

**NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)**



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S E N A T E

RECEIVED BY

P. S. Resolution No 566

Introduced by **Senator Win Gatchalian**

RESOLUTION

DIRECTING THE COMMITTEE ON WAYS AND MEANS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE RISING INCIDENTS OF ILLICIT TRADE ON EXCISABLE PRODUCTS, WITH THE END IN VIEW OF ABATING THE PROLIFERATION OF ILLICIT TRADE BY INTRODUCING REMEDIAL LEGISLATION AS MAY BE NECESSARY

WHEREAS, under one of the sources of revenues of the government are excise taxes¹;

WHEREAS, the National Internal Revenue Code of 1997, as amended, imposes excise tax on alcohol products², tobacco products, heated tobacco products and vapor products³; cigar and cigarette products⁴; petroleum products⁵; automobiles⁶; non-essential goods such as jewelry, perfumes and toilet waters, yacht and other vessels

¹ National Internal Revenue Code of 1997, as amended, Sec. 21.

² *Id.*, Sec. 141.

³ *Id.*, Sec. 144.

⁴ *Id.*, Sec. 145.

⁵ *Id.*, Sec. 148.

⁶ *Id.*, Sec. 149.

intended for pleasure or sports⁷; non-essential services⁸; sweetened beverages⁹; and mineral products¹⁰;

WHEREAS, in 2021, excise tax collections of the Bureau of Internal Revenue (BIR) amounted to PhP317.69 billion pesos which is 15.23% of the total revenue collections of the BIR.¹¹ Of this, PHP90,128.34 million from excisable alcohol products, PhP176,486.48 million came from tobacco products, PhP7,369.99 million from petroleum products; PhP35,832.20 million from miscellaneous products; and PhP7,872.23 million from mineral products¹²;

WHEREAS, the magnitude of illicitly traded cigarette consumption was estimated at most 42.8% of total cigarette consumption.¹³ In addition, potential tax losses from illicit trade of tobacco products alone amount to USD213.4 million in 2019.¹⁴ According to BIR Commissioner Romeo Lumagui, Jr., the government loses around PHP1.4B in revenue due to smuggled vaping products.¹⁵ Recent news reported seizures of undocumented cigarettes amounting to PhP160 million in Cagayan de Oro City, Misamis Oriental¹⁶; PhP600,000 in Dipolog City, Zamboanga del Norte¹⁷; and PhP2M in Cauayan, Negros Occidental¹⁸;

⁷ *Id.*, Sec. 150.

⁸ *Id.*, Sec. 150-A.

⁹ *Id.*, Sec. 150-B.

¹⁰ *Id.*, Sec. 151.

¹¹ Bureau of Internal Revenue 2021 Annual Report, p. 14.

¹² *Id.*, p. 82.

¹³ Austria, M. & Villanueva, A., Measuring illicit cigarette trade: The case of the Philippines (2021). DLSU AKI Working Paper Series and the Philippine Institute for Development Studies (PIDS), <https://serp-p.pids.gov.ph/publication/public/view?slug=measuring-illicit-cigarette-trade-the-case-of-the-philippines> accessed (Date last accessed: March 22, 2023).

¹⁴ (2020). "Tackling Illicit Trade in ASEAN Advocacy Paper". EU-ASEAN Business Council and TRACIT (Date last accessed: March 23, 2023).

¹⁵ https://newsinfo.inquirer.net/1704888/bir-files-tax-evasion-raps-vs-illegal-vape-sellers?fbclid=IwAR3p1I-RVxqDmq7pOELSDA7VT-O293rbabFL1MKsL1TOCY6b6l8PPNha_QI#ixzz7q04bPZKX (Date last accessed: March 21, 2023).

¹⁶ <https://www.pna.gov.ph/articles/1193242> (Date last accessed: March 22, 2023).

¹⁷ <https://newsinfo.inquirer.net/1728233/about-p600000-smuggled-cigarettes-seized-in-dipolog-pcg?fbclid=IwAR2VoXoIF5ea7rsjZyZlwFUwFJ3u8Sa4TbeJt0VuG-Tqd-d2FomcMcrHj4A> (Date last accessed: March 21, 2023).

¹⁸ <https://newsinfo.inquirer.net/1729775/p2-m-smuggled-cigarettes-seized-in-negros-occidental-3-arrested?fbclid=IwAR3W7-GSs3CiSNH-jeVuJQbyx8pOO5Tc4tldz-691JCFX-I30-4vWK-TaQE> (Date last accessed: March 21, 2023).

WHEREAS, our country's fiscal losses from illicit alcohol amounted to USD438 million in 2016, with 31% of annual per capita alcohol consumption considered as unrecorded.¹⁹

WHEREAS, according to the BOC, the country likewise lost PhP26.87 billion in tax revenues due to fuel smuggling or misdeclaration in 2016²⁰;

WHEREAS, illicit trade deprives our government of much-needed revenues, endangers the health of consumers, damages legitimate volumes and profits of businesses, undermines intellectual property, and reduces our country's reputation and competitiveness;

WHEREAS, rising incidence of illicit trade on excisable products pose a great risk to the health of the consumers when substandard products are manufactured using dangerous, unapproved ingredients, negatively impact legitimate businesses and deprive the government of its much-needed revenue²¹;

WHEREAS, it is necessary for government to promptly assess the scale of illicit trade in the country; adjust, if necessary, enforcement agencies' priorities and border restrictions; and adopt and deploy up-to-date methods and technologies in order to counter illegal trade of excisable products;

RESOLVED BY THE SENATE, as it is hereby resolved, to direct the Senate Committee on Ways and Means to conduct an inquiry, in aid of legislation, on the

¹⁹ (2022). "Towards an ASEAN Community: Tackling Illicit Alcohol in Southeast Asia." TRACIT. (Date last accessed: March 23, 2023).

²⁰ https://www.gmanetwork.com/news/topstories/nation/861199/navy-seizes-oil-tanker-carrying-p50-million-in-alleged-smuggled-fuel/story/?fbclid=IwAR1cMqwxMT4hMpn_EVIfSH0wRewTgayU2X0OvbsVdIM5ru8Lhoqv5ffeVQw (Date last accessed: March 21, 2023).

²¹ Towards an ASEAN Community: Tackling Illicit Alcohol In Southeast Asia, https://www.tracit.org/uploads/1/0/2/2/102238034/asean_illicit_trade_report_full_version_final.pdf (Date last accessed: March 22, 2023).

rising incident of illicit trade on excisable products, with the end in view of abate the proliferation of illicit trade by introducing remedial legislation as may be necessary.

Adopted,



WIN GATCHALIAN
Senator