



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Fifteenth Congress
Second Regular Session

2171

COMMITTEE REPORT NO. _____

15 MAY 2012

Submitted by the Committee on Ways and Means on _____

Re: House Bill No. 5727

Recommending its approval with amendments, in consolidation with House Bill Nos. 2484, 2485, 2687, 3059, 3183, 3332, 3465, 3489, 3666 and 4787

Sponsors: Reps. Isidro T. Ungab and Joseph Emilio Aguinaldo Abaya

Mr. Speaker:

The Committee on Ways and Means to which were referred House Bill No. 2484 introduced by Reps. Aumentado and Almario, entitled:

“AN ACT PROVIDING FOR AN ADDITIONAL EXCISE TAX OF TEN PERCENT (10%) ON ALCOHOL PRODUCTS, AMENDING FOR THE PURPOSE THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED BY RA 9334, TO GENERATE FUNDS FOR THE INFORMATION COMMUNICATION TECHNOLOGY (ICT) PROGRAM OF PUBLIC ELEMENTARY AND SECONDARY SCHOOLS AND CONSTRUCTION OF NEW SCHOOL BUILDINGS, HIRING OF NEW TEACHERS PREFERABLY WITH ICT PROFICIENCY, ENGLISH, MATH AND SCIENCE MAJORS, AND FOR OTHER PURPOSES”.

House Bill No. 2485 introduced by Reps. Aumentado, Almario, Aglipay and Gullas, entitled:

“AN ACT PROVIDING FOR AN ADDITIONAL TAX OF P3.00

PER PACK OF CIGAR AND CIGARETTES, AMENDING FOR THE PURPOSE THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED BY RA 9334, TO GENERATE FUNDS FOR THE PHILHEALTH UNIVERSAL COVERAGE OF INDIGENT FAMILIES, BARANGAY OFFICIALS, HEALTH AND DAY CARE WORKERS, AND FOR OTHER PURPOSES",

House Bill No. 2687 introduced by Reps. Limkaichong, Arnaiz, Teves, San Luis, Co, Batocabe, Carbin, Sarmiento (M.L.) and Guillas, entitled:

"AN ACT RESTRUCTURING THE EXCISE TAX ON ALCOHOL AND TOBACCO PRODUCTS",

House Bill No. 3059 introduced by Reps. Mandanas and Puno, entitled:

"AN ACT TO PROMOTE EQUITABLE SHARING OF COSTS AND BENEFITS IN THE ALCOHOL AND TOBACCO INDUSTRY, AMENDING FOR THE PURPOSE SECTIONS 141, 142, 143 AND 145 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED",

House Bill No. 3183 introduced by Rep. Suarez, entitled:

"AN ACT AMENDING SECTIONS 141, 142, 143 AND 145 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED",

House Bill No. 3332 introduced by Reps. Singson (E. Jr.), Vergara, Bonoan-David, Acop, Cosalan, De Veneria, Bernos, Bataoil, Eriquel, Ortega (V. F.), Dalog, Obillo, Ping-ay, Leonen-Pizzaro, Villarica, Bulut-Beglang, Ting, Padilla, Albano, Dy, Cua, Aggabao, Celeste, Yap, Ong, Magsaysay, Farinas, Ortega (F. E) and Singson (R. L.), entitled:

"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",

House Bill No. 3465 introduced by Rep. Abad, entitled:

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

House Bill No. 3489 introduced by Rep. Tupas, entitled:

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

House Bill No. 3666 introduced by Reps. Javier and Teodoro, entitled:

"AN ACT INCREASING THE EXCISE TAX RATES IMPOSED ON TOBACCO PRODUCTS AMENDING FOR THE PURPOSE SECTION 145 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED".

House Bill No. 4787 introduced by Rep. Mandanas entitled:

"AN ACT RESTRUCTURING THE EXCISE TAX ON DISTILLED SPIRITS, AMENDING FOR THE PURPOSE SECTION 141 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED" and

House Bill No. 5727 introduced by Reps. Abaya, Climaco, Alcala, Limkaichong, Gonzalez (F.), Abad, Tupas, Trenas and Apacible, entitled:

"AN ACT RESTRUCTURING THE EXCISE TAX ON ALCOHOL AND TOBACCO PRODUCTS"

has considered the same and recommends the approval of House Bill No. 5727, in consolidation with House Bill Nos. 2484, 2485, 2687, 3059, 3183, 3332, 3465, 3489, 3666 and 4787, with the following amendments:

1. On page 3, delete lines 32 to 41
2. On page 4, delete lines 1 to 30 and in lieu thereof insert the following:

"SEC 141. Distilled Spirits. - On distilled spirits, subject to the provisions of Section 133 of this Code, AN EXCISE TAX [there] shall be collected IN ACCORDANCE WITH THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) PER BOTTLE OF SEVEN HUNDRED FIFTY MILLILITER (750 ML.) VOLUME CAPACITY EFFECTIVE JANUARY 1, 2013 AS FOLLOWS:

"(A) LESS THAN NINETY PESOS (P90.00) - TWENTY PESOS (P20.00) PER PROOF LITER;

“(B) NINETY PESOS (P90.00) UP TO ONE FIFTY PESOS (P150.00) - EIGHTY PESOS (P80.00) PER PROOF LITER; AND

“(C) MORE THAN ONE HUNDRED FIFTY PESOS (P150.00) - THREE HUNDRED TWENTY PESOS (P320.00) PER PROOF LITER.”

PROVIDED, HOWEVER, THAT ETHYL ALCOHOL PRODUCED FROM WHATEVER SOURCE OR RAW MATERIALS SHALL BE TAXED AT TWENTY PESOS (P20.00) PER PROOF LITER; PROVIDED, FURTHER THAT, IN CASE THE ETHYL ALCOHOL IS SUBSEQUENTLY USED AS A RAW MATERIAL/INGREDIENT IN THE MANUFACTURE OF ALCOHOLIC BEVERAGES, AN ADDITIONAL TAX SHALL BE PAID BY THE MANUFACTURER THEREOF EQUIVALENT TO THE DIFFERENCE BETWEEN THE TAX PREVIOUSLY PAID ON THE ETHYL ALCOHOL AND THE TAX DUE BASED ON THE NET RETAIL PRICE OF THE ALCOHOL BEVERAGE.

PROVIDED, ALSO, THAT, IN CASE OF IMPORTATION OR LOCAL SALE OF DISTILLED SPIRITS IN CONCENTRATED FORM AND FLAVORING EXTRACTS FOR USE AS RAW MATERIAL OR INGREDIENT IN THE PRODUCTION OF ALCOHOLIC BEVERAGES, THE IMPORTER OR MANUFACTURER THEREOF SHALL DECLARE THE ESTIMATED NET RETAIL PRICE OF THE ALCOHOLIC BEVERAGES, NET OF EXCISE AND VALUE-ADDED TAXES, FOR PURPOSES OF DETERMINING THE PROPER TAX CLASSIFICATION OF THE SAID RAW MATERIAL OR INGREDIENT; OTHERWISE, THE HIGHEST TAX RATE SHALL BE IMPOSED THEREON.

PROVIDED, FINALLY, THAT, THE RATES OF TAX IMPOSED UNDER THIS SECTION SHALL BE INCREASED BY EIGHT PERCENT (8%) EVERY TWO YEARS THEREAFTER EFFECTIVE JANUARY 1, 2015 UNTIL JANUARY 1, 2025, THROUGH REVENUE REGULATIONS ISSUED BY THE SECRETARY OF FINANCE.

3. On the same page, line 53, put a bracket on the letter “(c)”
4. On page 5, lines 23 and 33, delete the open and close brackets
5. On the same page, line 29, after the word “For” insert the words DISTILLED SPIRITS and delete the word “brands”

6. On page 6, after line 9, insert a new paragraph which shall read as follows:

"DISTILLED SPIRITS INTRODUCED IN THE DOMESTIC MARKET AFTER THE EFFECTIVITY OF THIS ACT SHALL BE INITIALLY TAX CLASSIFIED ACCORDING TO THEIR SUGGESTED NET RETAIL PRICES."

7. On the same page, line 11, delete the open bracket
8. On the same page, line 12, put a bracket on the phrase "new brands, as defined above, of"
9. On the same page, line 18 after the phrase "to which a" insert the words "NEWLY INTRODUCED"
10. On the same page, line 19, put brackets on the phrase "particular new brand of" and "as defined above,"
11. On the same page, line 23, after the phrase "which a" insert the words NEWLY INTRODUCED and put a bracket on the phrase "particular new brand of"
12. On the same page, line 24, after the word "classified" replace the colon with a period (.) and place an opening bracket (() before the word "Provided"
13. On page 7, after line 3, insert the following paragraphs:

"THE PROPER TAX CLASSIFICATION OF DISTILLED SPIRITS, WHETHER REGISTERED BEFORE OR AFTER THE EFFECTIVITY OF THIS ACT, SHALL BE DETERMINED EVERY TWO YEARS FROM THE DATE OF EFFECTIVITY OF THIS ACT.

ALL DISTILLED SPIRITS EXISTING IN THE MARKET AT THE TIME OF THE EFFECTIVITY OF THIS ACT SHALL BE CLASSIFIED ACCORDING TO THE NET RETAIL PRICES AND THE TAX RATES PROVIDED ABOVE BASED ON THE LATEST PRICE SURVEY OF THE DISTILLED SPIRITS CONDUCTED BY THE BUREAU OF INTERNAL REVENUE."

14. On the same page, delete lines 38 to 44
15. On page 8, delete lines 1 to 27, and in lieu thereof insert the following:

"SEC. 142. Wines. - On wines, there shall be collected per liter of volume capacity EFFECTIVE JANUARY 1, 2013, the following taxes:

"(a) Sparkling wines/champagnes regardless of proof, if the net retail price per BOTTLE OF SEVEN HUNDRED FIFTY MILLILITER (750 ML.) VOLUME CAPACITY (excluding the excise tax and the value-added tax) is:

"(1) Five hundred pesos (P500.00) or less - TWO HUNDRED FIFTY PESOS (P250.00) [One hundred forty-five pesos and sixty centavos (P145.60)]; and

"(2) More than five hundred pesos (P500.00) - SEVEN HUNDRED PESOS (P700.00) [Four hundred thirty-six pesos and eighty centavos (P436.80)]

"(b) Still wines AND CARBONATED WINES containing fourteen percent (14%) of alcohol by volume or less, THIRTY PESOS (P30.00) [Seventeen pesos and forty-seven centavos (P17.47)]; and

"(c) Still Wines AND CARBONATED WINES containing more than fourteen percent (14%) but not more than twenty-five percent (25%) of alcohol by volume, SIXTY PESOS (P60.00) [Thirty-four pesos and ninety-four centavos (P34.94)].

PROVIDED, THAT THE RATES OF TAX IMPOSED UNDER THIS SECTION SHALL BE INCREASED BY EIGHT PERCENT (8%) EVERY TWO YEARS THEREAFTER EFFECTIVE JANUARY 1, 2015 UNTIL JANUARY 1, 2025, THROUGH REVENUE REGULATIONS ISSUED BY THE SECRETARY OF FINANCE.

"Fortified wines containing more than twenty-five percent (25%) of alcohol by volume shall be taxed as distilled spirits: PROVIDED, HOWEVER, THAT THE TAX RATE SHALL NOT BE LOWER THAN EIGHTY PESOS (P80.00) PER PROOF LITER. 'Fortified wines' shall mean: natural wines to which distilled spirits are added to increase their alcohol strength."

16. On page 8, line 29, delete the open bracket

17. On the same page, line 32, after the phrase "the price at which" insert the word "SPARKLING"
18. On the same page, line 33, after the word "wine" place a slash and the word "CHAMPAGNE"
19. On the same page, line 35, put a bracket on the word "brands" and replace it with the words "SPARKLING WINES/CHAMPAGNES"
20. On the same page, line 39, delete the close bracket
21. On page 9, delete lines 12 to 33 and in lieu thereof insert the following:

"SPARKLING WINE/CHAMPAGNE
INTRODUCED IN THE DOMESTIC MARKET AFTER THE
EFFECTIVITY OF THIS ACT SHALL BE INITIALLY TAX
CLASSIFIED ACCORDING TO THEIR SUGGESTED NET
RETAIL PRICES.

"Suggested net retail price' shall mean the net retail price at which [brands, as defined above, of] locally manufactured or imported SPARKLING wines/CHAMPAGNES 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 retail price of the SPARKLING WINE/CHAMPAGNE [brand] against the net retail price as defined herein and determine the correct tax bracket under which A NEWLY INTRODUCED SPARKLING WINE/CHAMPAGNE [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 validate 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] NEWLY INTRODUCED SPARKLING wine/CHAMPAGNE 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 any act of Congress.]

22. On page 10, after line 4, insert the following paragraphs:

"THE PROPER TAX CLASSIFICATION OF SPARKLING WINES/CHAMPAGNES, WHETHER REGISTERED BEFORE OR AFTER THE EFFECTIVITY OF THIS ACT, SHALL BE DETERMINED EVERY TWO YEARS FROM THE DATE OF EFFECTIVITY OF THIS ACT.

ALL WINES EXISTING IN THE MARKET AT THE TIME OF THE EFFECTIVITY OF THIS ACT SHALL BE CLASSIFIED ACCORDING TO THE NET RETAIL PRICES AND THE TAX RATES PROVIDED ABOVE BASED ON THE LATEST PRICE SURVEY OF THE WINES CONDUCTED BY THE BUREAU OF INTERNAL REVENUE."

23. On the same page, delete lines 40 to 45

24. On page 11, delete lines 1 to 5, and in lieu thereof insert the following:

"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 THE VALUE-ADDED TAX) PER LITER OF VOLUME CAPACITY IS FIFTY PESOS AND SIXTY CENTAVOS (P50.60) OR LESS, THE TAX SHALL BE THIRTEEN PESOS AND SEVENTY FIVE CENTAVOS (P13.75) PER LITER EFFECTIVE JANUARY 1, 2013; AND

"(B) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND VALUE-ADDED TAX) PER LITER OF VOLUME CAPACITY IS MORE THAN FIFTY PESOS AND SIXTY CENTAVOS (P50.60), THE TAX SHALL BE EIGHTEEN PESOS AND EIGHTY CENTAVOS (P18.80) PER LITER EFFECTIVE JANUARY 1, 2013;

"PROVIDED, THAT fermented liquors which are brewed and sold at microbreweries or small establishments such as pubs and restaurants shall be subject to the rate OF TWENTY-EIGHT PESOS (P28.00) PER LITER EFFECTIVE JANUARY 1, 2013.

PROVIDED, FURTHER, THAT THE RATES OF TAX IMPOSED UNDER THIS SECTION SHALL BE INCREASED BY EIGHT PERCENT (8%) EVERY TWO YEARS THEREAFTER EFFECTIVE JANUARY 1, 2015 UNTIL JANUARY 1, 2025, THROUGH REVENUE REGULATIONS ISSUED BY THE SECRETARY OF FINANCE. HOWEVER, IN CASE OF FERMENTED LIQUORS AFFECTED BY THE "NO DOWNWARD RECLASSIFICATION" PROVISIONS PRESCRIBED UNDER THIS SECTION, THE 8% INCREASE SHALL APPLY TO THEIR RESPECTIVE APPLICABLE TAX RATES.

25. On the same page, delete lines 42 to 45

26. On page 12, delete lines 1 to 17, and in lieu thereof insert the following:

"FERMENTED LIQUORS INTRODUCED IN THE DOMESTIC MARKET AFTER THE EFFECTIVITY OF THIS ACT SHALL BE INITIALLY TAX CLASSIFIED ACCORDING TO THEIR SUGGESTED NET RETAIL PRICES.

"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 NEWLY INTRODUCED FERMENTED LIQUOR [brand] against the net retail price as defined herein and determine the correct tax bracket to which a NEWLY INTRODUCED [particular new brand of] fermented liquor, as defined above, shall be classified. After the end of the 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 NEWLY INTRODUCED [particular new brand of] fermented liquor[s] 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.]

27. On page 12, lines 19 and 30, delete the open and close brackets
28. On the same page, line 44, delete the opening bracket
29. On page 13, line 1, put a bracket on the phrase "of existing brands" and add the letter "S" to the word "liquor"
30. On the same page, line 3, delete the closing bracket
31. On the same page, after line 3, add the following:

"THE PROPER TAX CLASSIFICATION OF FERMENTED LIQUORS, WHETHER REGISTERED BEFORE OR AFTER THE EFFECTIVITY OF THIS ACT, SHALL BE DETERMINED EVERY TWO YEARS FROM THE DATE OF EFFECTIVITY OF THIS ACT.

ALL FERMENTED LIQUORS EXISTING IN THE MARKET AT THE TIME OF THE EFFECTIVITY OF THIS ACT SHALL BE CLASSIFIED ACCORDING TO THE NET RETAIL PRICES AND THE TAX RATES PROVIDED ABOVE BASED ON THE LATEST PRICE SURVEY OF THE FERMENTED LIQUORS CONDUCTED BY THE BUREAU OF INTERNAL REVENUE."

32. On the same page, delete lines 37 to 39, and in lieu thereof insert the following:

"SEC. 141. Tobacco Products. - There shall be collected a tax of [One peso (P1.00)] ONE PESO AND SEVENTY FIVE CENTAVOS (P1.75) on each kilogram of the following products of tobacco:

33. On page 14, delete lines 22 to 25, and in lieu thereof insert the following:

"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 FIFTY CENTAVOS (P1.50).

34. On the same page, delete lines 31 to 36, and in lieu thereof insert the following:

"PROVIDED, THAT THE RATES OF TAX IMPOSED UNDER THIS SECTION SHALL BE INCREASED BY EIGHT PERCENT (8%) EVERY TWO YEARS THEREAFTER EFFECTIVE JANUARY 1, 2015 UNTIL JANUARY 1, 2025, THROUGH REVENUE REGULATIONS ISSUED BY THE SECRETARY OF FINANCE.

35. On page 15, delete lines 29 to 46

36. On page 16, delete lines 1 to 32, and in lieu thereof insert the following:

(A) Cigars. -- There shall be levied, assessed and collected on cigars [an ad valorem tax based on the retail price] A TAX OF ONE HUNDRED FIFTY PESOS (P150.00) 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 THE RATE OF TAX IMPOSED UNDER THIS SUBSECTION SHALL BE INCREASED BY EIGHT PERCENT (8%) EVERY TWO YEARS THEREAFTER EFFECTIVE JANUARY 1, 2015 UNTIL JANUARY 1, 2025, THROUGH REVENUE REGULATIONS ISSUED BY THE SECRETARY OF FINANCE

(B) Cigarettes Packed by Hand. - There shall be levied, assessed and collected on cigarettes packed by hand a tax of SEVEN PESOS AND FIFTY SIX CENTAVOS (P 7.56) per pack EFFECTIVE JANUARY 1, 2013. THE TAX RATE SHALL BE INCREASED TO TWELVE PESOS (P12.00) PER PACK EFFECTIVE JANUARY 1, 2014.

PROVIDED, THAT THE RATE OF TAX IMPOSED UNDER THIS SUBSECTION SHALL BE INCREASED BY EIGHT PERCENT (8%) EVERY TWO YEARS THEREAFTER EFFECTIVE JANUARY 1, 2015 UNTIL JANUARY 1, 2025, THROUGH REVENUE REGULATIONS ISSUED BY THE SECRETARY OF FINANCE.

Duly registered [or existing brands of] cigarettes [or new 31 brands thereof] packed by hand shall only be packed in thirties AND NO OTHER PACKAGING COMBINATIONS.

37. On page 17, delete lines 1 to 48

38. On page 18, delete lines 1 and 2, and in lieu thereof insert the following:

“(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, 2013

(1) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) IS ELEVEN PESOS AND FIFTY CENTAVOS (P11.50) AND BELOW PER PACK, THE TAX SHALL BE TWELVE PESOS (P12.00) PER PACK; AND

(2) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) IS MORE THAN ELEVEN PESOS AND FIFTY CENTAVOS (P11.50) PER PACK, THE TAX SHALL BE TWENTY EIGHT PESOS AND THIRTY CENTAVOS (P28.30) PER PACK;

EFFECTIVE ON JANUARY 1, 2014

(1) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) IS ELEVEN PESOS AND FIFTY CENTAVOS (P11.50) AND BELOW PER PACK, THE TAX SHALL BE TWENTY TWO PESOS (P22.00) PER PACK; AND

(2) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) IS MORE THAN ELEVEN PESOS AND FIFTY CENTAVOS (P11.50) PER PACK, THE TAX SHALL BE THIRTY PESOS (P30.00) PER PACK;

PROVIDED, THAT THE RATES OF TAX IMPOSED UNDER THIS SUBSECTION SHALL BE INCREASED BY EIGHT PERCENT (8%) EVERY TWO YEARS THEREAFTER EFFECTIVE JANUARY 1, 2015 UNTIL JANUARY 1, 2025, THROUGH REVENUE REGULATIONS ISSUED BY THE SECRETARY OF FINANCE. HOWEVER, IN CASE OF CIGARETTES AFFECTED BY THE "NO DOWNWARD RECLASSIFICATION" PROVISIONS PRESCRIBED UNDER THIS SECTION, THE 8% INCREASE SHALL APPLY TO THEIR RESPECTIVE APPLICABLE TAX RATES.

39. On page 19, line 20, put an opening bracket ([) before the word "Variant"

40. On the same page, line 25, put a closing bracket (]) after the period (.)

41. On the same page, line 27, put an opening bracket ([) before the word "A"

42. On the same page, line 28, put a closing bracket (]) after the period (.)

43. On the same page, delete lines 30 to 36, and in lieu thereof insert the following:

"Duly registered [or existing brands of] cigarettes [or new brands thereof] packed by machine shall only be packed in twenties AND NO OTHER PACKAGING COMBINATIONS."

44. On the same page, line 40, put a bracket on the phrase ", of existing brands"

45. On the same page, bracket lines 44 up to the end of line 45

46. On page 20, line 1, put an opening bracket ([) before the word "New"
47. On the same page, line 2, put a closing bracket (]) after the period (.)
48. On the same page, delete lines 4 to 40, and in lieu thereof insert the following:

"CIGARETTES INTRODUCED IN THE DOMESTIC MARKET AFTER THE EFFECTIVITY OF THIS ACT SHALL BE INITIALLY TAX CLASSIFIED ACCORDING TO THEIR SUGGESTED NET RETAIL PRICES.

"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 NEWLY INTRODUCED CIGARETTE [brand] against the net retail price as defined herein and determine the correct tax bracket under which a NEWLY INTRODUCED [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 NEWLY INTRODUCED [particular new brand of] cigarette[s] 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] 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 value-added tax. For CIGARETTES [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.

49. On page 21, after line 4, insert the following paragraphs:

"THE PROPER TAX CLASSIFICATION OF CIGARETTES, WHETHER REGISTERED BEFORE OR AFTER THE EFFECTIVITY OF THIS ACT, SHALL BE DETERMINED EVERY TWO YEARS FROM THE DATE OF EFFECTIVITY OF THIS ACT.

ALL CIGARETTES EXISTING IN THE MARKET AT THE TIME OF THE EFFECTIVITY OF THIS ACT SHALL BE CLASSIFIED ACCORDING TO THE NET RETAIL PRICES AND THE TAX RATES PROVIDED ABOVE BASED ON THE LATEST PRICE SURVEY OF CIGARETTES CONDUCTED BY THE BUREAU OF INTERNAL REVENUE."

50. On the same page, line 9, put a bracket on the phrase "each particular brand of"

51. On page 24, delete lines 9 to 13 and in lieu thereof insert the following:

"THE REMAINING BALANCE OF THE INCREMENTAL REVENUES IN EXCESS OF THE AMOUNT ALLOCATED UNDER R.A. NO. 8240 SHALL BE USED TO FINANCE THE UNIVERSAL HEALTH CARE PROGRAM OF THE GOVERNMENT, THE ANNUAL REQUIREMENTS OF WHICH SHALL BE DETERMINED BY THE DEPARTMENT OF HEALTH."

52. On the same page, delete lines 38 to 44

53. On page 25, delete lines 1 to 2 and in lieu thereof insert the following:

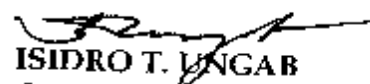
"SECTION 10. Implementing Rules and Regulations.
- The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, and in

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.

and with Reps. Abaya, Climaco, Aumentado, Almario, Limkaichong, Arnaiz, Suarez, Singson (E. Jr.), Abad, Tupas, Ungab, Aglipay, Gullas, Teves, San Luis, Co, Batocabe, Garbin, Sarmiento (M.L.), Villarica, Ong, Alcala, Gonzalez, Trenas and Apacible, as authors thereof.

The Committee has also considered Subcommittee Report No. 6 as submitted by the Subcommittee on National Internal Revenue.

Respectfully submitted,


ISIDRO T. UNGAB

Chairman

Committee on Ways and Means

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY

FACT SHEET

House Bill No. 5727

(As amended, in consolidation with House Bill Nos. 2484, 2485, 2687, 3059, 3183, 3332, 3465, 3489, 3666 and 4787)

AN ACT RESTRUCTURING THE EXCISE TAX ON ALCOHOL AND TOBACCO PRODUCTS

Introduced by: REP. JOSEPH EMILIO AGUINALDO ABAYA

Referred to the Committee on Ways and Means

Committee Chairperson: Rep. ISIDRO T. UNGAB

OBJECTIVES

- To restructure the excise tax on alcohol and tobacco products by adopting an excise tax system that is easier to administer and would address the problem of unfair tax treatment across various tobacco and alcohol products
- To simplify the tax structure for both products by shifting from the multi-tiered tax classification to a more uniform tax scheme for each category of alcohol (distilled spirits, wines and fermented liquors) and tobacco products (tobacco, cigar and cigarettes)
- To generate additional revenue to fund the universal health program of the government

KEY PROVISIONS:

- Simplifies the basis of excise taxation for alcohol products, which is based on per proof liter for distilled spirits, per liter of volume capacity for wines and fermented liquors;
- Simplifies the basis of excise taxation on tobacco products: (1) cigars - per cigar; (2) cigarettes packed by hand - per pack; and (3) cigarettes packed by machine - per pack;
- Provides for the following excise tax rates in accordance with the net retail price (excluding the excise tax and the value-added tax) effective January 1, 2013:
 1. On Distilled Spirits, three-tier tax rates of Php 20.00, Php 80.00 and Php 320.00
 2. On Wines, a two-tier tax schedule for sparkling wines/champagnes, of Php 250.00 and Php 700.00, and for still and carbonated wines, a two-tier tax rate depending on the alcohol content -- for those containing

- 14% of alcohol by volume or less, a tax of Php 30.00 and for those containing more than 14% but not more than 25% of alcohol by volume, Php 60.00,
 - 3. On Fermented Liquors, a two-tier tax rates of Php13.75 and Php18.80. and;
 - 4. On tobacco products, Php 1.75 and Php 1.50; Cigars, Php 150.00; Cigarettes packed by hand, Php 7.56 (effective January 1, 2013) and Php12.00 (effective January 1, 2014) and Cigarettes packed by machine, Php 12.00 and Php 28.30 (effective January 1, 2013) and P 22.00 and P 30.00 (effective January 1, 2014);
- Provides an 8% increase in the excise tax rates every two years effective January 1, 2015 until January 1, 2025 for distilled spirits, wines, fermented liquors, tobacco products, cigars and cigarettes through revenue regulations issued by the Secretary of Finance;
 - Removes the price/brand classification freeze on alcohol and tobacco products;
 - Allocates the incremental revenues from the excise tax on tobacco products for the provinces producing burley and native tobacco in accordance with the volume of tobacco leaf production to promote economically viable alternative programs for tobacco farmers and workers; and
 - Provides additional funding for the universal health care program of government.

RELATED LAWS:

- Republic Act No. 9334, otherwise known as "An Act Increasing The Excise Tax Rates Imposed on Alcohol and Tobacco Products, And Amending For The Purpose Sections 131, 141, 142, 143, 144, 145 and 288 Of The National Internal Revenue Code of 1997, As Amended," and
- Republic Act No. 8424, otherwise known as the National Internal Revenue Code of 1997, as amended.

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

4
5 FIFTEENTH CONGRESS
6 Second Regular Session

7
8 House Bill No. 5727
9

10
11 Introduced by HON. JOSEPH EMILIO AGUINALDO ABAYA
12

13
14
15 EXPLANATORY NOTE

16
17 The expanding breadth and depth of the country's social and economic
18 development agenda put growing pressure on government financial
19 resources. The existing revenue base of government is limited in its
20 capability to provide substantial revenues to meet such pressure. The
21 country's deficit fiscal position is exposed to the possibility of further
22 deterioration.

23
24 To borrow more in order to finance the deficit is a luxury the
25 government cannot afford much longer. This is not to mention that rising
26 deficit can result in a downgrade in the country's credit rating that would
27 make borrowing an expensive option. Borrowing will only lead to
28 heightened fiscal risks. Clearly, the country needs to rely more on its own
29 resources. It is for this reason that this bill aims to enhance the revenue-
30 generating potential of the tax system by proposing to restructure the
31 excise taxes on alcohol and tobacco products.

32
33 However, it is not only out of the desire to generate more revenues that
34 we seek to restructure the excise tax on these products. Its design is also
35 ripe for a major overhaul in order to make the structure simple, fair and
36 responsive to the objectives of government

37
38 We remain committed to keep the specific form of excise taxation of
39 alcohol and tobacco products because it is easier to administer and it
40 internalizes the negative externalities of alcohol drinking and tobacco
41 smoking.

42
43 From the current multi-rate specific structure of the excise tax on tobacco
44 and alcohol products, this bill would like to move to a much simpler
45 structure by adopting a unitary rate. With a unitary rate, problems
46 attendant to the current structure, such as unfair tax treatment between
47 and among tobacco and alcohol products, will be addressed. A unitary
48 rate will lend the tax structure more revenue-productive since it will avoid

1 the shifting of demand to the least-taxed brand of tobacco and alcohol
2 products.

3
4 The bill approaches the reform in a more pragmatic manner by proposing
5 to unify the excise tax rates in phases in aspects where a one- time
6 unification proves too abrupt. It is proposed that a three-year transition
7 period be observed in unifying the excise tax rates on cigarettes and
8 distilled spirits. The tax structure for fermented liquor will be immediately
9 unified on the first year of the reform.

10
11 An essential feature of this proposal is the automatic adjustment of the
12 tax rates using the relevant NSO-established tobacco and alcohol
13 indexes. The adjustment will allow the specific tax rates to track inflation,
14 thus, maintaining the buoyancy of the revenues from this source.

15
16 The proposed structure under this bill is expected to yield additional
17 revenues of P60 billion. The bill provides for the continued sharing by
18 tobacco farmers from incremental revenues but for purposes different
19 from the existing intentions. More importantly, however, the bill proposes
20 to direct incremental revenues towards augmenting the funds for the
21 universal health care program of the government.

22
23 Cooperation from Congress has always been critical in moving the
24 country's development agenda forward. In this period of even more
25 uncertainty brought by globalized economies as well as the
26 evolving fiscal challenges such as energy and environmental -related
27 concerns, working together becomes even more imperative. This bill is
28 the author's humble contribution to this call for cooperation.

29
30 From the foregoing, the passage of this bill is earnestly sought.

31
32 
33 JOSEPH EMILIO AGUINALDO ABAYA
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48

1
2
3
4
5
6
7 Republic of the Philippines
8 HOUSE OF REPRESENTATIVES
9 Quezon City, Metro Manila

10
11 FIFTEENTH CONGRESS
12 Second Regular Session

13 House Bill No. 5727
14
15

16
17 Introduced by HON. JOSEPH EMILIO AGUINALDO ABAYA
18

19
20 AN ACT
21
22 RESTRUCTURING THE EXCISE TAX ON ALCOHOL AND TOBACCO
23 PRODUCTS
24

25 Be it enacted by the Senate and the House of Representatives of the
26 Congress of the Philippines in session assembled:

27
28 SECTION 1. Section 141 of the National Internal Revenue Code of
29 1997, as amended by Republic Act No. 9334, is hereby further amended
30 to read as follows:

31
32 "SEC 141. *Distilled Spirits.* – On distilled spirits, there shall
33 be collected, subject to the provisions of Section 133 of this Code,
34 excise taxes IN ACCORDANCE WITH ALCOHOL CONTENT as
35 follows:

36
37 (a) 45% ALCOHOL BY VOLUME AND LESS

38 January 1, 2012 – P42.00 PER PROOF

39 LITER January 1, 2013 – P80.00 PER

40 PROOF LITER January 1, 2014 – P150.00

41 PER PROOF LITER
42

1 *PROVIDED, THAT, ON THE FOURTH YEAR*
2 *AND EVERY YEAR THEREAFTER, THE EXCISE*
3 *TAX RATES PRESCRIBED HEREIN SHALL BE*
4 *ADJUSTED TO ITS PRESENT VALUE USING AN*
5 *APPROPRIATE PRICE INDEX FOR ALCOHOLIC*
6 *DRINKS, AS PUBLISHED BY THE NATIONAL*
7 *STATISTICS OFFICE (NSO)."*

8
9
10
11
12
13
14 (b) MORE THAN 45% ALCOHOL BY VOLUME –

15 January 1, 2012 – P317.45 PER PROOF LITER

16 January 1, 2013 – P233.73 PER PROOF LITER

17 January 1, 2014 -- P150.00 PER PROOF LITER

18 *PROVIDED, THAT, ON THE FOURTH YEAR*
19 *AND EVERY YEAR THEREAFTER, THE EXCISE*
20 *TAX RATES PRESCRIBED HEREIN SHALL BE*
21 *ADJUSTED TO ITS PRESENT VALUE USING AN*
22 *APPROPRIATE PRICE INDEX FOR ALCOHOLIC*
23 *DRINKS, AS PUBLISHED BY THE NATIONAL*
24 *STATISTICS OFFICE (NSO)."*

25
26
27
28
29
30
31
32 ["a] If produced from the sap of nipa, coconut, cassava, camote, or
33 buri palm or from the juice, syrup or sugar of the cane, provided such
34 materials are produced commercially in the country where they are
35 processed into distilled spirits per proof liter, Eleven pesos and sixty-five
36 centavos (P11.65)]

37
38 ["b] If produced from raw materials other than those enumerated in
39 the preceding paragraph, the tax shall be in accordance with the net retail
40 price per bottle of seven hundred fifty milliliter (750 ml.) volume capacity
41 (excluding the excise tax and the value-added tax) as follows"]

42
43 ["(1) Less than two hundred and fifty pesos (P250.00) – One
44 hundred twenty six pesos (P126.00) per proof liter;]

45
46 ["(2) Two hundred and fifty pesos (P250.00) up to Six hundred and
47 seventy-five pesos (P675.00) – Two hundred fifty-two pesos (P252.00),
48 per proof liter; and]

49
50 ["(3) More than Six hundred and seventy-five pesos (P675.00) –
51 Five hundred four pesos (P504.00), per proof liter.]

52
53 (c) Medicinal preparations, flavoring extracts, and all other

1 preparations, except toilet preparations, of which, excluding
2 water, distilled spirits form the chief ingredient, shall be
3 subject to the same tax as such chief ingredient.

4
5 "This tax shall be proportionally increased for any strength of the
6 spirits taxed over proof spirits, and the tax shall attach to this substance
7 as soon as it is in existence as such, whether it be subsequently
8 separated as pure or impure spirits, or transformed into any other
9 substances either in the process of original production or by any
10 subsequent process.

11
12 "Spirits or distilled spirits' is the substance known as ethyl alcohol,
13 ethanol or spirits of wine, including all dilutions, purifications and mixtures
14 thereof, from whatever source, by whatever process produced, and shall
15 include whisky, brandy, rum, gin and vodka, and other similar products of
16 mixtures.

17
18 "Proof Spirits' is liquor containing one-half (1/2) of its volume of
19 alcohol of a specific gravity of seven thousand nine hundred and thirty-
20 nine ten thousandths (0.7939) at fifteen degrees centigrade (15°C). A
21 'proof liter' means a liter of proof spirits.

22
23 ["Net retail price', as determined by the Bureau of Internal
24 Revenue through a price survey to be conducted by the Bureau of
25 Internal Revenue itself, or by the National Statistics Office when
26 deputized for the purpose by the Bureau of Internal Revenue, shall mean
27 the price at which the distilled spirits is sold on retail in at least ten (10)
28 major supermarkets in Metro Manila, excluding the amount intended to
29 cover the applicable excise tax and the value-added tax. For brands
30 which are marketed outside Metro Manila, the 'net retail price' shall mean
31 the price at which the distilled spirits is sold in at least five (5) major
32 supermarkets in the region excluding the amount intended to cover the
33 applicable excise tax and the value-added tax.]

34
35 [" Variants of existing brands and variants of new brands which are
36 introduced in the domestic market after the effectively of this Act shall be
37 taxed under the proper classification thereof based on their suggested
38 net retail price: *Provided, however*, that such classification shall not, in
39 any case, be lower than the highest classification of any variant of that
40 brand.]

41
42 [" A 'variant of a brand' shall refer to a brand on which a modifier is
43 prefixed and/or suffixed to the root name of the brand.]

44
45 [" New brands, as defined in the immediately following paragraph,

1 shall initially be classified according to their suggested net retail price.
2 Willful understatement of the suggested net retail price by as much as
3 fifteen percent (15%) of the actual net retail price shall render the
4 manufacturer liable for additional excise tax equivalent to the tax due and
5 difference between the understated suggested net retail price and the
6 actual net retail price.]

7
8 [" 'New brand' shall mean a brand registered after the date of
9 effectivity of R.A. No. 8240.]

10
11 [" 'Suggested net retail price' shall mean the net retail price at
12 which new brands, as defined above, of locally manufactured or imported
13 distilled spirits are intended by the manufacturer or importer to be sold on
14 retail in major supermarkets or retail outlets in Metro Manila for those
15 marketed nationwide, and in other regions, for those with regional
16 markets. At the end of three (3) months from the product launch, the
17 Bureau of Internal Revenue shall validate the suggested net retail price
18 as defined herein and determine the correct tax bracket to which a
19 particular new brand of distilled spirits, as defined above, shall be
20 classified. After the end of eighteen (18) months from such validation, the
21 Bureau of Internal Revenue shall revalidate the initially validated net retail
22 price against the net retail price of the time of revalidation in order to
23 finally determine the correct tax bracket which a particular new brand of
24 distilled spirits shall be classified: *Provided, however,* That brands of
25 distilled spirits introduced in the domestic market between January 1,
26 1997 and December 31, 2003 shall remain in the classification under
27 which the Bureau of Internal Revenue has determined them to belong as
28 of December 31, 2003. Such classification of new brands and brands
29 introduced between January 1, 1997 and December 31, 2003 shall not be
30 revised except by an act of Congress.]

31
32 [" The rates of tax imposed under this Section shall be increase by
33 eight percent (8%) every two years starting on January 1, 2007.]

34
35 [" Any downward reclassification of present categories, for tax
36 purposes, of existing brands of distilled spirits duly registered at the time
37 of effectivity of this Act which will reduce the tax imposed herein, or the
38 payment thereof, shall be prohibited.]

39
40 [" The classification of each brand of distilled spirits based on the
41 average net retail price as of October 1, 1996, as set forth in Annex 'A',
42 including the classification of brands for the same products which,
43 although not set forth in said Annex 'A', were registered and were being

1 commercially produced and marketed on or after October 1, 1996, and
2 which continue to be commercially produced and marketed after the
3 effectivity of this Act, shall remain in force until revised by Congress.]

4
5 *Manufacturers and importers of distilled spirits shall, within thirty
6 (30) days from the effectivity of this Act, and within the first five (5) days
7 of every third month thereafter, submit to the Commissioner a sworn
8 statement of the volume of sales for each particular brand of distilled of
9 spirits sold at his establishment for the three-month period immediately
10 preceding.

11
12 *Any manufacturer or importer who, in violation of this Section,
13 knowingly misdeclares or misrepresents in his or its sworn statement
14 herein required any pertinent data or information shall, upon final findings
15 by the Commissioner that the violation was committed, be penalized by a
16 summary cancellation or withdrawal of his or its permit to engage in
17 business as manufacturer or importer of distilled spirits.

18
19 *Any corporation, association or partnership liable for any of the
20 acts or omissions in violation of this Section shall be fined treble the
21 amount of deficiency taxes, surcharges and interest which may be
22 assessed pursuant to this Section.

23 *Any person liable for any of the Acts or omission prohibited under
24 this Section shall be criminally liable and penalized under Section 254 of
25 this Code. Any person who willfully aids or abets in the commission of
26 any such act or omission shall be criminally liable in the same manner as
27 the principal.

28
29 *If the offender is not a citizen of the Philippines, he shall be
30 deported immediately after serving the sentence, without further
31 proceedings for deportation.

32
33
34 **SEC. 2.** Section 142 of the National Internal Revenue Code of
35 (1997), as amended by Republic Act No. 9334, is hereby further
36 amended to read as follows:

37
38 *SEC. 142. *Wines.* – On wines, there shall be collected per
39 liter of volume capacity, the following taxes effective January 1,
40 2012:

41
42 *(a) Sparkling wines/champagnes regardless of proof [, if the
43 net retail price per bottle (excluding the excise tax and the value-
44 added tax) is:] – THREE HUNDRED PESOS (P300.00);

1 ["(1) Five hundred pesos (P500.00) or less – One hundred
2 forty-five pesos and sixty centavos (P145.60); and]

3
4 ["(2) More than Five hundred pesos (P500.00) – Four
5 hundred thirty-six pesos and eighty centavos (P436.80)]

6
7 ["(b) Still wines containing fourteen percent (14%) of alcohol
8 by volume or less, Seventeen pesos and forty-seven centavos
9 (P17.47)]; and]

10
11 ["(c) Still Wines containing more than fourteen percent
12 (14%) but not more than twenty-five percent (25%) of alcohol by
13 volume, [Thirty-four pesos and ninety-four centavos (P34.94).]

14
15 "(b) STILL WINES, REGARDLESS OF PROOF – FIFTY
16 PESOS (P50.00)

17
18 *PROVIDED, THAT, EVERY YEAR THEREAFTER, THE*
19 *EXCISE TAX RATES PRESCRIBED HEREIN SHALL BE*
20 *ADJUSTED TO ITS PRESENT VALUE USING AN APPROPRIATE*
21 *PRICE INDEX FOR ALCOHOLIC DRINKS, AS PUBLISHED BY*
22 *THE NATIONAL STATISTICS OFFICE (NSO)."*

23
24 "Fortified wines containing more than twenty-five percent (25%) of
25 alcohol by volume shall be taxed as distilled spirits. 'Fortified wines' shall
26 mean natural wines to which distilled spirits are added to increase their
27 alcohol strength.

28
29 ['Net retail price', as determined by the Bureau of Internal Revenue
30 through a price survey to be conducted by the Bureau of Internal
31 Revenue itself, or the National Statistics Office when deputized for the
32 purpose by the Bureau of Internal Revenue, shall mean the price at which
33 wine is sold on retail in at least ten (10) major supermarkets in Metro
34 Manila, excluding the amount intended to cover the applicable excise tax
35 and the value-added tax. For brands which are marketed outside Metro
36 Manila, the 'net retail price' shall mean the price at which the wine spirits
37 is sold in at least five (5) major supermarkets in the region excluding the
38 amount intended to cover the applicable excise tax and the value-added
39 tax.]

40
41 ['Variants of existing brands and variants of new brands which are
42 introduced in the domestic market after the effectivity of this Act shall be
43 taxed under the proper classification thereof based on their suggested
44 net retail price: *Provided, however, That such classification shall not, in*
45 *any case, be lower than the highest classification of any variant of that*

1 brand.]

2
3 [A 'variant of a brand' shall refer to a brand on which a modifier is
4 prefixed and/or suffixed to the root name of the brand.]

5
6 [New brands, as defined in the immediately following paragraph,
7 shall initially be classified according to their suggested retail price.]

8
9 ['New brand' shall mean a brand registered after the date of
10 effectivity of R.A. No. 8240.]

11
12 ['Suggested net retail price' shall mean the net retail price at
13 which new brands, as defined above, of locally manufactured or
14 imported wines are intended by the manufacture or importer to be
15 sold on retail in major supermarkets or retail outlets in Metro
16 Manila for those marketed nationwide, and in other regions, for
17 those with regional markets. At the end of three (3) months from
18 the product launch, the Bureau of Internal Revenue shall validate
19 the suggested retail price of the new brand against the net retail
20 price as defined herein and determine the correct tax bracket
21 under which a particular new brand of wine, as defined above,
22 shall be classified. After the end of eighteen (18) months from such
23 validation, the Bureau of Internal Revenue shall validate the initially
24 validated net retail price against the net retail price as of the time of
25 revalidation in order to finally determine the correct tax bracket
26 which a particular new brand of wines shall be classified: *Provided,*
27 *however,* That brands of wines introduced in the domestic market
28 between January 1, 1997 and December 31, 2003 shall remain in
29 the classification under which the Bureau of Internal Revenue has
30 determined them to belong as of December 31, 2003. Such
31 classification of new brands and brands introduced between
32 January 1, 1997 and December 31, 2003 shall not be revised
33 except by any act of Congress.]

34
35 [The rates of tax imposed under this Section shall be increased by
36 eight percent (8%) every two years starting on January 1, 2007
37 until January 1, 2011.]

38
39 [Any downward reclassification of present categories, for tax
40 purposes, of existing brands of wines duly registered at the time of
41 the effectivity of this Act which will reduce the tax imposed herein,
42 or the payment hereof, shall be prohibited.]

43
44 [The classification of each brand of wines based on the average
45 net retail price as of October 1, 1996, as set forth in Annex 'B',

1 including the classification of brands for the same products which,
2 although not set forth in said "Annex B" were registered and were
3 being commercially produced and marketed after the effectivity of
4 this Act, shall remain in force until revised by Congress.]
5

6 "Manufacturers and importers of wines shall, within thirty (30) days
7 from the effectivity of this Act, and within the first five (5) days of
8 every month thereafter, submit to the Commissioner a sworn
9 statement of the volume of sales for each particular brand of wines
10 sold at his establishment for the three month period immediately
11 preceding.
12

13 "Any manufacturer or importer who, in violation of this
14 Section, knowingly misdeclares or misrepresents in his or its sworn
15 statement herein required any pertinent data or information shall,
16 upon discovery, be penalized by a summary cancellation or
17 withdrawal of his or its permit to engage in business as
18 manufacturer or importer of wines.
19

20 "Any corporation, association or partnership liable for any of
21 the acts or omissions in violation of this Section shall be fined
22 treble the amount of deficiency taxes, surcharges and interest
23 which may be assessed pursuant to this Section.
24

25 "Any person liable for any of the acts or omissions prohibited
26 under this Section shall be criminally liable and penalize under
27 Section 254 of this Code. Any person who willfully aids or abets in
28 the commission of any such act or omission shall be criminally
29 liable in the same manner as the principal.
30

31 "If the offender is not a citizen of the Philippines, he shall be
32 deported immediately after serving the sentence, without further
33 proceedings for deportation.
34

35
36 **SEC. 3.** Section 143 of the National Internal Revenue Code of
37 (1997), as amended by Republic Act No. 9334, is hereby further
38 amended to read as follows:
39

40 "SEC. 143. Fermented Liquor. – There shall be levied,
41 assessed and collected an excise tax on beer, lager beer, ale,
42 porter and other fermented liquors except *tuba*, *basi*, *tapuy* and
43 similar fermented liquors [in accordance with the following
44 schedule:] AN EXCISE TAX EQUIVALENT TO TWENTY-FIVE
45 PESOS (P25.00) PER LITER EFFECTIVE JANUARY 1, 2012:

1 *PROVIDED, THAT, EVERY YEAR THEREAFTER, THE EXCISE*
2 *TAX RATE PRESCRIBED HEREIN SHALL BE ADJUSTED TO*
3 *ITS PRESENT VALUE USING AN APPROPRIATE PRICE INDEX*
4 *FOR ALCOHOLIC DRINKS, AS PUBLISHED BY THE NATIONAL*
5 *STATISTICS OFFICE (NSO)."*

6
7 ["(a) If the net retail price (excluding the excise tax and the value-
8 added tax) per liter of volume capacity is less than Fourteen pesos and
9 fifty centavos (P14.50), the tax shall be Eight pesos and twenty-seven
10 centavos (P8.27) per liter;]

11
12 ["(b) If the net retail price (excluding the excise tax and value-
13 added tax) per liter of volume capacity is Fourteen pesos and fifty
14 centavos (P14.50) up to Twenty-two pesos (P22.00), the tax shall be
15 Twelve pesos and thirty centavos (P12.30) per liter;]

16
17 ["(c) If the net retail price (excluding the excise tax and the value-
18 added tax) per liter of volume capacity is more than Twenty-two pesos
19 (P22.00), the tax shall be Sixteen pesos and thirty-three centavos
20 (P16.33) per liter.]

21
22 ["Variants of existing brands and variants of new brands which are
23 introduced in the domestic market after the effectivity of this Act shall be
24 taxed under the proper classification thereof based on their suggested
25 net retail price: *Provided, however, That such classification shall not, in*
26 *any case, be lower than the highest classification of any variant of that*
27 *brand.]*

28
29 ["A 'variant of a brand' shall refer to a brand on which a modifier is
30 prefixed and/or suffixed to the root name of the brand.]

31
32 ["Fermented liquors which are brewed and sold at microbreweries
33 or small establishments such as pubs and restaurants shall be subject to
34 the rate in paragraph (c) hereof.]

35
36 ["New brands, as defined in the immediately following paragraph,
37 shall initially be classified according to their suggested net retail price.]

38
39 ["'New brand' shall mean a brand registered after the date of
40 effectivity of R.A. No. 8240.]

41
42 ["'Suggested net retail price' shall mean the net retail price at which
43 new brands, as defined above, of locally manufactured or imported
44 fermented liquor are intended by the manufacturer or importer to be sold
45 on retail in major supermarkets or retail outlets in Metro Manila for those

1 marketed nationwide, and in other regions, for those with regional
2 markets. At the end of three (3) months from the product launch, the
3 Bureau of Internal Revenue shall validate the suggested net retail price of
4 the new brand against the net retail price as defined herein and
5 determine the correct tax bracket to which a particular new brand of
6 fermented liquor, as defined above, shall be classified. After the end of
7 the eighteen (18) months from such validation, the Bureau of Internal
8 Revenue shall revalidate the initially validated net retail price against the
9 net retail price as of the time of revalidation in order to finally determine
10 the correct tax bracket which a particular new brand of fermented liquors
11 shall be classified: *Provided, however,* That brands of fermented liquors
12 introduced in the domestic market between January 1, 1997 and
13 December 31, 2003 shall remain in the classification under which the
14 Bureau of Internal Revenue has determined them to belong as of
15 December 31, 2003. Such classification of new brands and brands
16 introduced between January 1, 1997 and December 31, 2003 shall not be
17 revised except by an act of Congress.]

18
19 ["Net retail price", as determined by the Bureau of Internal
20 Revenue through a price survey to be conducted by the Bureau of
21 Internal Revenue itself, or the National Statistics Office when deputized
22 for the purpose of Bureau of Internal Revenue, shall mean the price at
23 which the fermented liquor is sold on retail in at least twenty (20) major
24 supermarkets in Metro Manila (for brands of fermented liquor marketed
25 nationally), excluding the amount intended to cover the applicable excise
26 tax and the value-added tax. For brands which are marketed outside
27 Metro Manila, the 'net retail price' shall mean the price at which the
28 fermented liquor is sold in at least five (5) major supermarkets in the
29 region excluding the amount intended to cover the applicable excise tax
30 and the value-added tax.]

31
32 ["The classification of each brand of fermented liquor based on its
33 average net retail price as of October 1, 1996, as set forth in Annex 'C',
34 including the classification of brands for the same products which,
35 although not set forth in said Annex 'C', were registered and were being
36 commercially produced and marketed on or after October 1, 1996, and
37 which continue to be commercially produced and marketed after the
38 effectivity of this Act, shall remain in force until revised by Congress.]

39
40 ["The rates of tax imposed under this Section shall be increased by
41 eight percent (8%) every two years starting on January 1, 2007 until
42 January 1, 2011.]

43
44 ["Any downward reclassification of present categories, for tax

1 purposes, of existing brands of fermented liquor duly registered at the
2 time of the effectivity of this Act which will reduce the tax imposed herein,
3 or the payment thereof, shall be prohibited.]
4

5 "Every brewer or importer of fermented liquor shall, within thirty
6 (30) days from the effectivity of this Act, and within the first five (5) days
7 of every month thereafter, submit to the Commissioner a sworn statement
8 of the volume of sales for each particular brand of fermented liquor sold
9 at his establishment for the three-month period immediately preceding.
10

11 "Any brewer or importer who, in violation of this Section, knowingly
12 misdeclares or misrepresents in his or its sworn statement herein
13 required any pertinent data or information shall be penalized by a
14 summary cancellation or withdrawal of his or its permit to engage in
15 business as brewer or importer of fermented liquor.
16

17 "Any corporation, association or partnership liable for any the acts
18 or omissions in violation of this Section shall be fined treble the amount of
19 deficiency taxes, surcharges and interest which may be assessed
20 pursuant to this Section.
21

22 "Any person, liable for any of the acts or omissions prohibited
23 under this Section shall be criminally liable and penalized under Section
24 254 of this Code. Any person who willfully aids or abets in the
25 commission of any such act or omission shall be criminally liable in the
26 same manner as the principal.
27

28
29 "If the offender is not a citizen of the Philippines, he shall be
30 deported immediately after serving the sentence, without further
31 proceedings for deportation.
32

33 **Sec. 4.** Section 144 of the National Internal Revenue Code of
34 (1997), as amended by Republic Act No. 9334, is hereby further
35 amended to read as follows:
36

37 "SEC. 144. Tobacco Products. – There shall be collected a
38 tax of [One peso (P1.00)] TWO PESOS AND FIFTY CENTAVOS
39 (P2.50) on each kilogram of the following products of tobacco:
40

41 a) Tobacco twisted by hand or reduced into a condition
42 to be consumed in any manner other than the ordinary mode of
43 drying and curing;
44

45 b) Tobacco prepared or partially prepared with or without

1 the use of any machine or instruments or without being pressed or
2 sweetened except as otherwise provided hereunder; and

3
4 c) Fine-cut shorts and refuse, scraps clippings, cuttings,
5 stems and sweepings of tobacco except as otherwise provided
6 hereunder.

7
8 Stemmed leaf tobacco, tobacco prepared or partially
9 prepared with or without the use of any machine or instrument or
10 without being pressed or sweetened, fine-cut shorts and refuse,
11 scraps, clippings, cuttings, stems, midribs; and sweepings of
12 tobacco resulting from the handling or stripping of whole leaf
13 tobacco shall be transferred, disposed of, or otherwise sold without
14 any prepayment of the excise tax herein provided for if the same
15 are to be exported or to be used in the manufacture of cigars,
16 cigarettes, or other tobacco products on which the excise tax will
17 eventually be paid on the finished product, under such conditions
18 as may be prescribed in the rules and regulations promulgated by
19 the Secretary of Finance, upon recommendation of the
20 Commissioner.

21
22 On tobacco specially prepared for chewing so as to be
23 unsuitable for use in any other manner, EFFECTIVE JANUARY 1,
24 2012, on each kilogram, [Seventy-nine centavos (P0.79)] ONE
25 PESO AND EIGHTY-SEVEN CENTAVOS (P1.87).

26
27 [The rates of tax imposed under this Section shall be increased by
28 six percent (6%) every two years starting on January 1, 2007 until
29 January 1, 2011.]

30
31 **PROVIDED, THAT ON JANUARY 1, 2013 AND EVERY YEAR**
32 **THEREAFTER, THE EXCISE TAX RATES PRESCRIBED HEREIN**
33 **SHALL BE ADJUSTED ANNUALLY TO THEIR PRESENT VALUE**
34 **USING AN APPROPRIATE PRICE INDEX FOR TOBACCO**
35 **PRODUCTS, AS PUBLISHED BY THE NATIONAL STATISTICS**
36 **OFFICE (NSO)."**

37
38 Manufacturers and importers of tobacco products shall, within thirty
39 (30) days from the effectivity of this Act, and within the first five (5) days
40 of every month thereafter, submit to the Commissioner a sworn statement
41 of the volume of sales for each particular brand of tobacco products sold
42 [at their establishment] for the three-month period immediately preceding.

43
44 Any manufacturer or importer who, in violation of this Section,

1 knowingly misdeclares and misrepresents in his or its sworn statement
2 herein required any pertinent data or information shall, upon discovery,
3 be penalized by a summary cancellation or withdrawal of his or its permit
4 to engage in business as manufacturer or importer of cigar and
5 cigarettes.

6
7 Any corporation, association or partnership liable for any of the
8 acts or omissions in violation of this Section shall be fined treble the
9 amount of deficiency taxes, surcharges and interest which may be
10 assessed pursuant to this Section.

11
12 Any person liable for any of the acts or omission prohibited under
13 this Section shall be criminally liable and penalized under Section 254 of
14 this Code. Any person who willfully aids or abets in the commission of
15 any such act or omission shall be criminally liable in the same manner as
16 the principal.

17
18 If the offender is not a citizen of the Philippines, he shall be
19 deported immediately after serving the sentence, without further
20 proceedings for deportation.

21
22
23 **Sec. 5.** Section 145 of the National Internal Revenue Code of
24 1997, as amended by Republic Act No. 9334, is hereby further amended
25 to read as follows:

26
27 **"SEC. 145. Cigars and Cigarettes.**

28
29 **A) Cigars. –** There shall be levied, assessed and collected
30 on cigars [an *ad valorem* tax based on the retail price] **A TAX**
31 **OF TWO HUNDRED PESOS (P200.00)** per cigar.
32 [(excluding the excise tax and the value-added tax) in
33 accordance with the following schedule:]

34
35 ["1) If the net retail price per cigar is Five hundred
36 pesos, (P500.00) or less, ten percent (10%); and]

37
38 ["2) If the net retail price per cigar is (excluding the
39 excise tax and the value-added tax) is more than Five
40 hundred pesos (P500.00), Fifty pesos (P50.00) plus
41 fifteen percent (15%) of the net retail price in excess
42 of Five hundred pesos (P500.00)."]

43
44 **PROVIDED, THAT ON JANUARY 1, 2013 AND EVERY**
45 **YEAR THEREAFTER, THE EXCISE TAX RATE PRESCRIBED**
46 **HEREIN SHALL BE ADJUSTED ANNUALLY TO ITS PRESENT**

1 VALUE USING AN APPROPRIATE PRICE INDEX FOR
2 TOBACCO PRODUCTS, AS PUBLISHED BY THE NATIONAL
3 STATISTICS OFFICE (NSO)."

4
5 (B) *Cigarettes Packed by Hand.* – There shall be levied,
6 assessed and collected on cigarettes packed by hand a tax
7 at the rates prescribed below:

8
9 EFFECTIVE ON JANUARY 1, 2012, FOURTEEN PESOS
10 (P14.00) PER PACK;

11
12 EFFECTIVE ON JANUARY 1, 2013, TWENTY TWO PESOS
13 (P22.00) PER PACK;

14
15 EFFECTIVE ON JANUARY 1, 2014, THIRTY PESOS
16 (P30.00) PER PACK.
17

18 "PROVIDED, THAT ON JANUARY 1, 2015 AND EVERY YEAR
19 THERAFTER, THE EXCISE TAX RATE PRESCRIBED HEREIN
20 SHALL BE ADJUSTED ANNUALLY TO ITS PRESENT VALUE
21 USING AN APPROPRIATE PRICE INDEX FOR TOBACCO
22 PRODUCTS, AS PUBLISHED BY THE NATIONAL STATISTICS
23 OFFICE (NSO)."

24
25 Duly registered or existing brands of cigarettes or new brands
26 thereof packed by hand shall only be packed in thirties. ANY
27 BRAND NOT PACKED IN THIRTIES SHALL BE PROHIBITED
28 AND SUBJECTED TO PENALTIES PROVIDED UNDER THIS
29 ACT, WITHOUT PREJUDICE TO OTHER ADMINISTRATIVE OR
30 CRIMINAL PENALTIES THAT MAY BE IMPOSED ON THE
31 MANUFACTURER, IMPORTER AND DISTRIBUTOR OF THE
32 SAID BRAND.

33
34 ["Effective on January 1, 2005, Two pesos (P2.00) per pack;]

35
36 ["Effective on January 1, 2007, Two Pesos and twenty-three
37 centavos (P2.23) Per Pack;]

38
39 [Effective on January 1, 2009, Two pesos and forty-seven
40 centavos (P2.47) per pack; and]

41
42 [Effective on January 1, 2011, Two pesos and seventy-two
43 centavos (P2.72) per pack.]
44
45
46

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

4
5 EFFECTIVE ON JANUARY 1, 2012-

6
7 (1) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE
8 TAX AND THE VALUE-ADDED TAX) IS TEN PESOS
9 (P10.00) AND BELOW PER PACK, THE TAX SHALL
10 BE FOURTEEN PESOS (14.00) PER PACK;

11
12 (2) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE
13 TAX AND THE VALUE-ADDED TAX) IS MORE THAN
14 TEN PESOS (P10.00) PER PACK, THE TAX SHALL
15 BE THIRTY PESOS (P30.00) PER PACK;

16
17
18
19 EFFECTIVE ON JANUARY 1, 2013-

20
21 (1) IF THE NET RETAIL PRICE (EXCLUDING THE
22 EXCISE TAX AND THE VALUE-ADDED TAX) IS TEN
23 PESOS (P10.00) AND BELOW PER PACK, THE TAX
24 SHALL BE TWENTY-TWO PESOS (P22.00) PER
25 PACK;

26
27 (2) IF THE NET RETAIL PRICE (EXCLUDING THE
28 EXCISE TAX AND THE VALUE-ADDED TAX) IS
29 MORE THAN TEN PESOS (P10.00) PER PACK, THE
30 TAX SHALL BE THIRTY PESOS (P30.00) PER
31 PACK;

32
33
34
35 EFFECTIVE ON JANUARY 1, 2014, THE TAX
36 SHALL BE THIRTY PESOS (P30.00) PER PACK;

37
38
39 PROVIDED, THAT ON JANUARY 1, 2015 AND EVERY YEAR
40 THEREAFTER, THE EXCISE TAX RATE PRESCRIBED HEREIN
41 SHALL BE ADJUSTED ANNUALLY TO ITS PRESENT VALUE
42 USING AN APPROPRIATE PRICE INDEX FOR TOBACCO
43 PRODUCTS, AS PUBLISHED BY THE NATIONAL STATISTICS
44 OFFICE (NSO)."

45
46 ALL BRANDS OF CIGARETTES EXISTING IN THE MARKET AT
47 THE TIME OF THE EFFECTIVITY OF THIS ACT SHALL BE
48 CLASSIFIED ACCORDINGLY FOR THE PROPER

1 DETERMINATION OF THE TAX LIABILITY IN ACCORDANCE
2 WITH THE SCHEDULE PROVIDED ABOVE.

3
4 ["(1) If the net retail price (excluding the excise tax and the value-
5 added tax) is below Five pesos (P5.00) per pack, the tax shall be:]

6
7 ["Effective on January 1, 2005, Two pesos (P2.00) per pack;

8
9 ["Effective on January 1, 2007, Two pesos and twenty-three
10 centavos (P2.23) per pack;]

11
12 ["Effective on January 1, 2009, Two pesos and forty-seven
13 centavos (P2.47) per pack; and]

14
15 ["Effective on January 1, 2011, Two pesos and seventy-two
16 centavos (P2.72) per pack.]

17
18 ["(2) If the net retail price (excluding the excise tax and the value-
19 added tax) is Five pesos (P5.00) but does not exceed Six pesos
20 and fifty centavos (P6.50) per pack, the tax shall be:

21
22 ["Effective on January 1, 2005, Six pesos and thirty-five centavos
23 (P6.35) per pack;]

24
25 ["Effective on January 1, 2007, Six pesos and seventy-four
26 centavos (P6.74) per pack;]

27
28 ["Effective on January 1, 2009, Seven pesos and fourteen
29 centavos (P7.14) per pack; and]

30
31 ["Effective on January 1, 2011, Seven pesos and fifty-six centavos
32 (P7.56) per pack.]

33
34 ["(3) If the net retail price (excluding the excise tax and the value-
35 added tax) exceeds Six pesos and fifty centavos (P6.50) but does
36 not exceed Ten pesos (P10.00) per pack, the tax shall be:]

37
38 ["Effective on January 1, 2005, Ten pesos and thirty-five centavos
39 (P10.35) per pack;]

40
41 ["Effective on January 1, 2007, Ten pesos and eighty-eight
42 centavos (P10.88) per pack;]

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

1 ["Effective on January 1, 2011, Twelve pesos (P12.00) per pack.]
2
3
4

5 [{"(4) If the net retail price (excluding the excise tax and the value-
6 added tax) is above Ten pesos (P10.00) per pack, the tax shall be:]
7

8 ["Effective on January 1, 2005, Twenty-five pesos (P25.00) per
9 pack;]
10

11 ["Effective on January 1, 2007, Twenty-six pesos and six centavos
12 (P26.06 per pack;]
13

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

17 ["Effective on January 1, 2011, Twenty-eight pesos and thirty
18 centavos (P28.30) per pack.]
19

20 Variants of existing brands and variants of new brands of
21 cigarettes which are introduced in the domestic market after the effectivity
22 of this Act shall be taxed under the proper classification thereof based on
23 their suggested net retail price: *Provided, however,* That such
24 classification shall not, in any case, be lower than the highest
25 classification of any variant of that brand.
26

27 A *'variant of a brand'* shall refer to a brand on which a modifier is
28 prefixed and/or suffixed to the root name of the brand.
29

30 Duly registered or existing brands of cigarettes or new brands
31 thereof packed by machine shall only be packed in twenties. ANY
32 BRAND NOT PACKED IN TWENTIES SHALL BE PROHIBITED AND
33 SUBJECTED TO PENALTIES PROVIDED UNDER THIS ACT,
34 WITHOUT PREJUDICE TO OTHER ADMINISTRATIVE OR CRIMINAL
35 PENALTIES THAT MAY BE IMPOSED ON THE MANUFACTURER,
36 IMPORTER AND DISTRIBUTOR OF THE SAID BRAND.
37

38 Any downward reclassification of present categories, for tax
39 purposes, of existing brands of cigars and cigarettes duly registered
40 at the time of the effectivity of this Act which will reduce the tax imposed
41 herein, or the payment thereof, shall be prohibited.
42
43

44 "New brands as defined in the immediately following paragraph,
45 shall initially be classified according to their suggested net retail price.
46

1 **"New brand"** shall mean a brand registered after the date of
2 effectivity of [R.A No. 8240] THIS ACT.

3
4 **"Suggested net retail price"** shall mean the net retail price at which
5 new brands, as defined above, of locally manufactured or imported
6 cigarettes are intended by the manufacturer or importer to be sold on
7 retail in major supermarkets or retail outlets in Metro Manila for those
8 marketed nationwide, and in other regions, for those with regional
9 markets. At the end of three (3) months from the product launch, the
10 Bureau of Internal Revenue shall validate the suggested net retail price of
11 the new brand against the net retail price as defined herein and
12 determine the correct tax bracket under which a particular new brand of
13 cigarette, as defined above, shall be classified. After the end of eighteen
14 (18) months from such validation, the Bureau of Internal Revenue shall
15 revalidate the initially validated net retail price against the net retail price
16 as of the time of revalidation in order to finally determine the correct tax
17 bracket under which a particular new brand of cigarettes shall be
18 classified. [*Provided, however,* That brands of cigarettes introduced in
19 the domestic market between January 1, 1997 and December 31, 2003
20 shall remain in the classification under which the Bureau of Internal
21 Revenue has determined them to belong as of December 31, 2003. Such
22 classification of new brands and brands introduced between January 1,
23 1997 and December 31, 2003 shall not be revised except by an act of
24 Congress.]

25
26 **"Net retail price"**, as determined by the Bureau of Internal Revenue
27 through a price survey to be conducted by the Bureau of Internal
28 Revenue itself, or the National Statistics Office when deputized for [the]
29 this purpose by the Bureau of Internal Revenue, shall mean the price at
30 which the cigarette is sold on retail in at least twenty (20) major
31 supermarkets in Metro Manila (for brands of cigarettes marketed
32 nationally), excluding the amount intended to cover the applicable excise
33 tax and value-added tax. For brands which are marketed only outside
34 Metro Manila, the *'net retail price'*, shall mean the price at which the
35 cigarette is sold in at least five (5) major supermarkets in the region
36 excluding the amount intended to cover the applicable excise tax and the
37 value-added tax. THE MAJOR SUPERMARKETS SHALL BE THOSE
38 WITH THE HIGHEST TOTAL GROSS SALES IN METRO MANILA OR
39 THE REGION, AS THE CASE MAY BE, AS DETERMINED BY THE
40 NATIONAL STATISTICS OFFICE.

41
42 [The classification of each brand of cigarettes based on the
43 average net retail price as of October 1, 1996, as set forth in the Annex
44 'D', including the classification of brands for the same products which,

1 although not set forth in said Annex 'D', were registered and were being
2 commercially produced and marketed on or after October 1, 1996, and
3 which continue to be commercially produced and marketed after the
4 effectivity of this Act, shall remain in force until revised by Congress.]

5
6 Manufacturers and importers of cigars and cigarettes shall, within
7 thirty (30) days from the effectivity of this Act, and within the first five (5)
8 days of every month thereafter, submit to the Commissioner a sworn
9 statement of the volume of sales for each particular brand of cigars
10 and/or cigarettes sold [at his establishment] for the three-month period
11 immediately preceding.

12
13 Any manufacturer or importer who, in violation of this Section,
14 knowingly misdeclares or misrepresents in his or its sworn statement
15 herein required any pertinent data or information shall, upon discovery,
16 be penalized by a summary cancellation or withdrawal of his or its permit
17 to engage in business as manufacturer or importer of cigars or cigarettes.

18
19 Any corporation, association or partnership liable for any of the
20 acts or omissions in violation of this Section shall be fined treble the
21 aggregate amount of deficiency taxes, surcharges and interest which
22 may be assessed pursuant to this Section.

23
24 Any person liable for any of the acts or omission prohibited under
25 this Section shall be criminally liable and penalized under Section 254 of
26 this Code. Any person who willfully aids or abets in the commission of
27 any such act or omission shall be criminally liable in the same manner as
28 the principal.

29
30 If the offender is not a citizen of the Philippines, he shall be
31 deported immediately after serving the sentence, without further
32 proceedings for deportation."

33
34 Section 6. Section 131, Subsection A of the National Internal Revenue
35 Code of 1997, as amended by Republic Act No. 9334, is hereby further
36 amended as follows:

37
38 "SEC. 131. *Payment of Excise Taxes on Imported Articles.* -

39
40 (A) X x x

41
42 X x x

43
44 The provision of any special or general law to the contrary

1 notwithstanding, the importation of cigars and cigarettes,
2 distilled spirits, fermented liquors and wines into the
3 Philippines, even if destined for tax and duty-free shops,
4 shall be subject to all applicable taxes, duties, charges,
5 including excise taxes due thereon. This shall apply to cigars
6 and cigarettes distilled spirits, fermented liquors and wines
7 brought directly into the duly chartered or legislated freeports
8 of the Subic Special Economic and Freeport Zone, created
9 under Republic Act No. 7227; the Cagayan Special
10 Economic Zone and Freeport, created under the Republic
11 Act No. 7922; and the Zamboanga City Special Economic
12 Zone, created Republic Act No. 7903, and such other
13 freeports as may hereafter be established or created by law;
14 *Provided, further, that NOTWITHSTANDING THE*
15 *PROVISIONS OF REPUBLIC ACTS 9400 AND 9593,*
16 *importations of cigars and cigarettes, distilled spirits,*
17 *fermented liquors and wines made directly by a government-*
18 *owned-and-operated duty-free shop, like the Duty-free*
19 *Philippines (DFP), shall be exempted from all applicable*
20 *duties only; x x x*

21
22 X x x
23

24 Articles confiscated shall be DESTROYED USING THE MOST
25 ENVIRONMENTALLY FRIENDLY METHOD AVAILABLE.
26 [disposed of in accordance with the rules and regulations to be
27 promulgated by the Secretary of Finance, upon recommendation of
28 the Commissioners of Customs and Internal Revenue, upon
29 consultation with the Secretary of Tourism and General-manager
30 of the Philippine Tourism Authority.]

31
32 X x x
33

34 (B) X x x
35
36
37

38 **Section 7.** Section 288, subsections b and c of the National Internal
39 Revenue Code of 1997, as amended by Republic Act No. 9334 is hereby
40 further amended to read as follows:

41
42 *“(B) Incremental Revenues from Republic Act No. 8240. – Fifteen percent*
43 *(15%) of the incremental revenue collected from the excise tax on*
44 *tobacco products under R.A. No. 8240 shall be allocated and divided*
45 *among the provinces producing burley and native tobacco in accordance*
46 *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 incremental revenue from the
excise tax on alcohol and tobacco products starting January 2005 shall
be remitted directly to the Philippine Health Insurance Corporation for the
purpose of meeting and sustaining the goal of universal coverage of the
National Health Insurance Program; and]

1 [(2) Two and a half percent (2.5%) of the incremental revenue from the
2 excise tax on alcohol and tobacco products starting January 2005 shall
3 be credited to the account of the Department of Health and constituted as
4 a trust fund for its disease prevention program.]

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

8
9 "A PORTION OF THE INCREMENTAL REVENUES FROM THIS ACT
10 SHALL BE ALLOCATED TO FINANCE THE UNIVERSAL HEALTH
11 CARE PROGRAM, THE AMOUNT OF WHICH SHALL BE COMPUTED
12 ON THE BASIS OF THE ANNUAL REQUIREMENT OF THE SAID
13 PROGRAM AS DETERMINED BY THE DEPARTMENT OF HEALTH."

14
15 **SECTION 8. ANNUAL REPORT-** THE DEPARTMENT OF
16 BUDGET AND MANAGEMENT, THE DEPARTMENT OF
17 AGRICULTURE, THE PHILIPPINE HEALTH INSURANCE
18 CORPORATION, AND THE DEPARTMENT OF HEALTH SHALL EACH
19 SUBMIT TO THE OVERSIGHT COMMITTEE CREATED UNDER R.A.
20 8240 A DETAILED REPORT ON THE EXPENDITURE OF THE
21 AMOUNTS EARMARKED THIS SECTION, ON THE FIRST WEEK OF
22 AUGUST OF EVERY YEAR. THE REPORTS SHALL BE
23 SIMULTANEOUSLY PUBLISHED IN THE OFFICIAL GAZETTE AND
24 THE AGENCIES' WEBSITES.

25
26 **SECTION 9. OVERSIGHT COMMITTEE -** THE COMPOSITION
27 OF THE OVERSIGHT COMMITTEE CREATED UNDER R.A. 8240
28 SHALL INCLUDE THE AGRICULTURE AND HEALTH COMMITTEE
29 CHAIRPERSONS OF THE SENATE AND THE HOUSE OF
30 REPRESENTATIVES, AS PART OF THE FOUR (4) MEMBERS TO BE
31 APPOINTED FROM EACH HOUSE.

32
33 UPON RECEIPT OF THE AGENCIES' ANNUAL REPORTS, THE
34 COMMITTEE SHALL REVIEW THEM AND ENSURE THE PROPER
35 IMPLEMENTATION OF THIS ACT AS REGARDS THE EXPENDITURES
36 OF THE EARMARKED FUNDS.

37
38 **SECTION 10. *Implementing Rules and Regulations.*** - The
39 Secretary of Finance shall, upon the recommendation of the
40 Commissioner of Internal Revenue, [and in consultation with the
41 Department of Health,] promulgate the necessary rules and regulations
42 for the effective implementation of this Act, NOT LATER THAN ONE
43 HUNDRED EIGHTY (180) DAYS UPON THE EFFECTIVITY OF THIS
44 ACT. THE RULES AND REGULATIONS TO BE PROMULGATED

