

Crackdown on fake cigarettes set

Customs, BIR ordered to track down source of equipment used in illicit trade

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Citing the possibility that unscrupulous manufacturers could be in cahoots with government personnel in the proliferation of fake cigarettes, Finance Secretary Carlos G. Dominguez III has ordered the country's two biggest tax-collection agencies to intensify their crackdown on the illegal trade. The Department of Finance

on Wednesday said that Dominguez also ordered Customs Commissioner Isidro S. Lapeña and Internal Revenue Commissioner Caesar R. Dulay to "disable the confiscated machines" caught churning out counterfeit cigarettes "so that they would no longer be usable."

In particular, the DOF noted that the equipment that produced fake cigarettes in Luzon and Visayas seemed to have entered the country undetected.

"I want to hit them with everything you've got, the [BOC] and the BIR, and get to the bottom of this," Dominguez was quoted by the DOF as saying during a recent meeting with officials of the two agencies.

An anticigarette smuggling "strike team" comprised of BOC and BIR operatives earlier reported to Dominguez that it seized one filter-making machine, four unlicensed cigarette-making machines as well as six cigarette-packing machines in Pampanga that the BIR said were smuggled. "Two factories in Cagayan de Oro, meanwhile, yielded unregistered cigarette-making machines, packaging machines and a filter-making machine during recent operations also conducted by the BIR strike team," the DOF added, such that the BIR told Dominguez that these machines "will be properly disabled to prevent their further usage."

"You better trace where these machines came from. Who are the people behind this? How did these machines get in?" Dominguez told BOC and BIR officials.

For the BOC, Dominguez ordered the agency to find out from what country the machines originated and how the units were allowed by that country for export when these were most probably classified as "controlled items."

Customs Deputy Commissioner Edward James Dy Buco was quoted by the DOF as saying that the BOC "will have the entry of these machines investigated."

The BIR chief earlier admitted that smuggling became rampant after the government raised the excise tax slapped on cigarettes under the Tax Reform for Acceleration and Inclusion (TRAIN) Act. 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 this year to Dec. 31, 2019; P37.50 a pack from Jan. 1, 2020, to Dec. 31, 2021, and P40 from Jan. 1, 2022, to Dec. 31, 2023.

Signed by President Duterte in December, Republic Act (RA) 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.

"Those cigarette packs without stamps are P32 less in the market. A pack of legitimate cigarettes will cost P6065. 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 explained.