

SIXTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )



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SENATE

P.S.R. No. 326

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Introduced by Senator Miriam Defensor Santiago

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RESOLUTION

DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY,  
IN AID OF LEGISLATION, ON THE PROPER IMPLEMENTATION  
OF REPUBLIC ACT NO. 10351, OR THE SIN TAX REFORM ACT OF 2012,  
TO ENSURE THAT THE OBJECTIVES AND PURPOSES OF THE LAW ARE REALIZED,  
THAT TAX ADMINISTRATION IS IMPROVED, AND THAT THE GOVERNMENT  
IS NOT DEPRIVED OF ITS RIGHTFUL TAX REVENUES

WHEREAS, the Constitution, Article 2, Section 15, provides: "The State shall protect and promote the right to health of the people and instill health consciousness among them."

WHEREAS, Republic Act No. 10351 was signed into law on 19 December 2012 for the purpose of restructuring the excise tax rates of alcohol and tobacco products, in order to raise much needed revenues for the government and fund the government's universal healthcare program;

WHEREAS, according to a 31 August 2013 news article in the *Manila Standard Today* entitled, "Cigarette production falls 43%," cigarette excise tax collection reached P22 billion in the first six months of 2013, in line with the Bureau of Internal Revenue's (BIR) full-year target of P33 billion;

WHEREAS, excise tax collection from alcohol products reportedly amounted to P16.1 billion in the same six-month period; total collection from cigarettes and alcohol reached P38.5 billion, up by 46 percent year-on-year;

WHEREAS, local cigarette production reportedly shrank 43% year-on-year in the first half of 2013, following the implementation of the Sin Tax Reform Act of 2012; the report quoted Internal Revenue Commissioner Kim Henares as saying that the tax value in the decline in volume was equivalent to P9 billion in tax revenues;

WHEREAS, it was expected that with the rise in taxes from 108% to 341%, pursuant to R.A. No. 10351, the smoking incidence would have decreased substantially; however, according to newspaper reports, the average cigarette consumption increased to 14.13 sticks a day in the second quarter of 2013, compared to an average of 13.53 sticks in the first quarter of 2013; the rise in cigarette consumption was reportedly due to consumers patronizing cheaper brands;

WHEREAS, notwithstanding the steep tax increases, there are still cigarettes being offered for sale at P 14.70 to P 17.00 per pack, which retail at P 1.00 per stick; according to tax experts, this price point is reportedly incredibly low, considering that an excise tax of P12.00, plus VAT of P1.58, leaves a very small margin of P 1.13 per pack, which is reportedly insufficient to cover all relevant production costs, much less provide profits to cigarette manufacturers; questions arise as to how such low prices are attainable and sustainable despite the tax increases;

WHEREAS, according to news reports, the BIR is reportedly closely monitoring the withdrawal of cigarettes from the factories; there are cigarette manufacturers who allegedly withdraw their products from their factories without paying the correct taxes to the BIR;

WHEREAS, the government should look into how the sin tax law is being implemented to ensure that the government is maximizing the tax revenues to attain the goal of the law to provide universal healthcare to our citizens.

WHEREFORE, be it hereby resolved by the Philippine Senate, to direct the proper Senate committee, to conduct an inquiry, in aid of legislation, on the proper implementation of Republic Act No. 10351, or the Sin Tax Reform Act of 2012, to ensure that the objectives and purposes of the law are realized, that tax administration is improved, and that the government is not deprived of its rightful tax revenues.

Adopted,

*Miriam Defensor Santiago*  
MIRIAM DEFENSOR SANTIAGO

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