



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



Thirteenth Congress
First Regular Session

HOUSE BILL NO. 3082

Introduced by Honorable Roger G. Mercado

EXPLANATORY NOTE

This bill seeks to increase the excise tax on alcohol and tobacco products.

The government needs money for its programs and projects. It has to adopt measures that will reduce the budget deficit. The government is also asking Congress to pass measures to address the looming fiscal crisis, with high hopes to speed up the economic recovery of the country.

One potential source of additional income is the excise tax on alcohol and tobacco products. They are referred to as "sin or socially bad" products because of their negative side effects such as lung cancer due to active and passive smoking, liver cancer, ulcer, cancers of the bladder, larynx or pharynx, chronic bronchitis, cardiovascular diseases, and respiratory diseases of children.

In 1997, the excise tax on alcohol and tobacco products was changed from one that is based on price per unit (ad valorem tax) to one that is based on physical unit of measurement (specific tax) by virtue of Republic Act No. 8240. To provide vertical equity in the system, the law also provided for a multi-rate structure – i.e. higher tax rate for high-priced brands and lower tax for low-priced ones. R.A. 8240 also authorized a 12% tax rate adjustment

effective 01 January 2000 in the price of goods subject to excise tax. However, this 12% adjustment in the specific tax rates is deemed insufficient to recover the loss of value due to inflation. Since then, prices have increased by 23%. Government has not benefited from the increase in revenues.

The present excise tax system lacks the built-in flexibility to grow in step with the price increases of alcohol and tobacco products. Consequently, to reflect the price increases, corresponding increases in the tax rates are necessary.

To remedy the complexity of the present excise taxation of alcohol and tobacco products, we have to restructure the specific tax rates for distilled spirits and wines and revise the excise tax system for fermented liquor, cigars and cigarettes by adopting ad valorem tax system. This system will capture the appropriate amount of taxes as a result of the upward adjustment in the prices of alcohol and tobacco products.

The passage of this bill will generate more revenues for the coffers of the national government. This will certainly help the dwindling funds of the government to finance its social reform programs and infrastructure projects. This measure will also address the challenges confronting our government. The country needs revenues. We need taxes to maintain a healthy balance needed to push programs on poverty reduction, access to safe and clean water, food production, housing, health, education, reducing child mortality rates, and other basic services.

In view of the foregoing, approval of this bill is earnestly sought.

A handwritten signature in black ink, appearing to read 'Roger G. Mercado', with a long horizontal line extending to the right.

ROGER G. MERCADO



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Thirteenth Congress
First Regular Session

HOUSE BILL NO. 3082

Introduced by Honorable Roger G. Mercado

AN ACT
INCREASING THE RATES OF EXCISE TAX ON ALCOHOL AND
TOBACCO PRODUCTS, AMENDING FOR THE PURPOSE
SECTIONS 141, 142, 143, 144 AND 145 OF THE NATIONAL
INTERNAL REVENUE CODE OF 1997, AS AMENDED.

*Be it enacted by the Senate and House of Representatives of the Philippines
in Congress assembled:*

SECTION 1. Section 141 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 141. *Distilled Spirits.*— On distilled spirits, there shall be collected, subject to the provisions of Section 133 of this Code, excise taxes IN ACCORDANCE WITH THE NET RETAIL PRICE PER BOTTLE OF SEVEN HUNDRED FIFTY MILLILITER (750 ML.) VOLUME CAPACITY

(EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) as follows:

[(a) If produced from the sap of nipa, coconut, cassava, camote, or buri palm or from the juice, syrup or sugar of the cane, provided, such materials are produced commercially in the country where they are processed into distilled spirits, per proof liter, Eight Pesos (P8.00): *Provided*, That if produced in a pot still or other similar primary distilling apparatus by a distiller producing not more than one hundred (100) liters a day, containing not more than fifty percent (50%) of alcohol by volume, per proof liter, Four pesos (P4.00);

(b) If produced from raw materials other than those enumerated in the preceding paragraph, the tax shall be in accordance with the net retail price per bottle of seven hundred fifty milliliter (750 ml.) volume capacity (excluding the excise tax and the value-added tax) as follows:

- (1) Less than Two hundred and fifty pesos (P250.00) –
Seventy-five pesos (P75.00), per proof liter;
- (2) Two hundred and fifty pesos (P250.00) up to Six
hundred and seventy-five pesos (P675.00) – One

hundred and fifty pesos (P150.00), per proof liter;
and

(3) More than Six hundred and seventy-five pesos
(P675.00) – Three hundred pesos (P300.00), per
proof liter;]

(1) LESS THAN FIFTY PESOS (P50.00) – TWENTY
FIVE PESOS (P25.00), PER PROOF LITER;

(2) FIFTY PESOS (P50.00) BUT LESS THAN ONE
HUNDRED AND FIFTY PESOS (P150.00) –
FIFTY PESOS (P50.00), PER PROOF LITER;

(3) ONE HUNDRED AND FIFTY PESOS (P150.00)
BUT LESS THAN THREE HUNDRED AND
FORTY PESOS (P340.00) – ONE HUNDRED
PESOS (P100.00), PER PROOF LITER;

(4) THREE HUNDRED AND FORTY PESOS
(P340.00) UP TO NINE HUNDRED AND
TWENTY PESOS (P920.00) – TWO HUNDRED
AND FIVE PESOS (P205.00) , PER PROOF LITER;
AND

(5) MORE THAN NINE HUNDRED AND TWENTY
PESOS (P920.00) – FOUR HUNDRED AND TEN
PESOS (P410.00), PER PROOF LITER.

VARIANTS OF EXISTING BRANDS AND
VARIANTS OF NEW BRANDS WHICH ARE
INTRODUCED IN THE DOMESTIC MARKET AFTER THE
EFFECTIVITY OF THIS ACT [REPUBLIC ACT NO. 8240]
SHALL BE TAXED UNDER THE HIGHEST
CLASSIFICATION OF ANY VARIANT OF THAT BRAND.

[(C)] Medicinal preparations, flavoring extracts, and all
other preparations, except toilet preparations, of which,
excluding water, distilled spirits form the chief ingredient, shall
be subject to the same tax as such chief ingredient.

This tax shall be proportionally increased for any
strength of the spirits taxed over proof spirits, and the tax shall
attach to this substance as soon as it is in existence as such,
whether it be subsequently separated as pure or impure spirits,
or transformed into any other substance either in the process of
original production or by any subsequent process.

'Spirits or distilled spirits' is the substance known as ethyl alcohol, ethanol or spirits of wine, including all dilutions, purifications and mixtures thereof, from whatever source, by whatever process produced, and shall include whisky, brandy, rum, gin and vodka, and other similar products or mixtures.

'Proof spirits' is liquor containing one-half (1/2) of its volume of alcohol of a specific gravity of seven thousand nine hundred and thirty-nine ten thousandths (0.7939) at fifteen degrees centigrade (15°C). A 'proof liter' means a liter of proof spirits.

[The rates of tax imposed under this Section shall be increased by twelve percent (12%) on January 1, 2000.]

THE EXCISE TAX DUE FROM ANY BRAND OF DISTILLED SPIRITS PURSUANT TO THIS ACT SHALL NOT BE LOWER THAN THE TAX DUE FROM EACH BRAND AS OF THE DATE IMMEDIATELY PRIOR TO THE EFFECTIVITY OF THIS ACT. UPON THE IMPLEMENTATION OF THIS ACT, THE INCREASE IN THE TAX RATES SHALL TAKE EFFECT IN TWO TRANCHES: FIFTY PERCENT (50%) OF THE INCREASE

SHALL BE EFFECTIVE ON THE FIRST YEAR OF EFFECTIVITY OF THIS ACT AND ONE HUNDRED PERCENT (100%) OF THE INCREASE SHALL BE EFFECTIVE ON THE SECOND YEAR. IN THE SUBSEQUENT YEARS OF INDEXATION AND RECLASSIFICATION, THE INCREASE IN THE RATES SHALL BE FULLY IMPLEMENTED FROM THE FIRST YEAR.

TWO YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER, THE DEPARTMENT OF FINANCE SHALL INCREASE BY THE AMOUNT OF CUMULATIVE INFLATION DURING THE TWO IMMEDIATELY PRECEDING YEARS THE TAX BRACKETS AND THE RATES OF TAX IMPOSED UNDER THIS SECTION.

New brands shall be classified according to their current SUGGESTED 'net retail price'.

For the above purpose, 'net retail price' shall mean the price at which the distilled spirit is sold on retail in ten (10) major supermarkets in Metro Manila, excluding the amount

intended to cover the applicable excise tax and the value added tax as of [October 1, 1996] THE TIME THE SURVEY IS COMPLETED BY THE DEPARTMENT OF FINANCE FOLLOWING THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER.

‘SUGGESTED NET RETAIL PRICE’ SHALL MEAN THE NET RETAIL PRICE AT WHICH NEW BRANDS OF LOCALLY MANUFACTURED OR IMPORTED DISTILLED SPIRITS ARE INTENDED BY THE MANUFACTURER OR IMPORTER TO BE SOLD ON RETAIL IN MAJOR SUPERMARKETS OR RETAIL OUTLETS IN METRO MANILA FOR THOSE MARKETED NATIONWIDE, AND IN OTHER REGIONS, FOR THOSE WITH REGIONAL MARKETS.

THE DEPARTMENT OF FINANCE, IN COORDINATION WITH THE BUREAU OF INTERNAL REVENUE, SHALL, UPON THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER, CONDUCT A SURVEY IN THE HEREIN AFOREMENTIONED OUTLETS TO DETERMINE THE

AVERAGE NET RETAIL PRICE OF EACH BRAND OF DISTILLED SPIRITS DURING THE SURVEY PERIOD.

[The classification of each brand of distilled spirits based on the average net retail price as of October 1, 1996, as set forth in Annex 'A", shall remain in force until revised by Congress.]

EACH BRAND OF DISTILLED SPIRITS SHALL BE RECLASSIFIED BASED ON ITS AVERAGE NET RETAIL PRICE AS DETERMINED BY THE DEPARTMENT OF FINANCE FOLLOWING THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER.

A 'VARIANT OF A BRAND' SHALL REFER TO A BRAND ON WHICH A MODIFIER IS PREFIXED OR SUFFIXED TO THE ROOT NAME OF THE BRAND OR A DIFFERENT BRAND WHICH CARRIES THE SAME LOGO OR DESIGN OF THE EXISTING BRAND.

'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE DATE OF EFFECTIVITY OF THIS ACT, AND SHALL INCLUDE PREVIOUSLY REGISTERED BUT INACTIVE BRANDS OF DISTILLED SPIRITS."

SEC. 2. Section 142 of the National Internal Revenue Code, as amended is also hereby further amended to read as follows:

"SEC. 142. *Wines.* – On wines, there shall be collected per liter of volume capacity, the following taxes:

(a) Sparkling wines and champagnes regardless of proof, if the net retail price per bottle (excluding the excise tax and the value-added tax) is:

(1) [Five hundred pesos (P500.00)] SIX HUNDRED AND EIGHTY SIX PESOS AND FIFTY CENTAVOS (P686.50) or less -- [One hundred pesos (P100.00)] ONE HUNDRED AND THIRTY-SEVEN PESOS AND THIRTY CENTAVOS (P137.30); and

(2) More than [Five hundred pesos (P500.00)] SIX HUNDRED AND EIGHTY-SIX PESOS AND FIFTY CENTAVOS (686.50) – [Three hundred pesos (P300.00)] FOUR HUNDRED AND ELEVEN PESOS AND NINETY CENTAVOS (P411.90).

(b) Still wines containing fourteen percent (14%) of alcohol by volume or less, [Twelve pesos (P12.00)] SIXTEEN PESOS AND FORTY EIGHT CENTAVOS (P16.48); and

(c) Still wines containing more than fourteen percent (14%) but not more than twenty-five percent (25%) of alcohol by volume, [Twenty-four pesos (P24.00)] THIRTY TWO PESOS AND NINETY FIVE CENTAVOS (P32.95).

Fortified wines containing more than twenty-five percent (25%) of alcohol by volume shall be taxed as distilled spirits. 'Fortified wines' shall mean natural wines to which distilled spirits are added to increase their alcohol strength.

VARIANTS OF EXISTING BRANDS AND VARIANTS OF NEW BRANDS WHICH ARE INTRODUCED IN THE DOMESTIC MARKET AFTER THE EFFECTIVITY OF THIS ACT [REPUBLIC ACT NO. 8240] SHALL BE TAXED UNDER THE HIGHEST CLASSIFICATION OF ANY VARIANT OF THAT BRAND.

THE EXCISE TAX DUE FROM ANY BRAND OF WINE PURSUANT TO THIS ACT SHALL NOT BE LOWER THAN THE TAX DUE FROM EACH BRAND AS OF THE DATE IMMEDIATELY PRIOR TO THE EFFECTIVITY OF THIS ACT. UPON THE IMPLEMENTATION OF THIS ACT, THE INCREASE SHALL TAKE EFFECT IN TWO

TRANCHES: FIFTY PERCENT (50%) OF THE INCREASE SHALL BE EFFECTIVE ON THE FIRST YEAR OF EFFECTIVITY OF THIS ACT AND ONE HUNDRED PERCENT (100%) OF THE INCREASE SHALL BE EFFECTIVE ON THE SECOND YEAR. IN THE SUBSEQUENT YEARS OF INDEXATION AND RECLASSIFICATION, THE INCREASE IN THE RATES SHALL BE FULLY IMPLEMENTED FROM THE FIRST YEAR.

[The rates of tax imposed under this Section shall be increased by twelve percent (12%) on January 1, 2000.]

New brands shall be classified according to their current SUGGESTED net retail price.

For the above purpose, 'net retail price' shall mean the price at which wine is sold on retail in ten (10) major supermarkets in Metro Manila, excluding the amount intended to cover the applicable excise tax and the value-added tax as of [October 1, 1996] THE TIME THE SURVEY IS COMPLETED BY THE DEPARTMENT OF FINANCE

FOLLOWING THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER.

‘SUGGESTED NET RETAIL PRICE’ SHALL MEAN THE NET RETAIL PRICE AT WHICH NEW BRANDS OF LOCALLY MANUFACTURED OR IMPORTED WINES BY THE MANUFACTURER OR IMPORTER ARE SOLD ON RETAIL IN MAJOR SUPERMARKETS OR RETAIL OUTLETS IN METRO MANILA FOR THOSE MARKETED NATIONWIDE, AND IN OTHER REGIONS, FOR THOSE WITH REGIONAL MARKETS.

THE DEPARTMENT OF FINANCE, IN COORDINATION WITH THE BUREAU OF INTERNAL REVENUE, SHALL, UPON THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER, CONDUCT A SURVEY IN THE HEREIN AFOREMENTIONED OUTLETS TO DETERMINE THE AVERAGE NET RETAIL PRICE OF EACH BRAND OF WINES DURING THE SURVEY PERIOD.

[The classification of each brand of wines based on its average net retail price as of October 1, 1996, as set forth in Annex 'B', shall remain in force until revised by Congress.]

EACH BRAND OF WINES SHALL BE RECLASSIFIED BASED ON ITS AVERAGE NET RETAIL PRICE AS DETERMINED BY THE DEPARTMENT OF FINANCE FOLLOWING THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER.

[The rates of tax imposed under this Section shall be increased by twelve percent (12%) on January 1, 2000.]

A 'VARIANT OF A BRAND' SHALL REFER TO A BRAND ON WHICH A MODIFIER IS PREFIXED OR SUFFIXED TO THE ROOT NAME OF THE BRAND OR A DIFFERENT BRAND WHICH CARRIES THE SAME LOGO OR DESIGN OF THE EXISTING BRAND.

'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE DATE OF EFFECTIVITY OF THIS ACT, AND SHALL INCLUDE PREVIOUSLY REGISTERED BUT INACTIVE BRANDS OF WINE."

SEC. 3. A new section is hereby inserted between Sections 142 and 143 of the National Internal Revenue Code, as amended, to be denominated as Section 142-A and to read as follows:

"SEC. 142-A. ETHYL ALCOHOL. – THERE SHALL BE LEVIED, ASSESSED AND COLLECTED ON ETHYL ALCOHOL AN EXCISE TAX OF TEN PESOS AND NINETY CENTAVOS (P10.90) PER PROOF LITER: PROVIDED, HOWEVER, THAT THE TAX HEREIN IMPOSED SHALL NOT APPLY TO LOCALLY MANUFACTURED OR IMPORTED DENATURED ALCOHOL.

UPON THE IMPLEMENTATION OF THIS ACT, THE INCREASE SHALL TAKE EFFECT IN TWO TRANCHES: FIFTY PERCENT (50%) OF THE INCREASE SHALL BE EFFECTIVE ON THE FIRST YEAR OF EFFECTIVITY OF THIS ACT AND ONE HUNDRED PERCENT (100%) OF THE INCREASE SHALL BE EFFECTIVE ON THE SECOND YEAR. IN THE SUBSEQUENT YEARS OF INDEXATION AND RECLASSIFICATION, THE

INCREASE IN THE RATES SHALL BE FULLY IMPLEMENTED FROM THE FIRST YEAR.

TWO YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER, THE DEPARTMENT OF FINANCE SHALL INCREASE THE TAX BRACKETS AND THE RATES OF TAX IMPOSED UNDER THIS SECTION.

'DENATURED ALCOHOL' SHALL MEAN ALCOHOL OF NOT LESS THAN ONE HUNDRED EIGHTY DEGREES PROOF OR 90% ALCOHOL MIXED WITH A DENATURANT SO AS TO RENDER IT UNFIT FOR ORAL INTAKE.

COMPOUNDERS, IMPORTERS AND MANUFACTURERS OF DISTILLED SPIRITS AND WINES SHALL BE ALLOWED A TAX CREDIT AGAINST THE EXCISE TAX IMPOSED ON THEM UNDER SECTIONS 141 AND 142 PROPORITONATE TO THE TAX PAID ON ETHYL ALCOHOL ACTUALLY USED IN THE PRODUCTION OF SAID DISTILLED SPIRITS AND WINES: PROVIDED, HOWEVER, THAT SUCH

DISTILLED SPIRITS AND WINES SHALL HAVE BEEN ACTUALLY REMOVED FROM THEIR PLACE OF PRODUCTION OR FROM CUSTOMS CUSTODY FOR DISTRIBUTION: PROVIDED, FINALLY, THAT SUBSEQUENT PROCESSING OF ETHYL ALCOHOL TO DENATURED ALCOHOL BY ITS MANUFACTURERS OR IMPORTERS SHALL NOT ENTITLE THEM TO TAX CREDIT.”

SEC. 4. Section 143 of the National Internal Revenue Code, as amended is hereby further amended to read as follows:

"SEC. 143. *Fermented Liquor*.— There shall be levied, assessed and collected an excise tax on beer, lager beer; ale, porter and other fermented liquors except *tuba*, *basi*, *tapuy* and similar [domestic] fermented liquors in accordance with the following schedule:

(a) If the net retail price (excluding the excise tax and value-added tax) per liter of volume capacity is less than [Fourteen pesos and fifty centavos (P14.50)] NINETEEN PESOS AND NINETY-ONE CENTAVOS (P19.91), the tax

shall be [Six pesos and fifteen centavos (P6.15)] EIGHT PESOS AND FORTY-FOUR CENTAVOS (P8.44) per liter;

(b) If the net retail price (excluding the excise tax and value-added tax) per liter of volume capacity is [Fourteen pesos and fifty centavos (P14.50) up to Twenty-two pesos (P22.00)] NINETEEN PESOS AND NINETY-ONE CENTAVOS (P19.91) UP TO THIRTY PESOS AND TWENTY-ONE CENTAVOS (P30.21), the tax shall be [Nine pesos and fifteen centavos (P9.15)] TWELVE PESOS AND FIFTY-SIX CENTAVOS (P12.56) per liter;

(c) If the net retail price (excluding the excise tax and value-added tax) per liter of volume capacity is more than [Twenty-two pesos (P22.00)] THIRTY PESOS AND TWENTY-ONE CENTAVOS (P30.21), the tax shall be [Twelve pesos and fifteen centavos (P12.15)] SIXTEEN PESOS AND SIXTY EIGHT CENTAVOS (P16.68) per liter.

Variants of existing brands AND VARIANTS OF NEW BRANDS which are introduced in the domestic market after the effectivity of THIS ACT [Republic Act No. 8240] shall be

taxed under the highest classification of any variant of that brand.

Fermented liquor which are brewed and sold at micro-breweries or small establishments such as pubs and restaurants shall be subject to the rate in paragraph (c) hereof.

The excise tax due from any brand of fermented liquor [within the next three (3) years from the effectivity of R.A. No. 8240] PURSUANT TO THIS ACT shall not be lower than the tax due from each brand [on October 1, 1996] AS OF THE DATE IMMEDIATELY PRIOR TO THE IMPLEMENTATION OF THIS ACT, THE INCREASE SHALL TAKE EFFECT IN TWO TRANCHES: FIFTY PERCENT (50%) OF THE INCREASE SHALL BE EFFECTIVE ON THE FIRST YEAR OF EFFECTIVITY OF THIS ACT AND ONE HUNDRED PERCENT (100%) OF THE INCREASE SHALL BE EFFECTIVE ON THE SECOND YEAR. IN SUCCEEDING INDEXATION AND RECLASSIFICATION, THE INCREASE IN THE RATES SHALL BE FULLY IMPLEMENTED FROM THE FIRST YEAR.

[The rates of excise tax on fermented liquor under paragraphs (a), (b) and (c) hereof shall be increased by twelve percent (12%) on January 1, 2000.]

TWO YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER, THE DEPARTMENT OF FINANCE SHALL INCREASE BY THE AMOUNT OF CUMULATIVE INFLATION DURING THE TWO IMMEDIATELY PRECEDING YEARS THE TAX BRACKETS AND THE RATES OF TAX IMPOSED UNDER THIS SECTION.

New brands shall be classified according to their current SUGGESTED net retail price.

For the above purpose, 'net retail price' shall mean the price at which the fermented liquor is sold on retail in twenty (20) major supermarkets in Metro Manila (for brands of fermented liquor marketed nationally), excluding the amount intended to cover the applicable excise tax and the value-added tax AS OF THE TIME THE SURVEY IS COMPLETED BY THE DEPARTMENT OF FINANCE FOLLOWING THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS

THEREAFTER. For brands which are marketed outside Metro Manila, the 'net retail price' shall mean the price at which the fermented liquor is sold in five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax AS OF THE TIME THE SURVEY IS COMPLETED BY THE DEPARTMENT OF FINANCE FOLLOWING THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER.

‘SUGGESTED NET RETAIL PRICE’ SHALL MEAN THE NET RETAIL PRICE AT WHICH NEW BRANDS OF LOCALLY MANUFACTURED OR IMPORTED FERMENTED LIQUOR ARE INTENDED BY THE MANUFACTURER OR IMPORTER TO BE SOLD ON RETAIL IN MAJOR SUPERMARKETS OR RETAIL OUTLETS IN METRO MANILA FOR THOSE MARKETED NATIONWIDE, AND IN OTHER REGIONS, FOR THOSE WITH REGIONAL MARKETS.

THE DEPARTMENT OF FINANCE, IN COORDINATION WITH THE BUREAU OF INTERNAL REVENUE, SHALL, UPON THE EFFECTIVITY OF THIS

ACT AND EVERY TWO YEARS THEREAFTER,
CONDUCT A SURVEY IN THE HEREIN
AFOREMENTIONED OUTLETS TO DETERMINE THE
AVERAGE RETAIL PRICE OF EACH BRAND OF
FERMENTED LIQUOR DURING THE SURVEY PERIOD.

[The classification of each brand of fermented liquor
based on its average net retail price as of October 1, 1996, as set
forth in Annex 'C', shall remain in force until revised by
Congress.]

EACH BRAND OF FERMENTED LIQUOR SHALL
BE RECLASSIFIED BASED ON ITS AVERAGE NET
RETAIL PRICE AS DETERMINED BY THE
DEPARTMENT OF FINANCE FOLLOWING THE
EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS
THEREAFTER.

A 'variant of a brand' shall refer to a brand on which a
modifier is prefixed or suffixed to the root name of the
brand or a different brand which carries the same logo or design
of the existing brand.

'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE DATE OF EFFECTIVITY OF THIS ACT, AND SHALL INCLUDE PREVIOUSLY REGISTERED BUT INACTIVE BRANDS OF FERMENTED LIQUOR.

Every brewer or importer of fermented liquor shall, within thirty (30) days from the effectivity of [R.A. No. 8240] THIS ACT, and within the first five (5) days of every month thereafter, submit to the Commissioner a sworn statement of the volume of sales for each particular brand of fermented liquor sold at his establishment for the three-month period immediately preceding.

Any brewer or importer who, in violation of this Section, knowingly misdeclares or misrepresents in his or its sworn statement herein required any pertinent data or information shall be penalized by a summary cancellation or withdrawal of his or its permit to engage in business as brewer or importer of fermented liquor.

Any corporation, association, or partnership liable for any of the acts or omissions in violation of this Section shall be

fined treble the amount of deficiency taxes, surcharge and interest which may be assessed pursuant to this Section.

Any person liable for any of the acts or omissions prohibited under this Section shall be criminally liable and penalized under Section 254 of this Code. Any person who willfully aids or abets in the commission of any such act or omission shall be criminally liable in the same manner as the principal.

If the offender is not a citizen of the Philippines, he shall be deported immediately after serving the sentence, without further proceedings for deportation."

SEC. 5. Section 144 of the National Internal Revenue Code of 1997 as amended is hereby further amended to read as follows:

"SEC. 144. *Tobacco Products.* – There shall be collected a tax of [seventy-five centavos (P0.75)] ONE PESO (P1.00) on each kilogram of the following products of tobacco:

(a) Tobacco twisted by hand or reduced into a condition to be consumed in any manner other than the ordinary mode of drying and curing;

(b) Tobacco prepared or partially prepared with or without the use of any machine or instruments or without being pressed or sweetened; and

(c) Fine-cut shorts and refuse, scraps, clippings, cuttings, stems and sweepings of tobacco.

Fine-cut shorts and refuse, scraps, clippings, cuttings, stems and sweepings of tobacco resulting from the handling of stripping of whole leaf tobacco may be transferred, disposed of, or otherwise sold, without prepayment of the excise tax herein provided for under such conditions as may be prescribed in the rules and regulations promulgated by the Secretary of Finance, upon recommendation of the Commissioner, if the same are to be exported or to be used in the manufacture of other tobacco products on which the excise tax will eventually be paid on the finished product.

On tobacco specially prepared for chewing so as to be unsuitable for use in any other manner, on each kilogram, [Sixty centavos (P0.60)] EIGHTY TWO CENTAVOS (P0.82).

UPON THE IMPLEMENTATION OF THIS ACT, THE INCREASE SHALL TAKE EFFECT IN TWO TRANCHES:

FIFTY PERCENT (50%) OF THE INCREASE SHALL BE EFFECTIVE ON THE FIRST YEAR OF EFFECTIVITY OF THIS ACT AND ONE HUNDRED PERCENT (100%) OF THE INCREASE SHALL BE EFFECTIVE ON THE SECOND YEAR. IN THE SUBSEQUENT YEARS OF INDEXATION AND RECLASSIFICATION, THE INCREASE IN THE RATES SHALL BE FULLY IMPLEMENTED FROM THE FIRST YEAR.

TWO YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER, THE DEPARTMENT OF FINANCE SHALL INCREASE BY THE AMOUNT OF CUMULATIVE INFLATION DURING THE TWO IMMEDIATELY PRECEDING YEARS THE TAX BRACKETS AND THE RATES OF TAX IMPOSED UNDER THIS SECTION.

SEC. 6. Section 145 of the National Internal Revenue Code, as amended, is also hereby further amended to read as follows:

"SEC. 145. *Cigars and Cigarettes.*—

(A) *Cigars.* – There shall be levied, assessed and collected on cigars a tax of [One peso (P1.00)] ONE PESO AND THIRTY SEVEN CENTAVOS (P1.37) per cigar;

(B) *Cigarettes Packed by Hand.* – There shall be levied, assessed and collected on cigarettes packed by hand a tax of [Forty centavos (P0.40)] FIFTY-FIVE CENTAVOS (0.55) per pack;

(C) *Cigarettes Packed by Machine.* – There shall be levied, assessed and collected on cigarettes packed by machine a tax at the rates prescribed below:

(1) If the net retail price (excluding the excise tax and the value-added tax) is above [Ten pesos (P10.00)] THIRTEEN PESOS AND SEVENTY-THREE CENTAVOS (P13.73) per pack, the tax shall be [Twelve pesos (P12.00)] SIXTEEN PESOS AND FORTY EIGHT CENTAVOS (P16.48) per pack;

(2) If the net retail price (excluding the excise tax and the value-added tax) exceeds [Six pesos and fifty centavos (P6.50)] EIGHT PESOS AND NINETY-TWO CENTAVOS (P8.92) but does not exceed [Ten pesos (P10.00)] THIRTEEN PESOS AND SEVENTY-THREE CENTAVOS (P13.73) per

pack, the tax shall be [Eight pesos (P8.00)] TEN PESOS AND NINETY-EIGHT CENTAVOS (10.98) per pack;

(3) If the net retail price (excluding the excise tax and the value-added tax) is [Five pesos (P5.00)] SIX PESOS AND EIGHTY-SIX CENTAVOS (P6.86) but does not exceed [Six pesos and fifty centavos (P6.50)] EIGHT PESOS AND NINETY-TWO CENTAVOS (P8.92) per pack, the tax shall be [Five pesos (P5.00)] SIX PESOS AND EIGHTY-SIX CENTAVOS (P6.86) per pack;

(4) If the net retail price (excluding the excise tax and the value-added tax) is below [Five pesos (P5.00)] SIX PESOS AND EIGHTY SEVEN CENTAVOS (P6.87) per pack, the tax shall be [One peso (P1.00)] ONE PESO AND THIRTY-SEVEN CENTAVOS (P1.37) per pack.

Variants of existing brands AND VARIANTS OF NEW BRANDS of cigarettes which are introduced in the domestic market after the effectivity of [R.A. No. 8240] THIS ACT shall be taxed under the highest classification of any variant of that brand.

The excise tax due from any brand of cigarettes [within the next three (3) years from the effectivity of R.A. No. 8240] PURSUANT TO THIS ACT shall not be lower than the tax due from each brand [on October 1, 1996] AS OF THE DATE IMMEDIATELY PRIOR TO THE EFFECTIVITY OF THIS ACT[: *Provided, however,* That in cases where the excise tax rates imposed in paragraphs (1), (2), (3) and (4) hereinabove will result in an increase in excise tax of more than seventy percent (70%), for a grand of cigarette, the increase shall take effect in two tranches; fifty percent (50%) of the increase shall be effective in 1997 and one hundred percent (100%) of the increase shall be effective in 1998].

Duly registered or existing brands of cigarettes or new brands thereof packed by machine shall only be packed in twenties.

[The rates of excise tax on cigars and cigarettes under paragraphs (1), (2), (3), and (4) hereof, shall be increased by twelve percent (12%) on January 1,2000.]

UPON THE IMPLEMENTATION OF THIS ACT, THE INCREASE SHALL TAKE EFFECT IN TWO TRANCHES:

FIFTY PERCENT (50%) OF THE INCREASE SHALL BE EFFECTIVE ON THE FIRST YEAR OF EFFECTIVITY OF THIS ACT AND ONE HUNDRED PERCENT (100%) OF THE INCREASE SHALL BE EFFECTIVE ON THE SECOND YEAR. IN THE SUBSEQUENT YEARS OF INDEXATION AND RECLASSIFICATION, THE INCREASE IN THE RATES SHALL BE FULLY IMPLEMENTED FROM THE FIRST YEAR.

TWO YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER, THE DEPARTMENT OF FINANCE SHALL INCREASE BY THE AMOUNT OF CUMULATIVE INFLATION DURING THE TWO IMMEDIATELY PRECEDING YEARS THE TAX BRACKETS AND THE RATES OF TAX IMPOSED UNDER THIS SECTION.

New brands shall be classified according to their current SUGGESTED net retail price.

For the above purpose, '**net retail price**' shall mean the price at which the cigarette is sold on retail in twenty (20) major supermarkets in Metro Manila (for brands of cigarettes

marketed nationally), excluding the amount intended to cover the applicable excise tax and the value-added tax AS OF THE TIME THE SURVEY IS COMPLETED BY THE DEPARTMENT OF FINANCE FOLLOWING THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER. For brands which are marketed only outside Metro Manila, the '**net retail price**' shall mean the price at which the cigarette is sold in five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax AS OF THE TIME THE SURVEY IS COMPLETED BY THE DEPARTMENT OF FINANCE FOLLOWING THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER.

'SUGGESTED NET RETAIL PRICE' SHALL MEAN THE NET RETAIL PRICE AT WHICH NEW BRANDS OF LOCALLY MANUFACTURED OR IMPORTED CIGARETTES ARE INTENDED BY THE MANUFACTURER OR IMPORTER TO BE SOLD ON RETAIL IN MAJOR SUPERMARKETS OR RETAIL OUTLETS IN METRO MANILA FOR THOSE MARKETED

NATIONWIDE, AND IN OTHER REGIONS, FOR THOSE WITH REGIONAL MARKETS.

THE DEPARTMENT OF FINANCE, IN COORDINATION WITH THE BUREAU OF INTERNAL REVENUE, SHALL, UPON THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER, CONDUCT A SURVEY IN THE HEREIN AFOREMENTIONED OUTLETS TO DETERMINE THE AVERAGE RETAIL PRICE OF EACH BRAND OF CIGARETTES DURING THE SURVEY PERIOD.

[The classification of each brand of cigarettes based on its average net retail price as of October 1, 1996, as set forth in Annex 'D', shall remain in force until revised by Congress.]

EACH BRAND OF CIGARETTES SHALL BE RECLASSIFIED BASED ON ITS AVERAGE NET RETAIL PRICE AS DETERMINED BY THE DEPARTMENT OF FINANCE FOLLOWING THE EFFECTIVITY OF THIS ACT AND EVERY TWO YEARS THEREAFTER.

'Variant of a brand' shall refer to a brand on which a modifier is prefixed or suffixed to the root name of the brand or

a different brand which carries the same logo or design of the existing brand.

'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE DATE OF EFFECTIVITY OF THIS ACT, AND SHALL INCLUDE PREVIOUSLY REGISTERED BUT INACTIVE BRANDS OF CIGARETTES.

Manufacturers and importers of cigars and cigarettes shall, within thirty (30) days from the effectivity of [R.A. No. 8240] THIS ACT and within the first five (5) days of every month thereafter submit to the Commissioner a sworn statement of the volume of sales for each particular brand of cigars or cigarettes sold at his establishment for the three-month period immediately preceding.

Any manufacturer or importer who, in violation of this Section, knowingly misdeclares or misrepresents in his or its sworn statement herein required any pertinent data or information shall, upon discovery, be penalized by a summary cancellation or withdrawal of his or its permit to engage in business as manufacturer or importer of cigars or cigarettes.

Any corporation, association, or partnership liable for any of the acts or omissions in violation of this Section shall be fined treble the amount of deficiency taxes, surcharges and interest which may be assessed pursuant to this Section.

Any person liable for any of the acts or omissions prohibited under this Section shall be criminally liable and penalized under Section 254 of this Code. Any person who willfully aids or abets in the commission of any such act or omission shall be criminally liable in the same manner as the principal.

If the offender is not a citizen of the Philippines, he shall be deported immediately after serving the sentence without further proceedings for deportation."

SEC. 7. A new section in the National Internal Revenue Code, as amended, is hereby provided to be known as Section 147-A and to read as follows:

"SEC. 147-A. DISPOSITION OF PROCEEDS OF THE
EXCISE TAX ON ALCOHOL AND TOBACCO PRODUCTS.
— OF THE EXCISE TAX COLLECTED FROM ALCOHOL
AND TOBACCO PRODUCTS, FIVE BILLION PESOS

(P5,000,000,000.00) SHALL BE EARMARKED FOR THE
SUBSIDY OF A TARGETED SOCIALIZED HOUSING
PROGRAM OF THE NATIONAL GOVERNMENT."

SEC. 8. *Effectivity*.— This Act shall take effect fifteen (15) days
following its publication in two (20 newspapers of general circulation in the
Philippines.

Approved,