



# 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

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

RA 10351						
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

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

RA 10351 (New Sin Tax Law)			
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)

RA 9334	RA 10351
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.