

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 6317



Introduced by **HON. VICTOR F. ORTEGA** and **HON. EUFRANIO C. ERIGUEL, M.D.**

EXPLANATORY NOTE

Republic Act No. 8240 was enacted in November 22, 1996 and took effect on January 1, 1997. One of its objectives, according to Section 8 of the said Act is to create a fund from fifteen percent (15%) of the incremental revenue collected from the excise tax on tobacco products. This fund shall be "*exclusively utilized for programs in pursuit of the following objectives:*

- (a) Cooperative projects that will enhance better quality of agricultural products and increase income and productivity of farmers;*
- (b) Livelihood projects particularly the development of alternative farming system to enhance farmer's income;*
- (c) 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."*

Since 1997 these farmers have greatly benefitted from the projects and programs implemented by the local government units, which includes construction and improvement of farm-to-market roads, bridges, and other infrastructures, being in accordance to the said abovementioned objectives of the law.

On the other hand, in November 3, 2009, the Department of Budget and Management (DBM), the National Tobacco Administration (NTA) and the Bureau of Internal Revenue (BIR) issued Joint Circular 2009-1 implementing Section 8 of R.A. 8240. Item 4.3 of the said Joint Circular which provides for "The respective shares of the LGUs *shall be utilized for the following projects* consistent with Section 8 of R.A. 8240" and uses the same enumeration as in the said law.

The DBM now is of the opinion that the enumeration under Section 8 of R.A. 8240 as implemented by Joint Circular 2009-1 is exclusive, thereby disallowing projects not specifically mentioned such as infrastructure projects. Because of this, for the year 2011 there has been no infrastructure projects implemented unlike in the past 14 years.

It is our view that Section 8 of R.A. 8240 should have been interpreted relative to R.A. 7171 as intended by the lawmakers who crafted . This is the reason why the objectives of R.A. 8240 are similar to those of R.A. 7171 or "An Act to Promote the Development of the Farmers in the Virginia Tobacco-Producing Provinces" which provides that fifteen percent (15%) of tax proceeds from locally manufactured Virginia-type of cigarettes shall be used for four different types of projects, including "(d) *infrastructure projects such as farm-to-market roads.*" Why should the proceeds from Burley and Native Tobacco be any different?

This Bill seeks to amend R.A. 8240, specifically including in its objectives "*infrastructure projects such as farm-to-market roads,*" hence making it similar to R.A. 7171 and avoid conflicting interpretations of Section 8 of R.A. 8240. With this amendment, which will be provided in a Republic Act and not just in a Circular, the proceeds from tax collected from all types of local tobacco plants – whether Burley, Native, or Virginia Tobacco – may be used for cooperative, livelihood and agro-industrial projects, as well as infrastructure projects, all for the benefit of our tobacco farmers and their families and communities.

In view of the foregoing, the passage of this Bill is earnestly sought.



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AN ACT
EXPANDING THE ALLOCATION AND UTILIZATION OF THE INCREMENTAL
REVENUE TAX COLLECTED FROM THE EXCISE TAX ON TOBACCO
PRODUCTS, AMENDING FOR THIS PURPOSE REPUBLIC ACT NO. 8240
ENTITLED "AN ACT AMENDING SECTIONS 138, 139, 140 AND 142 OF THE
NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR OTHER
PURPOSES"

SECTION 1. Section 8 of Republic Act Number 8240 is hereby amended to read as follows:

"Section 8. Fifteen percent (15%) of the incremental revenue collected from the excise tax on tobacco products under this Act 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:

- (a) Cooperative projects that will enhance better quality of agricultural products and increase income and productivity of farmers;
- (b) Livelihood projects particularly the development of alternative farming system to enhance farmer's income;
- (c) 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; *and*
- (d) *Infrastructure projects such as farm-to-market roads."*