establish baseline data to measure the health gains.
- + Consolidate the reform forces—the health professionals or the medical community, especially, have emerged as a potent political force.