

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

FIFTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 3332



Introduced by HON. ERIC "Owen" G. SINGSON, JR.

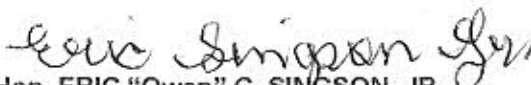
EXPLANATORY NOTE

On the 1st of January 2011, the last tranche of excise tax increases will be implemented for both alcohol and tobacco products, as embodied in *Republic Act No. 9334*. This law, which was enacted in 2004, provides for automatic excise tax increases every two (2) years from 2005-2011. Records show that through this system of increases every two years, the government was able to derive a steady stream of government revenues. In 2009, for example, excise tax collections from tobacco and alcohol products amounted to P24.230 billion and P20.637 respectively.¹

Owing to the absence of a law which would ensure the efficient implementation of increases after 2011, there is a need to enact a law for this purpose. The need to pass legislation is further highlighted by the fact there are various studies showing the hazards of cigarette smoking as well as drinking alcohol. As such, there should be another law promulgated so that after 2011, when the last period of increases will take effect, the government will still be able to achieve the two-pronged purpose of complying with its mandate of promoting the state's health objective while enhancing its revenue generation role in the process. The latter objective becomes more paramount in light of the need for more revenues to plug the budget deficit.

In view of the fact that any and all tax increases should be properly planned and considering that the current system is instrumental in the sustained rise in excise tax collections from 2005 until today, this bill envisions to maintain the automatic excise tax increases every two (2) years or from 2013 to 2017.

For the foregoing reasons, the approval of this legislative measure is earnestly sought.


Hon. ERIC "Owen" G. SINGSON, JR.

¹ Budget of Expenditures and Sources of Funds (2011).

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Introduced by HON. ERIC "Owen" G. SINGSON

AN ACT INCREASING THE EXCISE TAX RATES IMPOSED 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 of 1997, 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 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, [Eleven pesos and sixty-five centavos (P11.65);] **TWELVE PESOS AND TEN CENTAVOS (P12.10);**

"(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) - [One hundred twenty-six pesos (P126.00), per proof liter;] **ONE HUNDRED THIRTY ONE PESOS AND FOUR CENTAVOS (P131.04);**

"(2) Two hundred and fifty pesos (P250.00) up to Six hundred and seventy-five pesos (P675.00) - [Two hundred fifty-two pesos (P252.00), per proof liter; and] **TWO HUNDRED SIXTY-TWO PESOS AND EIGHT CENTAVOS (P262.08);**

"(3) More than Six hundred and seventy five pesos (P675.00) - [Five hundred four pesos (P504.00), per proof liter.] **FIVE HUNDRED TWENTY-FOUR PESOS AND SIXTEEN CENTAVOS (P524.16);**

"(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.

""**Net retail price**', as determined by the Bureau of Internal Revenue through a price survey to be conducted by the Bureau of Internal Revenue itself, or by the National Statistics Office when deputized for the purpose by the Bureau of Internal Revenue, shall mean the price at which the distilled spirits is sold on retail in at least ten (10) major supermarkets in Metro Manila, excluding the amount intended to cover the applicable excise tax and the value-added tax. For brands which are marketed outside Metro Manila, the 'net retail price' shall mean the price at which the distilled spirits is sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax.

"Variants of existing brands and variants of new brands which are introduced in the domestic market after the effectivity of this Act shall be taxed under the proper classification thereof based on their suggested net retail price: *Provided, however*, That such classification shall not, in any case, be lower than the highest classification of any variant of that brand.

"A 'variant of a brand' shall refer to a brand on which a modifier is prefixed and/or suffixed to the root name of the brand.

"New brands, as defined in the immediately following paragraph, shall initially be classified according to their suggested net retail price.

"Willful understatement of the suggested net retail price by as much as fifteen percent (15%) of the actual net retail price shall render the manufacturer liable for additional excise tax equivalent to the tax due and difference between the understated suggested net retail price and the actual net retail price.

""**New brand**' shall mean a brand registered after the date of effectivity of R.A. No. 8240.

""**Suggested net retail price**' shall mean the net retail price at which new brands, as defined above, 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. At the end of three (3) months from the product launch, the Bureau of Internal Revenue shall validate the suggested net retail price of the new brand against the net retail price as defined herein and determine the correct tax bracket to which a particular new brand of distilled spirits, as defined above, shall be classified. After the end of eighteen (18) months from such validation, the Bureau of Internal Revenue shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax bracket which a particular new brand of distilled spirits shall be classified: *Provided, however, That brands of distilled spirits introduced in the domestic market between January 1, 1997 and December 31, 2003 shall remain in the classification under which the Bureau of Internal Revenue has determined them to belong as of December 31, 2003. Such classification of new brands and brands introduced between January 1, 1997 and December 31, 2003 shall not be revised except by an act of Congress.*

"The rates of tax imposed under this Section shall be increased by [eight percent (8%)] **FOUR PERCENT (4%)** every two years starting on [January 1, 2007 until January 1, 2011.] **JANUARY 1, 2013 TO JANUARY 1, 2017.**

"Any downward reclassification of present categories, for tax purposes, of existing brands of distilled spirits duly registered at the time of the effectivity of this Act which will reduce the tax imposed herein, or the payment thereof, shall be prohibited.

"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', including the classification of brands for the same products which, although not set forth in said Annex 'A', were registered and were being commercially produced and marketed on or after October 1, 1996, and which continue to be commercially produced and marketed after the effectivity of this Act, shall remain in force until revised by Congress.

"Manufacturers and importers of distilled spirits shall, within thirty (30) days from the effectivity of this Act, and within the first five (5) days of every third month thereafter, submit to the Commissioner a sworn statement of the volume of sales for each particular brand of distilled spirits 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 final findings by the Commissioner that the violation was committed, be penalized by a summary cancellation or withdrawal of his or its permit to engage in business as manufacturer or importer of distilled spirits.

"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. 2. Section 142 of the National Internal Revenue Code of 1997, as amended BY **REPUBLIC ACT NO. 9334**, is 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/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) or less - [One hundred forty-five pesos and sixty centavos (P145.60)] **ONE HUNDRED FIFTY-ONE PESOS AND FOURTY-TWO CENTAVOS (P151.42)**; and

"(2) More than Five hundred pesos (P500.00) - [Four hundred thirty-six pesos and eighty centavos (P436.80).] **FOUR HUNDRED FIFTY-FOUR PESOS AND TWENTY-SEVEN CENTAVOS (P254.27).**

"(b) Still wines containing fourteen percent (14%) of alcohol by volume or less, [Seventeen pesos and forty-seven centavos (P17.47).] **EIGHTEEN PESOS AND SEVENTEEN CENTAVOS (P18.17)** and

"(c) Still wines containing more than fourteen percent (14%) but not more than twenty-five percent (25%) of alcohol by volume, [Thirty-four pesos and ninety-four centavos (P34.94).] **THIRTY-SIX PESOS AND THIRTY-FOUR CENTAVOS (P36.34).**

"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.

"'Net retail price', as determined by the Bureau of Internal Revenue through a price survey to be conducted by the Bureau of Internal Revenue itself, or by the National Statistics Office when deputized for the purpose by the Bureau of Internal Revenue, shall mean the price at which wine is sold on retail in at least ten (10) major supermarkets in Metro Manila, excluding the amount intended to cover the applicable excise tax and the value-added tax. For brands which are marketed outside Metro Manila, the 'net retail price' shall mean the price at which the wine is sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax.

"Variants of existing brands and variants of new brands which are introduced in the domestic market after the effectivity of this Act shall be taxed under the proper classification thereof based on their suggested net retail price: *Provided, however,* That such classification shall not, in any case, be lower than the highest classification of any variant of that brand.

"A 'variant of a brand' shall refer to a brand on which a modifier is prefixed and/or suffixed to the root name of the brand.

"New brands, as defined in the immediately following paragraph, shall initially be classified according to their suggested net retail price.

"'New brand' shall mean a brand registered after the date of effectivity of R. A. No. 8240.

"'Suggested net retail price' shall mean the net retail price at which new brands, as defined above, of locally manufactured or imported wines 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. At the end of three (3) months from the product launch, the Bureau of Internal Revenue shall validate the suggested net retail price of the new brand against the net retail price as defined herein and determine the correct tax bracket to which a particular new brand of wine, as defined above, shall be classified. After the end of eighteen (18) months from such validation, the Bureau of Internal Revenue shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax bracket which a particular new brand of wines shall be classified: *Provided, however, That brands of wines introduced in the domestic market between January 1, 1997 and December 31, 2003 shall remain in the classification under which the Bureau of Internal Revenue has determined them to belong as of December 31, 2003. Such classification of new brands and brands introduced between January 1, 1997 and December 31, 2003 shall not be revised except by an act of Congress.*

"The rates of tax imposed under this Section shall be increased by [eight percent (8%)] **FOUR PERCENT (4%)** every two years starting on [January 1, 2007 until January 1, 2011.] **JANUARY 1, 2013 TO JANUARY 1, 2017.**

["Any downward reclassification of present categories, for tax purposes, of existing brands of wines duly registered at the time of the effectivity of this Act which will reduce the tax imposed herein, or the payment thereof, shall be prohibited.

"The classification of each brand of wines based on the average net retail price as of October 1, 1996, as set forth in Annex 'B', including the classification of brands for the same products which, although not set forth in said "Annex B", were registered and were being commercially produced and marketed on or after October 1, 1996, and which continue to be commercially produced and marketed after the effectivity of this Act, shall remain in force until revised by Congress.

"Manufacturers and importers of wines shall, within thirty (30) days from the effectivity of 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 wines 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 wines.

"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. 3. Section 143 of the National Internal Revenue Code of 1997, as amended BY **REPUBLIC ACT NO. 9334**, 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*, *tupuy* and similar fermented liquors in accordance with the following schedule:

"(a) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is less than Fourteen pesos and fifty centavos (P14.50), the tax shall be [Eight pesos and twenty- seven centavos (P8.27) per liter;] **EIGHT PESOS AND SIXTY CENTAVOS (P.8.60);**

"(b) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is Fourteen pesos and fifty centavos (p14.50) up to Twenty-two pesos (P22.00), the tax shall be [Twelve pesos and thirty centavos (P12.30) per liter;] **TWELVE PESOS AND SEVENTY-NINE CENTAVOS (P12.79)**

"(c) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is more than Twenty-two pesos (P22.00), the tax shall be [Sixteen pesos and thirty-three centavos (P16.33) per liter.] **SIXTEEN PESOS AND NINETY-EIGHT CENTAVOS (P16.98).**

"Variants of existing brands and variants of new brands which are introduced in the domestic market after the effectivity of this Act shall be taxed under the proper classification thereof based on their suggested net retail price: *Provided, however,* That such classification shall not, in any case, be lower than the highest classification of any variant of that brand.

"A 'variant of a brand' shall refer to a brand on which a modifier is prefixed and/or suffixed to the root name of the brand.

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

"New brands, as defined in the immediately following paragraph, shall initially be classified according to their suggested net retail price.

"'New brand' shall mean a brand registered after the date of effectivity of R.A. No.

"Suggested net retail price' shall mean the net retail price at which new brands, as defined above, 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. At the end of three (3) months from the product launch, the Bureau of Internal Revenue shall validate the suggested net retail price of the new brand against the net retail price as defined herein and determine the correct tax bracket to which a particular new brand of fermented liquor, as defined above, shall be classified. After the end of eighteen (18) months from such validation, the Bureau of Internal Revenue shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax bracket which a particular new brand of fermented liquors shall be classified: Provided, however, That brands of fermented liquors introduced in the domestic market between January 1, 1997 and December 31, 2003 shall remain in the classification under which the Bureau of Internal Revenue has determined them to belong as of December 31, 2003. Such classification of new brands and brands introduced between January 1, 1997 and December 31, 2003 shall not be revised except by an act of Congress.

"Net retail price', as determined by the Bureau of Internal Revenue through a price survey to be conducted by the Bureau of Internal Revenue itself, or the National Statistics Office when deputized for the purpose by the Bureau of Internal Revenue, shall mean the price at which the fermented liquor is sold on retail in at least 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. For brands which are marketed outside Metro Manila, the 'net retail price' shall mean the price at which the fermented liquor is sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax.

"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', including the classification of brands for the same products which, although not set forth in said Annex 'C', were registered and were being commercially produced and marketed on or after October 1, 1996, and which continue to be commercially produced and marketed after the effectivity of this Act, shall remain in force until revised by Congress.

"The rates of tax imposed under this Section shall be increased by [eight percent (8%)] **FOUR PERCENT (4%)** every two years starting on [January 1, 2007 until January 1, 2011.] **JANUARY 1, 2013 TO JANUARY 1, 2017.**

"Any downward reclassification of present categories, for tax purposes, of existing brands of fermented liquor duly registered at the time of the effectivity of this Act which will reduce the tax imposed herein, or the payment thereof, shall be prohibited.

"Every brewer or importer of fermented liquor shall, within thirty (30) days from the effectivity of 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, 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. 4. Section 144 of the National Internal Revenue Code of 1997, as amended BY **REPUBLIC ACT NO. 9334**, is hereby further amended to read as follows:

"SEC. 144. *Tobacco Products.* - There shall be collected a tax of One peso **AND FIFTY CENTAVOS [(P1.00)] P1.50** 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 except as otherwise provided hereunder; and

"(c) Fine-cut shorts and refuse, scraps, clippings, cuttings, stems and sweepings of tobacco except as otherwise provided hereunder.

"Stemmed leaf tobacco, tobacco prepared or partially prepared with or without the use of any machine or instrument or without being pressed or sweetened, fine-cut shorts and refuse, scraps, clippings, cuttings, stems, midribs, and sweepings of tobacco resulting from the handling or stripping of whole leaf tobacco shall be transferred, disposed of, or otherwise sold, without any prepayment of the excise tax herein provided for, if the same are to be exported or to be used in the manufacture of cigars, cigarettes, or other tobacco products on which the excise tax will eventually be paid on the finished product, under such conditions as may be prescribed in the rules and regulations promulgated by the Secretary of Finance, upon recommendation of the Commissioner.

"On tobacco specially prepared for chewing so as to be unsuitable for use in any other manner, on each kilogram, [Seventy-nine centavos (P0.79)] **ONE PESO (P1.00).**

"The rates of tax imposed under this Section shall be increased by [six percent (6%)] **FOUR PERCENT (4%)** every two years starting on [January 1, 2007 until January 1, 2011] **JANUARY 2013 TO JANUARY 1, 2017.**

"Manufacturers and importers of tobacco products shall, within thirty (30) days from the effectivity of 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 tobacco products sold at their 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. 5. Section 145 of the National Internal Revenue Code, as amended **BY REPUBLIC ACT NO. 9334**, is further amended to read as follows:

"SEC. 145. Cigars and Cigarettes. –

X

x

x

["(B) Cigarettes Packed by Hand. - There shall be levied, assessed and collected on cigarettes packed by hand a tax at the rates prescribed below:

Effective on January 1, 2005, Two pesos (P2.00) per pack;

Effective on January 1, 2007, Two pesos and twenty-three centavos (P2.23) per pack;

Effective on January 1, 2009, Two pesos and forty-seven centavos (P2.47) per pack; and

Effective on January 1, 2011, Two pesos and seventy-two centavos (P2.72) per pack.

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

(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 below Five pesos (P5.00) per pack, the tax shall be:

Effective on January 1, 2005, Two pesos (P2.00) per pack;

Effective on January 1, 2007, Two pesos and twenty-three centavos (P2.23) per pack;

Effective on January 1, 2009, Two pesos and forty-seven centavos (P2.47) per pack; and

Effective on January 1, 2011, Two pesos and seventy-two centavos (P2.72) per pack.

(2) If the net retail price (excluding the excise tax and the value-added tax) is Five pesos (P5.00) but does not exceed Six pesos and fifty centavos (P6.50) per pack, the tax shall be:

Effective on January 1, 2005, Six pesos and thirty-five centavos (P6.35) per pack;

Effective on January 1, 2007, Six pesos and seventy-four centavos (P6.74) per pack;

Effective on January 1, 2009, Seven pesos and fourteen centavos (P7.14) per pack; and

Effective on January 1, 2011, Seven pesos and fifty-six centavos (P7.56) per pack.

(3) If the net retail price (excluding the excise tax and the value-added tax) exceeds Six pesos and fifty centavos (P6.50) but does not exceed Ten pesos (P10.00) per pack, the tax shall be:

Effective on January 1, 2005, Ten pesos and thirty-five centavos (P10.35) per pack;

Effective on January 1, 2007, Ten pesos and eighty-eight centavos (P10.88) per pack;

Effective on January 1, 2009, Eleven pesos and forty-three centavos (P11.43) per pack; and

Effective on January 1, 2011, Twelve pesos (P12.00) per pack.

(4) If the net retail price (excluding the excise tax and the value-added tax) is above Ten pesos (P10.00) per pack, the tax shall be:

Effective on January 1, 2005, Twenty-five pesos (P25.00) per pack;

Effective on January 1, 2007, Twenty-six pesos and six centavos (P26.06) per pack;

Effective on January 1, 2009, Twenty-seven pesos and sixteen centavos (P27.16) per pack; and

Effective on January 1, 2011, Twenty-eight pesos and thirty centavos (P28.30) per pack.]

(B) CIGARETTES PACKED BY HAND. – THERE SHALL BE LEVIED, ASSESSED COLLECTED ON CIGARETTES PACKED BY HAND A TAX AT THE RATES PRESCRIBED BELOW:

EFFECTIVE JANUARY 1, 2013, THREE PESOS (P3.00) PER PACK;

EFFECTIVE JANUARY 1, 2015, THREE PESOS AND THIRTY CENTAVOS (P3.30) PER PACK; AND

EFFECTIVE JANUARY 1, 2017, THREE PESOS AND SIXTY-THREE CENTAVOS (P3.63) PER PACK.

DULY REGISTERED OR EXISTING BRANDS OF CIGARETTES OR NEW BRANDS THEREOF PACKED BY HAND SHALL ONLY BE PACKED IN THIRTIES.

(C) CIGARETTES PACKED BY MACHINE. - THERE SHALL BE LEVIED, ASSESSED COLLECTED ON CIGARETTES PACKED BY MACHINE A TAX AT THE RATES PRESCRIBED BELOW:

(1) IF THE NET RETAIL PRICE (EXCLUDING EXCISE TAX AND VALUE-ADDED TAX) IS BELOW FIVE PESOS (P5.00) PER PACK, THE TAX SHALL BE:

EFFECTIVE JANUARY 1, 2013, THREE PESOS (P3.00) PER PACK;

EFFECTIVE JANUARY 1, 2015, THREE PESOS AND THIRTY CENTAVOS (P3.30) PER PACK; AND

EFFECTIVE JANUARY 1, 2017, THREE PESOS AND SIXTY-THREE CENTAVOS (P3.63) PER PACK.

(2) IF THE NET RETAIL PRICE (EXCLUDING EXCISE TAX AND VALUE-ADDED TAX) IS FIVE PESOS (P5.00) BUT DOES NOT EXCEED SIX PESOS AND FIFTY CENTAVOS (P6.50) PER PACK, THE TAX SHALL BE:

EFFECTIVE JANUARY 1, 2013, EIGHT PESOS (P8.00) PER PACK;

EFFECTIVE JANUARY 1, 2015, EIGHT PESOS AND FORTY-EIGHT CENTAVOS (P8.48) PER PACK; AND

EFFECTIVE JANUARY 1, 2017, EIGHT PESOS AND NINETY-SEVEN CENTAVOS (P8.97) PER PACK.

(3) IF THE NET RETAIL PRICE (EXCLUDING EXCISE TAX AND VALUE-ADDED TAX) EXCEEDS SIX PESOS AND FIFTY CENTAVOS (P6.50) BUT DOES NOT EXCEED TEN PESOS (P10.00) PER PACK, THE TAX SHALL BE:

EFFECTIVE JANUARY 1, 2013, TWELVE PESOS AND SIXTY CENTAVOS (P12.60) PER PACK;

EFFECTIVE JANUARY 1, 2015, THIRTEEN PESOS AND TWENTY-THREE CENTAVOS (P13.23) PER PACK; AND

EFFECTIVE JANUARY 1, 2017, THIRTEEN PESOS AND EIGHTY-NINE CENTAVOS (P13.89) PER PACK.

(4) IF THE NET RETAIL PRICE (EXCLUDING EXCISE TAX AND VALUE-ADDED TAX) IS ABOVE TEN PESOS (P10.00) PER PACK, THE TAX SHALL BE:

EFFECTIVE JANUARY 1, 2013, TWENTY-NINE PESOS AND FORTY-NINE CENTAVOS (P29.49) PER PACK;

EFFECTIVE JANUARY 1, 2015, THIRTY PESOS AND SEVENTY-THREE CENTAVOS (P30.73) PER PACK; AND

EFFECTIVE JANUARY 1, 2017, THIRTY-TWO PESOS AND TWO CENTAVOS (P32.02) PER PACK.

"Variants of existing brands and variants of new brands of cigarettes which are introduced in the domestic market after the effectivity of this Act shall be taxed under the proper classification thereof based on their suggested, net retail price: *Provided, however,* That such classification shall not, in any case, be lower than the highest classification of any variant of that brand.

"A 'variant of a brand' shall refer to a brand on which a modifier is prefixed and/or suffixed to the root name of the brand.

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

"Any downward reclassification of present categories, for tax purposes, of existing brands of cigars and cigarettes duly registered at the time of the effectivity of this Act which will reduce the tax imposed herein, or the payment thereof, shall be prohibited.

"New brands, as defined in the immediately following paragraph, shall initially be classified according to their suggested net retail price.

"New brand shall mean a brand registered after the date of effectivity of R.A. No. 8240.

"Suggested net retail price' shall mean the net retail price at which new brands, as defined above, 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. At the end of three (3) months from the product launch, the Bureau of Internal Revenue shall validate the suggested net retail price of the new brand against the net retail price as defined herein and determine the correct tax bracket under which a particular new brand of cigarette, as defined above, shall be classified. After the end of eighteen (18) months from such validation, the Bureau of Internal Revenue shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax bracket under which a particular new brand of cigarettes shall be classified: *Provided, however,* That brands of cigarettes introduced in the domestic market between January 1, 1997 and December 31, 2003 shall remain in the classification under which the Bureau of Internal Revenue has determined them to belong as of December 31, 2003. Such classification of new brands and brands introduced between January 1, 1997 and December 31, 2003 shall not be revised except by an act of Congress.

"Net retail price', as determined by the Bureau of Internal Revenue through a price survey to be conducted by the Bureau of Internal Revenue itself, or the National Statistics Office when deputized for the purpose by the Bureau of Internal Revenue, shall mean the price at which the cigarette is sold on retail in at least 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. For brands which are marketed

only outside Metro Manila, the 'net retail price' shall mean the price at which the cigarette is sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax.

"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', including the classification of brands for the same products which, although not set forth in said Annex 'D', were registered and were being commercially produced and marketed on or after October 1, 1996, and which continue to be commercially produced and marketed after the effectivity of this Act, shall remain in force until revised by Congress.

"Manufacturers and importers of cigars and cigarettes shall, within thirty (30) days from the effectivity of 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 and/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 aggregate 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. 6. *Implementing Rules and Regulations.* - The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 7. *Separability Clause.* - If any of the provisions of this Act is declared invalid by a competent court, the remainder of this Act or any provision not affected by such declaration of invalidity shall remain in force and effect.

SEC. 9. *Repealing Clause.* - All laws, decrees, ordinances, rules and regulations, executive or administrative orders, and such other presidential issuances as are inconsistent with any of the provisions of this Act are hereby repealed, amended or otherwise modified accordingly.

SEC. 10. *Effectivity.* - This Act shall take effect on January 1, 2013.

Approved,