

- Smuggling

Drive vs fake cigarettes stepped up

BIR, Customs also on the lookout for smuggled tobacco products

Philippine Daily Inquirer · 2 May 2018 · B1 · By Ben O. de Vera @bendeveralNQ

The government has intensified its campaign against the proliferation of fake and smuggled cigarettes, which Finance Secretary Carlos G. Dominguez III suspected could be funding terror groups and drug syndicates.

Dominguez told reporters last week that money generated from the sale of illegal cigarettes “can end up in terrorist activities,” possibly including Islamic State supporters. Overseas, a number of cigarette-smuggling activities had been linked to terrorist financing.

“We anticipated the increase in smuggling because we took out one of the big players. Of course, nature abhors a vacuum, so there was an opportunity and Filipinos have a lot of misplaced entrepreneurship,” Dominguez said, referring to homegrown tobacco firm Mighty Corp., which the government last year caught evading excise tax payments by using fake cigarette stamps.

Mighty was eventually sold to Japan Tobacco International as part of a settlement agreement with the government, under which JTI paid the government a total of P30 billion, while the tax evasion cases filed against the Bulacan-based company were withdrawn. Dominguez nonetheless said that the country’s two biggest revenue agencies were working to catch cigarette counterfeiters and smugglers.

“The Bureau of Internal Revenue and the Bureau of Customs are working very closely together,” Dominguez said.

Last month, an anticigarette smuggling task force called the “Strike Team” uncovered smuggled as well as fake cigarettes worth about P80 million in Malabon and Manila. Internal Revenue Commissioner Caesar R. Dulay had said that cigarette smuggling was on the rise partly due to the Tax Reform for Acceleration and Inclusion (TRAIN) Act.

Although he could not give the exact volume of allegedly illicit cigarettes entering the country from abroad, Dulay had said that it was “substantial because the tobacco companies were complaining.”

According to Dulay, the smuggled cigarettes likely came from neighboring Asian countries. “We also have feedback that there are some manufacturers in the provinces producing fake cigarettes. In fact, the NBI (National Bureau of Investigation) and the police have conducted some raids,” according to Dulay.

Under the TRAIN Law, the unitary excise tax slapped on cigarettes rose to P32.50 a pack effective Jan. 1 from P30 last year.

The TRAIN Law also mandated a further increase in the cigarette excise tax rates to P35 a pack from July 1, 2018 to Dec. 31, 2019; P37.50 from Jan. 1, 2020 to Dec. 31, 2021, and P40 from Jan. 1, 2022 to Dec. 31, 2023.

“Those cigarette packs without stamps are P32 less in the market. A pack of legitimate cigarettes will cost P60-65. So those [smuggled or fakes] without stamps, they can sell them for P30 or half the price. So which will smokers buy? The cheaper cigarettes. That’s the effect,” Dulay had explained.

Signed by President Duterte in December, Republic Act No. 10963 or the TRAIN Law since Jan. 1 this year jacked up or slapped new excise taxes on cigarettes, oil, sugary drinks and vehicles, among other goods, to compensate for the restructured personal income tax regime that raised the tax-exempt cap to an annual salary of P250,000.