

Law Reform on Cigarette and Tobacco Manufacturing Tax



The decree with Range, Value and Force of Law establishing the Law Reform on Cigarette and Tobacco Manufacturing tax was published in Official Extraordinary Gazette No 6151, dated November 18th, 2014.

1. Basic Provisions

Before the reform, the Law established as taxable bonds for the payment of Cigarette and Tobacco Manufacturing tax to cigarettes, tobaccos and nationally produced or imported fine cuts. Conversely, in the current reform, the law included the term: 'other tobacco derivatives' which, from the effective date of this reform shall be considered as taxable for the aforementioned tax payment. Thus, all provisions contained in the reformed law are modified and the new term is incorporated in every article mentioning taxable products.

2. Import and National production Taxable Event

With this reform, tax is generated from national production and it shall be settled and paid before being removed from producer establishments. Conversely, in the previous law, tax payment was required once it was removed from the producer establishment. Additionally, when referring to import products, the taxable event shall arise at the moment of customs declaration. In the previous law, the tax was generated in compliance with the Value-Added Tax (VAT) Law.

3. Territories subjected to Special Customs Regulations also levy tax

Cigarettes and other taxable imported or nationally produced products for Territory Customs Regulations, Duty Free Shops and Special Development Areas shall be subjected to the tax payment.

4. National Tax Administration Responsibility

The responsibilities of the People's Power Ministry for Finances are maintained. The National Tax Administration is entitled to issue the request to start production, manufacturing or cigarettes, tobacco, fine-cuts and some other tobacco derivatives import. Additionally, the Tax Administration shall determine the requirements that registries and authorizations must contain. It will also be responsible for determining measures that Administration considers applicable for product distribution, regarding the route or tobacco and its derivative distribution, manufacturing equipment such as factory accountants, guarantee seals, among others. Furthermore, the Administration will be in charge of the supply chain for its manufacturing, purchase, sales, distribution, storage, import or export.

All related-control measure costs or expenses involving adjustments and operating costs shall be comprehensively assumed by national producers or importers, if any.

5. Warning Incorporation

The product shall also contain in its packaging the warning stating that all national or imported products from tobacco are dangerous for health.

6. Sanctions

Ships and Airplanes captains shall cancel the distribution of illegally imported or to- be exported products, when landing to the national territory. The breaching of this rule shall be sanctioned with one thousand tax unit fine (1000 TU). The previous law had established one hundred tax unit (100 TU) fine.

7. Deadline

The National Executive will have a year period from the publication date of the current decree to establish the required regulations.

8. Effective date

The current decree will be effective from 90 days of being published in Official Gazette.

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