

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **3489**

Introduced by HON. NIEL "JUNJUN" C. TUPAS, JR.
5th District of Iloilo

EXPLANATORY NOTE

This bill seeks to achieve the twin objectives of promoting the health of the people by discouraging tobacco use and of addressing our country's fiscal concerns by generating higher tax revenues from tobacco products. An increased and unitary tax rate, which will be adjusted annually to present values using the consumer price index, for tobacco products is proposed.

The harmful effects of tobacco consumption and of second-hand smoke are already established medical facts. Despite textual warnings to this effect, cigarette smoking continues to be widespread. The 2009 Philippines' Global Adult Tobacco Survey ("GATS") on tobacco use in the Philippines shows that among adults 15 years or older, 28.3% representing 17.3 million Filipinos are current tobacco smokers, and 22.5% or approximately 13.8 million Filipinos smoke everyday consuming an average of 10.6 cigarettes a day. The same survey shows that more people are exposed to second-hand smoke in their homes, workplaces and public places. According to the Philippine Department of Health (DOH), there are about 5,000,000 deaths a year worldwide directly related to tobacco. The World Health Organization (WHO) estimates this to double by 2020 if present trends continue unchecked, with 70% of mortality taking place in developing countries. In the Philippines, 240 Filipinos die everyday or over 87,000 a year from diseases caused by tobacco.¹ Such figures are alarming and make the need to curb tobacco use extremely urgent.

Among the various means of curbing cigarette usage, raising taxes on tobacco products have been proven to be the most effective.² Higher tobacco taxes that lead to higher cigarette prices encourage smokers to quit, reduce the number of cigarettes smoked, and prevent initiation among potential new users.³ Indeed, consumer behavior is largely influenced by the cost of a product which is affected by the taxes imposed on the said product. To achieve this, an effective tax structure for tobacco products must be put in place. Despite the Philippines' excise tax law on cigarettes having been amended seventeen (17) times, the tax increases have not been able to push the retail prices of tobacco products in the Philippine high enough to discourage people from smoking. Smokers, especially those who belong to the low-income groups and the youth, simply shift to cheaper brands to sustain the habit. Based on the study of Blecher and Walbeek,

¹ Administrative Order No. 2010-0013 dated 12 May 2010 issued by the Office of the Secretary, Philippine Department of Health.

² Rimando, Lala, "Affordable Sin", *Newsbreak*, (March/April 2010), p. 22.

Article 6 of the Framework Convention on Tobacco Control also provides that "(T)he parties recognize that price and tax measures are an effective and important means of reducing tobacco consumption by various segments of the population."

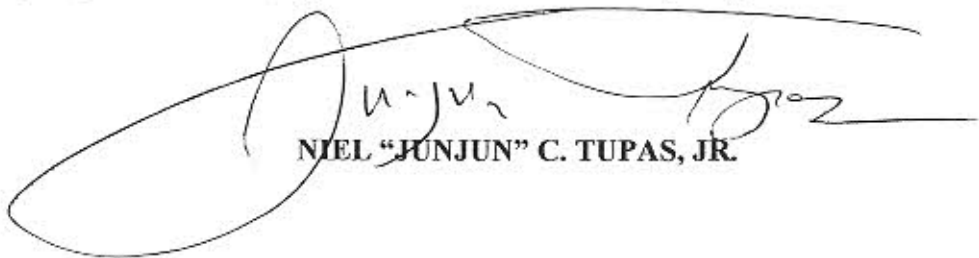
³ Shafey, Dr. Omar; Eriksen, Dr. Michael; Ross, Dr. Hana; Mackay, Dr. Judith, "The Tobacco Atlas Third Edition (2009), p. 82.

the dollar cost of cigarettes in the Philippines is one of the lowest among middle-income countries. In Asia, cigarette costs are lowest in the Philippines as compared to Malaysia, Thailand, Indonesia, and even against low-income neighbors Vietnam and Bangladesh.⁴ The availability of cheap cigarettes could increase smoking among the poor and the youth. Money for cigarettes in the poorest households is sixteen times more than spending on health, eleven times more than outlays for education, and twice as much for housing, according to the Tobacco and Poverty Study in the Philippines conducted by the WHO, the DOH and the University of the Philippines-Manila.⁵

The behavior of smokers in response to the previous tax increases on cigarettes proves that such increases have failed to meet the health objective. Observers attribute this failure to weaknesses in the tobacco tax system in the Philippines, namely: 1) specific taxes on cigarettes have not kept up with the rising tobacco prices; and 2) many low-priced cigarette brands are subject to lower taxes than others, allowing their manufacturers to sell or retail them at prices that even poor smokers and the youth can afford.⁶ Therefore, there is an urgent need to reform our current tax laws on cigarettes.

This bill proposes to increase tax rates to bring it to current market prices of tobacco products. After a transition period, a uniform tax rate for all types of cigarettes is also envisioned thereby removing the four-tiered tax structure. These changes are seen to lessen and discourage the consumption of tobacco products which lead to a reduction in the impact of the same on the health of the people. These will also reduce the economic costs of tobacco-related diseases, which the DOH estimates to be between Php100 Billion to Php300 Billion. Further, a unitary tax system for tobacco will make the administration of excise taxes on tobacco products simpler, correct distortions that give advantage to some brands, and level the playing field for manufacturers. In addition, the WHO's Framework Convention on Tobacco Control, to which the Philippines is a party, compels signatories to adopt tax and price policies that reduce and discourage tobacco consumption.

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



NIEL "JUNJUN" C. TUPAS, JR.

⁴ Rimando, p. 23.

⁵ Landingin, Roel, "Not Enough Taxed", Newsbreak (March/April 2010), p. 19.

⁶ Ibid, pp. 19-20.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3489

Introduced by HON. NIEL "JUNJUN" C. TUPAS, JR.
5th District of Iloilo

**AN ACT RESTRUCTURING THE EXCISE TAX ON TOBACCO PRODUCTS AND
AMENDING FOR THE PURPOSE PERTINENT SECTIONS OF THE NATIONAL
INTERNAL REVENUE CODE, AS AMENDED.**

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

SECTION 1. 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-(P1.00)] **TWO**
PESOS AND FIFTY CENTAVOS (P2.50)] 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 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 the 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 AND EIGHTY-SEVEN CENTAVOS (P 1.87).**

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

PROVIDED, THAT ON JANUARY 1, 2013 AND EVERY YEAR THEREAFTER, THE EXCISE TAX RATES PRESCRIBED HEREIN SHALL BE ADJUSTED ANNUALLY TO THEIR PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL STATISTICS OFFICE.

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 and 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 cigar and 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 and 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.

SECTION 2. Section 145 of the National Internal Revenue Code of 1997, as amended by Republic Act. No. 9334, is hereby further amended to read as follows:

“Sec. 145. Cigars and Cigarettes.

(A) *Cigars.* – There shall be levied, assessed and collected on cigars [an *ad valorem* tax based on the net retail price] **A TAX OF TWO HUNDRED PESOS (P200.00)** per cigar. [(excluding the excise tax and the value-added tax) in accordance with the following schedule:]

[“(1) If the net retail price per cigar is Five hundred pesos (P500.00) or less, ten percent (10%); and]

[“(2) If the net retail price per cigar is (excluding the excise tax and the value-added tax) is more than Five hundred pesos (P500.00), Fifty pesos (P50.00) plus fifteen percent (15%) of the net retail price in excess of Five hundred pesos (P500.00).”]

PROVIDED, THAT ON JANUARY 1, 2013 AND EVERY YEAR THEREAFTER, THE EXCISE TAX RATE PRESCRIBED HEREIN SHALL BE ADJUSTED ANNUALLY TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL STATISTICS OFFICE.

(B) *Cigarettes Packed by Hand.* – There shall be levied, assessed and collected on cigarettes packed by hand a tax at the [rates prescribed below] **RATE OF FOURTEEN PESOS (P14.00) PER PACK.**

[“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.]

PROVIDED, THAT ON JANUARY 1, 2013 AND EVERY YEAR THEREAFTER, THE EXCISE TAX RATE PRESCRIBED HEREIN SHALL BE ADJUSTED ANNUALLY TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL STATISTICS OFFICE.

Duly registered or existing brands of cigarettes or new brands thereof packed by hand shall only be packed in thirties. **ANY BRAND NOT PACKED IN THIRTIES SHALL BE PROHIBITED AND SUBJECTED TO PENALTIES PROVIDED UNDER THIS ACT, WITHOUT PREJUDICE TO OTHER ADMINISTRATIVE OR CRIMINAL PENALTIES THAT MAY BE IMPOSED ON THE MANUFACTURER, IMPORTER AND DISTRIBUTOR OF THE SAID BRAND.**

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

EFFECTIVE ON JANUARY 1, 2012 –

(1) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) IS TEN PESOS (P10.00) AND BELOW PER PACK, THE TAX SHALL BE FOURTEEN PESOS (P14.00) PER PACK;

(2) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) IS MORE THAN TEN PESOS (P10.00) PER PACK, THE TAX SHALL BE TWENTY-EIGHT PESOS AND THIRTY CENTAVOS (P28.30) PER PACK;

EFFECTIVE ON JANUARY 1, 2013 –

(1) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) IS TEN PESOS (P10.00) AND BELOW PER PACK, THE TAX SHALL BE TWENTY-TWO PESOS (P22.00) PER PACK;

(2) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) IS MORE THAN TEN PESOS (P10.00) PER PACK, THE TAX SHALL BE THIRTY PESOS (P30.00) PER PACK;

EFFECTIVE ON JANUARY 1, 2014, THE TAX SHALL BE THIRTY PESOS (P30.00) PER PACK, REGARDLESS OF THEIR RETAIL PRICE.

PROVIDED, THAT ON JANUARY 1, 2015 AND EVERY YEAR THEREAFTER, THE EXCISE TAX RATE PRESCRIBED HEREIN SHALL BE ADJUSTED ANNUALLY TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL STATISTICS OFFICE.

ALL BRANDS OF CIGARETTES EXISTING IN THE MARKET AT THE TIME OF THE EFFECTIVITY OF THIS ACT SHALL BE CLASSIFIED ACCORDINGLY FOR THE PROPER DETERMINATION OF THE TAX LIABILITY IN ACCORDANCE WITH THE SCHEDULE PROVIDED ABOVE.

[" (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.]

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 BRAND NOT PACKED IN TWENTIES SHALL BE PROHIBITED AND SUBJECTED TO PENALTIES PROVIDED UNDER THIS ACT, WITHOUT PREJUDICE TO OTHER ADMINISTRATIVE OR CRIMINAL PENALTIES THAT MAY BE IMPOSED ON THE MANUFACTURER, IMPORTER AND DISTRIBUTOR OF THE SAID BRAND.**

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 the effectivity of [R.A. No. 8240] **THIS ACT.**

" '*Suggested net retail price*' shall mean the net retail price by 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 to 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 by the National Statistics Office when deputized for [the] this 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 MAJOR SUPERMARKETS SHALL BE THOSE WITH THE HIGHEST TOTAL GROSS SALES IN METRO MANILA OR THE REGION, AS THE CASE MAY BE, AS DETERMINED BY THE NATIONAL STATISTICS OFFICE.

["The classification of each brand of cigarettes based on the 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."

Section 3. Section 131, Subsection A of the National Internal Revenue Code of 1997, as amended by Republic Act. No. 9334, is hereby further amended to read as follows:

"SEC. 131. *Payment of Excise Taxes on Imported Articles.* -

(A) *Persons Liable.* - Excise taxes on imported articles shall be paid by the owner or importer to the Customs Officers, conformably with the regulations of the Department of Finance and before the release of such articles from the customs house, or by the person who is found in possession of articles which are exempt from excise taxes other than those legally entitled to exemption.

In the case of tax-free articles brought or imported into the Philippines by persons, entities, or agencies exempt from tax which are subsequently sold, transferred or exchanged in the Philippines to non-exempt persons or entities, the purchasers or recipients shall be considered the importers thereof, and shall be liable for the duty and internal revenue tax due on such importation.

The provision of any special or general law to the contrary notwithstanding, the importation of cigars and cigarettes, distilled spirits, fermented liquors and wines into the Philippines, even if destined for tax and duty-free shops, shall be subject to all applicable taxes, duties, charges, including excise taxes due thereon. This shall apply to cigars and cigarettes, distilled spirits, fermented liquors and wines brought directly into the duly chartered or legislated freeports of the Subic Special Economic and Freeport Zone, created under Republic Act No. 7227; the Cagayan Special Economic Zone and Freeport,

created under Republic Act No. 7922; and the Zamboanga City Special Economic Zone, created under Republic Act No. 7903, and such other freeports as may hereafter be established or created by law; *Provided*, that **NOTWITHSTANDING THE PROVISIONS OF REPUBLIC ACT 9593**, importation of cigars and cigarettes, [distilled spirits, fermented liquors and wines] made directly by a government-owned-and-operated duty-free shop, like the Duty-Free Philippines [(DFP)] **CORPORATION**, shall **NOT** be exempted from **EXCISE TAXES** [all applicable duties only]; *Provided*, *further*, that such articles directly imported by a government-owned-and-operated duty-free shop, like the Duty-Free Philippines **CORPORATION**, shall be labeled 'duty-free' and 'not for resale'; *Provided, finally*, That the removal and transfer of tax- and duty-free goods, products, machinery, equipment and other similar articles other than cigars and cigarettes, distilled spirits, fermented liquors and wines, from one freeport to another freeport, shall not be deemed an introduction into the Philippine customs territory.

Cigars and cigarettes, distilled spirits and wines within the premises of all duty-free shops which are not labeled as hereinabove required, as well as tax- and duty-free articles obtained from a duty-free shop and subsequently found in a non-duty-free shop to be offered for resale shall be confiscated, and [the perpetrator of] such non-labeling or re-selling shall be punishable under the applicable provisions of this **ACT** [Code].

Articles confiscated shall be **DESTROYED USING THE MOST ENVIRONMENTALLY FRIENDLY METHOD AVAILABLE**. [disposed of in accordance with the rules and regulations to be promulgated by the Secretary of Finance, upon recommendation of the Commissioners of Customs and Internal Revenue, upon consultation with the Secretary of Tourism and the General Manager of the Philippine Tourism Authority.]

(B) *Rate and Basis of the Excise Tax on Imported Articles.* - Unless otherwise specified, imported articles shall be subject to the same rates and basis of excise taxes applicable to locally manufactured articles.”

Section 4. Section 288, subsections B and C of the National Internal Revenue Code of 1997, as amended by Republic Act. No. 9334, is hereby further amended to read as follows:

"(B) *Incremental Revenues from Republic Act No. 8240.* - Fifteen percent (15%) of the incremental revenue collected from the excise tax on tobacco products under R.A. No. 8240 shall be allocated and divided among the provinces producing burley and native tobacco in accordance with the volume of tobacco leaf production. The fund shall be exclusively utilized for programs [in pursuit of the following objectives] **TO PROMOTE ECONOMICALLY VIABLE ALTERNATIVES FOR TOBACCO FARMERS AND WORKERS SUCH AS:**

(1) PROGRAMS THAT WILL PROVIDE INPUTS, TRAINING, AND OTHER SUPPORT FOR TOBACCO FARMERS WHO SHIFT TO PRODUCTION OF AGRICULTURAL PRODUCTS OTHER THAN TOBACCO.

(2) PROGRAMS THAT WILL PROVIDE FINANCIAL SUPPORT FOR TOBACCO FARMERS WHO ARE DISPLACED OR WHO CEASE TO PRODUCE TOBACCO VOLUNTARILY.

(3) COOPERATIVE PROGRAMS TO ASSIST TOBACCO FARMERS IN PLANTING ALTERNATIVE CROPS OR IMPLEMENTING OTHER LIVELIHOOD PROJECTS.

["(1) Cooperative projects that will enhance better quality of agricultural products and increase income and productivity of farmers;"]

["(2) Livelihood projects, particularly the development of alternative farming system to enhance farmer's income; and"]

["(3) Agro-industrial projects that will enable tobacco farmers to be involved in the management and subsequent ownership of projects, such as post-harvest and secondary processing like cigarette manufacturing and by-product utilization.]

"The Department of Budget and Management, in consultation with the **DEPARTMENT OF AGRICULTURE** [Oversight Committee created under said R.A. No. 8240], shall issue [the corresponding] rules and regulations governing the allocation and disbursement of this fund, **NOT LATER THAN ONE HUNDRED EIGHTY (180) DAYS FROM THE EFFECTIVITY OF THIS ACT.**

(C) Incremental Revenues from the Excise Tax on Alcohol and Tobacco Products. –

(1) Two and a half percent (2.5%) of the **TOTAL** [incremental] revenue from the excise tax on alcohol and tobacco products starting [January 2005] **JANUARY 1, 2012** shall be remitted directly to the Philippine Health Insurance Corporation (**PHIC**) for the purpose of meeting and sustaining the goal of universal coverage of the National Health Insurance Program; and

(2) Two and a half percent (2.5%) of the **TOTAL** [incremental] revenue from the excise tax on alcohol and tobacco products starting [January 2005] **JANUARY 1, 2012** shall be **ALLOCATED AND RELEASED** [credited] **AUTOMATICALLY** to the account of the Department of Health and constituted as a trust fund [for its disease prevention program] **TO BE MANAGED AND SET UP BY THE DEPARTMENT NOT LATER THAN SIXTY (60) DAYS AFTER THE EFFECTIVITY OF THE IMPLEMENTING RULES AND REGULATIONS. THE FUND SHALL BE EXCLUSIVELY UTILIZED FOR PROGRAMS ON THE PREVENTION OF ALCOHOL-RELATED AND TOBACCO-RELATED DISEASES.**

THE DEPARTMENT OF BUDGET AND MANAGEMENT, IN CONSULTATION WITH THE PHILIPPINE HEALTH INSURANCE CORPORATION AND THE DEPARTMENT OF HEALTH, SHALL ISSUE RULES AND REGULATIONS

GOVERNING THE ALLOCATION AND DISBURSEMENT OF THESE FUNDS, NOT LATER THAN ONE HUNDRED EIGHTY (180) DAYS FROM THE EFFECTIVITY OF THIS ACT.

["The earmarking provided under this provision shall be observed for five (5) years starting from January 2005."]

THE EARMARKS PROVIDED IN SUBSECTION C SHALL BE OVER AND ABOVE THE ALLOCATIONS PROVIDED IN THE GENERAL APPROPRIATIONS ACT. EARMARKS NOT APPROPRIATED OR USED IN A FISCAL YEAR SHALL BE CARRIED OVER TO THE SUCCEEDING FISCAL YEAR.

SECTION 5. ANNUAL REPORT - THE DEPARTMENT OF BUDGET AND MANAGEMENT, THE DEPARTMENT OF AGRICULTURE, THE PHILIPPINE HEALTH INSURANCE CORPORATION, AND THE DEPARTMENT OF HEALTH SHALL EACH SUBMIT TO THE OVERSIGHT COMMITTEE CREATED UNDER R.A. 8240 A DETAILED REPORT ON THE EXPENDITURE OF THE AMOUNTS EARMARKED UNDER SUBSECTIONS B AND C, ON THE FIRST WEEK OF AUGUST OF EVERY YEAR. THE REPORTS SHALL BE SIMULTANEOUSLY PUBLISHED IN THE OFFICIAL GAZETTE AND THE AGENCIES' WEBSITES.

SECTION 6. OVERSIGHT COMMITTEE - THE COMPOSITION OF THE OVERSIGHT COMMITTEE CREATED UNDER R.A. 8240 SHALL INCLUDE THE AGRICULTURE AND HEALTH COMMITTEE CHAIRPERSONS OF THE SENATE AND THE HOUSE OF REPRESENTATIVES, AS PART OF THE FOUR (4) MEMBERS TO BE APPOINTED FROM EACH HOUSE.

UPON RECEIPT OF THE AGENCIES' ANNUAL REPORTS, THE COMMITTEE SHALL REVIEW THEM AND ENSURE THE PROPER IMPLEMENTATION OF THIS ACT AS REGARDS THE EXPENDITURES OF THE EARMARKED FUNDS.

SECTION 7. *Implementing Rules and Regulations* - The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, [and in consultation with the Department of Health,] promulgate the necessary rules and regulations for the effective implementation of this Act, **NOT LATER THAN ONE HUNDRED EIGHTY (180) DAYS UPON THE EFFECTIVITY OF THIS ACT. THE RULES AND REGULATIONS TO BE PROMULGATED UNDER SECTION 4 HEREOF SHALL FORM AN INTEGRAL PART OF THE IMPLEMENTING RULES AND REGULATIONS.**

SECTION 8. *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.

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

SECTION 10. *Effectivity*. - This Act shall take effect on January 1, 2012.

Approved,