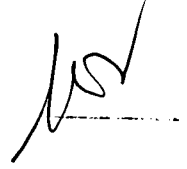


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SENATE
P. S. RES. No. 1243

FILE



Introduced by SEN. WIN GATCHALIAN

RESOLUTION

**DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN
INQUIRY, IN AID OF LEGISLATION ON THE FORGONE TAX REVENUE AS A
RESULT OF SMUGGLING AND ILLICIT TRADE OF EXCISEABLE PRODUCTS**

1 WHEREAS, the National Internal Revenue Code of 1997, as amended, imposes
2 excise tax on alcohol products¹, tobacco products, heated tobacco products and vapor
3 products²; cigar and cigarette products³; petroleum products⁴; automobiles⁵; non-
4 essential goods such as jewelry, perfumes and toilet waters, yacht and other vessels
5 intended for pleasure or sports⁶; non-essential services⁷; sweetened beverages; and
6 mineral products⁸;

7 WHEREAS, from October 2023 to August 2024, the Bureau of Customs has
8 confiscated Six Billion Five Hundred Million Pesos (PHP6,500,000,000) worth of
9 smuggled vape products⁹;

10 WHEREAS, in November 2024, the Philippine National Police – Criminal
11 Investigation and Detention Group (PNP-CIDG) was able to confiscate Two Billion Four

¹ NATIONAL INTERNAL REVENUE CODE OF 1997, as amended, Sec. 141.

² *Id.*, Sec. 144.

³ *Id.*, Sec. 145.

⁴ *Id.*, Sec. 148.

⁵ *Id.*, Sec. 149.

⁶ *Id.*, Sec. 150.

⁷ *Id.*, Sec. 150-A.

⁸ *Id.*, Sec. 150-B.

⁹ Evelyn Macairan, *P6.5 billion vapes seized in 11 months – BOC*, The Philippine Star, October 7, 2024, available at: <https://www.philstar.com/nation/2024/10/07/2390677/p65-billion-vapes-seized-11-months-boc> (last accessed: November 21, 2024).

1 Hundred Million Pesos (PHP2,400,000,000) worth of counterfeit cigarettes and
2 smuggled equipment¹⁰;

3 WHEREAS, during the Philippine Vape Festival Compliance Summit held in
4 August 2024, the BIR seized Five Thousand Three Hundred Eighty-Five (5,385) illicit
5 vape products during the event. The event was supposed to be a gathering to discuss
6 current regulation and policy changes pertaining to the industry¹¹;

7 WHEREAS, aside from tobacco and vape products, it was reported that
8 smuggled wine valued at Eighteen Million US Dollars (USD18,000,000) bound to the
9 Philippines were intercepted by the Hong-Kong Customs in September 2024¹²;

10 WHEREAS, in July 2024, the BIR confiscated Three Hundred Ninety Thousand
11 (390,000) liters of ethyl alcohol for non-payment of excise taxes amounting to more
12 than Seven Hundred Million Pesos (PHP700,000,000)¹³;

13 WHEREAS, the Secretary of Finance said that the government is losing Fifty-
14 Two Billion Pesos (PHP52,000,000,000) from smuggling of vape and tobacco products.
15 Of this amount, Thirty-Five Billion (PHP35,000,000,000) pertains to smuggled tobacco
16 products and Seventeen Billion (PHP17,000,000,000) pertains to smuggled vape
17 products alone;

18 WHEREAS, despite the effort of the various government agencies, the illicit
19 trade and smuggling of exciseable products remains rampant across the nation;

20 WHEREAS, it is important to note that smuggling and illicit trade is not a
21 victimless crime. Aside from it reduces government revenues, smuggling and illicit
22 trade also undermines the rule of law, fuels corruption, impairs competitiveness of
23 legitimate businesses while becoming a major source of income for organized groups,
24 and taints the reputation of our country in the global scene¹⁴;

¹⁰ Caliwan Christopher Llyod, *CIDG, BIR seize P2.4-B counterfeit cigarettes in Valenzuela, Bulacan*, Philippine News Agency, available at: <https://www.pna.gov.ph/articles/1237300> (last accessed: November 26, 2024).

¹¹ Ted Cordero, *BIR raids vape festival; 5,385 illicit vape products seized*, GMA Integrated News, August 20, 2024, available at: <https://www.gmanetwork.com/news/topstories/nation/917659/bir-raids-vape-festival-5-385-illicit-vape-products-seized/story/> (last accessed: November 21, 2024).

¹² Morris Cai, *Hong Kong Seizes US\$18 Million in Smuggled Fine Wines Bound for Philippines*, VINO Joy News, November 11, 2024, available at: <https://vino-joy.com/2024/11/11/hong-kong-seizes-us18-million-in-smuggled-fine-wines-bound-for-philippines/> (last accessed: November 26, 2024).

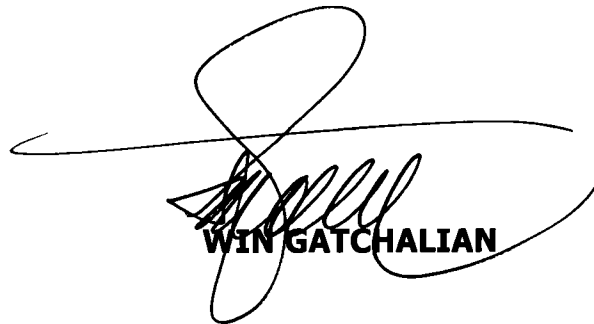
¹³ Gonzales Anna Leah, *BIR raids 2 QC warehouses with over P700-M ethyl alcohol tax liability*, Philippine News Agency, July 19, 2024, available at: <https://www.pna.gov.ph/articles/1229359> (last accessed: November 26, 2024).

¹⁴ OECD/EUIPO (2021), *Misuse of Containerized Maritime Shipping in the Global Trade of Counterfeits*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/e39d8939-en> (last accessed: November 26, 2024).

1 WHEREAS, because of its far-reaching effect, it is imperative for the
2 government to re-evaluate its approach in combating smuggling and illicit trade in the
3 country;

4 RESOLVED BY THE SENATE, as it is hereby resolved by the Senate, to direct
5 the appropriate Senate Committee to conduct an inquiry, in aid of legislation on the
6 forgone tax revenue as a result of smuggling and illicit trade of excisable products,
7 with an end view of crafting a legislation or policy recommendation, as may be
8 necessary.

Adopted,



WIN GATCHALIAN