

**Republic of the Philippines
HOUSE OF REPRESENTATIVES
*Quezon City***

**TWENTIETH CONGRESS
Second Regular Session**

House Bill No. 10288



**Introduced by Representative ROLANDO M. VALERIANO and
Representative JOEL R. CHUA**

EXPLANATORY NOTE

The illicit importation, manufacture, sale, distribution, and possession of cigarettes and other covered products have evolved beyond a revenue and regulatory concern and now constitute a serious public order issue with implications for community safety and the integrity of law enforcement. The persistence and expansion of illicit tobacco trade undermine the rule of law, weaken State authority, and enable organized criminal activity that threatens public safety, economic stability, and respect for lawful commerce.

Illicit tobacco trade has increasingly been linked to organized and transnational criminal networks that exploit porous borders, enforcement gaps, and weak inter-agency coordination. These networks operate with a high degree of sophistication, employing dummy importers, front businesses, fraudulent documentation, and transshipment schemes that frustrate detection and prosecution. The scale and coordination of these activities demonstrate that smuggling is no longer sporadic or opportunistic, but a systemic criminal enterprise that erodes the State's capacity to maintain public order.

The impact of illicit tobacco trade on governance and public order is extensive. Smuggling operations deprive the government of substantial tax revenues, distort legitimate markets, and heighten corruption risks within enforcement and regulatory institutions. More critically, the normalization of large-scale illicit trade weakens public confidence in the State's ability to enforce the law, entrenches illegal distribution networks in communities, and creates enabling conditions for other offenses associated with organized crime, including money laundering and trafficking in prohibited goods.

Illicit cigarettes, being untaxed and unregulated, are widely distributed through informal channels that frequently evade oversight by authorities and local government units. These channels facilitate unrestricted access to tobacco products, including among minors, and contribute to disorderly and unlawful commercial activity in public spaces and online markets. The persistence of illegal tobacco markets in communities undermines local peace

and order, strains policing and inspection resources, and diverts enforcement attention from other serious crimes.

Despite existing provisions under the National Internal Revenue Code of 1997, as amended, and Republic Act No. 10863, otherwise known as the Customs Modernization and Tariff Act, current enforcement mechanisms have proven insufficient to deter large-scale and organized smuggling and illicit distribution. Criminal syndicates often treat existing penalties as part of the cost of doing business and continue operations with relative impunity, while enforcement agencies face operational constraints in monitoring production and distribution channels, including online platforms. The absence of stronger, technology-enabled controls and clearer accountability across the supply chain reduces the State's ability to rapidly disrupt illicit networks and preserve public order.

Moreover, considering that the applicability of the Anti-Agricultural Economic Sabotage Law (RA No. 12022) is contingent upon a threshold amount of at least ₱10 million, smuggling groups have adapted by deliberately fragmenting shipments and distribution into smaller quantities to evade liability under the said law. This evolving practice highlights the need for strengthened legal measures to further enhance enforcement and prosecution.

This proposed measure seeks to address these deficiencies by affirming the State's policy of treating illicit trade in covered products not only as a regulatory offense, but as a serious crime that undermines public order and the rule of law. It strengthens enforcement tools and accountability mechanisms—particularly against illicit distribution networks and unlawful online sales—to enable earlier detection, quicker interdiction, and more effective investigation and prosecution of illicit tobacco activities. By aligning compliance mechanisms and penalties with the true scale of harm inflicted on society, the bill aims to dismantle organized criminal networks, deter corruption and repeat offenses, and protect communities from the destabilizing effects of illicit trade.

Ultimately, this measure underscores the State's commitment to effective law enforcement, protection of public order, and preservation of the integrity of the country's fiscal, economic, and regulatory systems. It recognizes that safeguarding public revenue, promoting public health, and maintaining peace and order are inseparable objectives that must be advanced through a unified, technology-enabled, and enforceable legal framework.

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


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**AN ACT STRENGTHENING LAW ENFORCEMENT AGAINST ILLICIT
TRADE IN TOBACCO PRODUCTS AND RELATED PRODUCTS AS A
MATTER OF PUBLIC ORDER, AND FOR OTHER PURPOSES**

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

SECTION 1. *Declaration of Policy.* – It is the policy of the State to uphold public order and the rule of law by preventing and suppressing the illicit importation, manufacture, sale, distribution, and possession of tobacco and related products through effective law enforcement and a whole-of-government and whole-of-society approach.

The State recognizes that illicit trade in tobacco and related products fuels organized criminal activity, weakens State authority, fosters corruption, and undermines regulatory and law enforcement efforts, thereby endangering community safety, public health, and the integrity of lawful commerce.

The State further declares its commitment to strengthen inter-agency coordination and develop scientific, technical, and institutional capacity to detect, investigate, interdict, and prosecute all forms of illicit trade in tobacco and related products, including those facilitated through digital platforms, while safeguarding government revenues and protecting the public interest.

SEC. 2. *Definition of Terms.* – As used in this Act:

- a) *Illicit tobacco trade* refers to any manufacture, distribution, shipment, transport, storage, sale, purchase, possession, or import/export of tobacco products, tobacco-manufacturing equipment, or non-tobacco materials that is undertaken in

- contravention of applicable laws, regulations, licensing and regulatory requirements, or fiscal obligations."
- b) *Covered Products* refer to locally manufactured and/or imported tobacco products, cigars, cigarettes, heated tobacco products, vapor products, and novel tobacco products, including hand-rolled cigarettes, smokeless tobacco, nicotine pouches, gums, and lozenges;
 - c) *Digital platforms* refer to information and communications technology-enabled systems, applications, websites, or other online interfaces that facilitate, enable, or allow the listing, advertising, marketing, offering for sale, sale, purchase, payment, delivery, or distribution of goods or services through electronic means, including e-commerce platforms, mobile applications, online delivery platforms, and social media platforms;
 - d) *E-marketplace* refers to digital platforms whose business is to connect online consumers with online merchants, facilitate the shipment of goods or provide logistics services and post-purchase support within such platforms, and otherwise retain oversight over the consummation of the transaction;
 - e) *E-retailer* refers to a person or entity that sells goods or services directly to consumers through its own online platform (such as a website, webpage, or application);
 - f) *Retailer* any person or entity that habitually sells goods directly to the general public for consumption; and
 - g) *Noncompliant or illegal covered products* refer to covered products that are manufactured, imported, possessed, transported, stored, distributed, offered for sale, or sold in violation of applicable laws, rules, or regulations, including, as may be applicable, those: (i) without the required registrations, permits, or licenses; (ii) bearing fake, falsified, unauthorized, or misleading marks, labels, or product identifiers; (iii) not included in the list of registered brands of the BIR or the Department of Trade and Industry (DTI), when required; or (iv) otherwise declared by the appropriate regulatory agency as prohibited, counterfeit, smuggled, or illicit.

SEC. 3. *Acts Constituting Illicit Trade of Covered Products.* – The crimes and statutory offenses under Republic Act No. 8424, otherwise known as the “National Internal Revenue Code of 1997, as amended;” Republic Act No. 10863, otherwise known as the “Customs Modernization and Tariff Act (CMTA);” Republic Act No. 8293, otherwise known as the “Intellectual Property Code of the Philippines;” Republic Act No. 11900, otherwise known as the “Vaporized Nicotine and Non-Nicotine Products Regulation Act;” and Republic Act No. 10643, otherwise known as “The Graphic Health Warnings Law,” insofar as they pertain to covered products, shall be considered as illicit trade.

In addition, illicit trade involving covered products, as defined under Section 2 of this Act, shall include the following acts:

- a) Manufacturing and/or importing noncompliant or illegal covered products into or within the country without the requisite registration or import permits from the appropriate regulatory agencies: *Provided*, That the same does not fall under the thresholds provided under Republic Act No. 12022, otherwise known as the “Anti-Agricultural Economic Sabotage Act”;
- b) Manufacturing covered products for export that are not compliant with the laws, regulations, including fiscal and regulatory marking requirements of the country where the tobacco products will be ultimately sold;
- c) Using import permits issued to persons, whether natural or juridical, other than those specifically named in the permit;
- d) Using fake, fictitious, falsified, or fraudulent import permits or shipping documents;
- e) Selling, lending, leasing, assigning, or otherwise consenting to or allowing the use of import permits of corporations, non-governmental organizations, associations, cooperatives, or sole proprietorships by other persons;
- f) Using dummy corporations, one-person corporations, non-governmental organizations, associations, cooperatives, or sole proprietorships for the purpose of obtaining import permits;
- g) Knowingly allowing the use of private ports, government ports, fish ports, fish landing sites, resorts, marinas, airports, warehouses, aircraft, and/or vessels to facilitate or perpetrate smuggling;
- h) Producing or manufacturing any covered product, or any part or component thereof, using equipment, machinery, or components that are concealed, undeclared, or otherwise unregistered with the BIR;
- i) Declaring covered products as for export when, in fact, they are diverted, sold, or intended for sale in the domestic market in violation of applicable laws, rules, or regulations;
- j) Declaring covered products for transshipment when, in fact, they are diverted, sold, or intended for sale in the domestic market in violation of applicable laws, rules, or regulations;
- k) Selling or distributing genuine covered products intended for other countries that are diverted from the legitimate supply chain and unlawfully sold or distributed in the domestic market;
- l) Selling or distributing covered products that are not included in the list of registered brands of the BIR or the Department of Trade and Industry (DTI);
- m) Knowingly selling or distributing covered products bearing marks used without the authorization of the trademark owner, or marks that cannot be distinguished in their essential aspects from the original mark; and

- n) Knowingly causing the transport of, or storing, noncompliant or illegal covered products, or covered products involved in any act constituting illicit trade under this Section;

Transport or storage of noncompliant or illegal covered products shall not constitute illicit trade when undertaken for any of the following purposes, subject to the limitations provided in the immediately succeeding paragraph:

- i) When the transport or storage is for purposes of judicial, quasi-judicial, or administrative proceedings;
- ii) When the transport or storage is for exhibition or educational purposes with the consent of the trademark owner;
- iii) When the transport or storage is for exhibition or educational purposes, with prior notice given to the Inter-Agency Council on Anti-Illicit Trade; or
- iv) When undertaken in connection with confiscation, destruction, or other lawful actions in the enforcement of applicable laws, rules, and regulations.

For purposes of subparagraphs (ii) and (iii), such transport or storage is limited to non-commercial quantities, as may be determined in the implementing rules and regulations: *Provided, further,* That such limitation shall not apply to transport, storage, custody, or handling undertaken by, or upon lawful authority of, the Philippine National Police, the Bureau of Internal Revenue, the Bureau of Customs, the Department of Trade and Industry, or other duly authorized law enforcement or regulatory agencies in connection with seizure, confiscation, evidence preservation, case build-up, prosecution, or destruction, in accordance with existing laws, rules, and regulations.

SEC. 4. *Penalties for Violation of Section 3. –*

- a) Any person found guilty of any of the punishable acts enumerated in Section 3 shall be punished with imprisonment for not less than twenty (20) years and one (1) day but not more than forty (40) years, and a fine equivalent to twice the fair market value of the covered products and the aggregate amount of the taxes, duties, and other charges avoided or sought to be avoided through such illicit trade, as may be applicable;
- b) Any person found guilty of aiding or abetting in any of the punishable acts enumerated in Section 3 shall be punished with imprisonment for not less than twelve (12) years and one (1) day but not more than twenty (20) years, and a fine equivalent to the fair market value of the covered products involved and the aggregate amount of the taxes, duties, and other charges avoided or sought to be avoided, as may be applicable; and
- c) Any person found guilty of any of the punishable acts enumerated in Section 3 who provides information or testifies on insider knowledge material to the establishment

of the case against any other involved party shall, as a mitigating circumstance, be subject to a reduced penalty of imprisonment for not less than six (6) years and one (1) day but not more than twelve (12) years.

In all cases, the illicit covered products, manufacturing equipment, instruments, boats or vessels, and any other means of transportation used to distribute or transport the same, without distinction, shall be confiscated and forfeited in favor of the Government. The same shall be destroyed or disposed of in government-owned or government-supervised materials recovery, composting, and extrusion facilities to be established, maintained, and secured by the Bureau of Internal Revenue (BIR), the Bureau of Customs (BOC), or the Department of Trade and Industry (DTI) in major strategic areas of the country.

When the offender is a juridical person, criminal liability shall attach to the members of its Board of Directors, its president, chief operating officer, manager, or any other corporate officer thereof, owner in the case of a sole proprietorship, or partners in the case of a partnership who consents to, knowingly tolerates, or ignores the commission of the offense.

Any person, whether natural or juridical, found guilty under Section 3 of this Act shall likewise suffer the penalty of perpetual absolute disqualification to engage in any business involving importation.

If the offender is a public official or employee, the penalty shall be imprisonment for not less than forty (40) years and a fine equivalent to twice the fair market value and the aggregate amount of the taxes, duties, and other charges avoided through the illicit trade in finished covered products. In addition, the public official or employee, whether elected or appointed, shall be deemed absolutely and perpetually disqualified from holding any public office.

If the offender is an alien, the alien shall, in addition to the penalties herein prescribed, be deported without further proceedings after serving the penalties herein imposed.

Prosecution under this Act shall be without prejudice to any liability under the Revised Penal Code, as amended, and other applicable special laws.

SEC. 5. *Liability of Digital Platforms Selling Illicit Covered Products.* – Digital platforms shall be responsible for ensuring that illicit covered products are not posted or sold on their platforms by:

- 1) Requiring all merchants, as defined under Section 2 hereof, selling covered products to display, on their shop pages, proof of registration with the Department of Trade and Industry (DTI) or the Securities and Exchange Commission (SEC), and the Bureau of Internal Revenue (BIR);

- 2) Requiring all such merchants to provide the permits, licenses, and other authorization information required for the lawful sale of covered products; and
- 3) Contractually requiring such merchants to comply with sale procedures and limitations, and all other relevant conditions for the sale of covered products.

The DTI and the BIR shall regularly publish, on their respective official websites, a list of legitimate products that may be sold online.

Digital platforms shall be solidarily liable when they knowingly or negligently allow the posting, offering for sale, sale, or distribution of noncompliant or illegal covered products, or when they fail to remove or disable listings that facilitate any act constituting illicit trade under Section 3 hereof, upon notice or verification. Upon verification by the Council, the Department of Trade and Industry (DTI), and/or the Bureau of Internal Revenue (BIR), as may be appropriate, the DTI may order the blocking of specific webpages, accounts, or listings of merchants that are in violation of this Section and/or Section 3 hereof, or, in case of repeated or willful noncompliance, the entire website or application of a digital platform or online marketplace. Such blocking shall be implemented by the Department of Information and Communications Technology (DICT), through the National Telecommunications Commission, in accordance with existing laws, rules, and regulations.

A digital platform shall likewise incur criminal liability where it is shown that it willfully participates in, cooperates in, or benefits from the sale or distribution of illicit covered products.

Penalties. – Any violation of this Section shall be punished by:

1. Imprisonment of not less than two (2) years but not more than six (6) years, and
2. A fine of not less than Five Hundred Thousand Pesos (₱500,000.00) but not more than Five Million Pesos (₱5,000,000.00),

at the discretion of the court, without prejudice to the imposition of higher penalties under existing laws.

SEC 6. *Liabilities of Retailers Selling Illicit Covered Products* – Any person who sells, offers for sale, distributes, or otherwise engages in the trade of illicit covered products, in violation of this Act and its implementing rules and regulations, shall, upon apprehension, be subject first to the immediate seizure, confiscation, and forfeiture in favor of the Government of all illicit goods, including the instruments and proceeds of the offense. Such

confiscation shall precede and be without prejudice to the imposition, upon conviction, of the following penalties:

- (a) First Offense – After the immediate seizure, confiscation, and forfeiture of the illicit goods, instruments, and proceeds of the offense, the offender shall suffer a fine of Ten Thousand Pesos (₱10,000.00), without prejudice to administrative sanctions.
- (b) Second Offense – After the immediate seizure, confiscation, and forfeiture of the illicit goods, instruments, and proceeds of the offense, the offender shall suffer a fine of One Hundred Thousand Pesos (₱100,000.00). In default of payment of the fine, the same shall be subject to subsidiary liability in accordance with existing laws.
- (c) Third and Subsequent Offenses – After the immediate seizure, confiscation, and forfeiture of the illicit goods, instruments, and proceeds of the offense, the offender shall suffer the penalty of imprisonment of not less than five (5) years but not more than ten (10) years, and a fine of not less than One Hundred Thousand Pesos (₱100,000.00).

For purposes of this Section, each act of sale or distribution involving illicit goods shall constitute a separate offense.

SEC. 7. *Inter-Agency Council on Anti-Illicit Trade.* – There is hereby established an inter-agency council on anti-illicit trade, hereinafter referred to as the “Council,” which shall oversee the implementation of this Act. The Council shall be chaired by the Department of Finance and shall be composed of one (1) representative from each of the following agencies:

- 1) Department of Finance;
- 2) Department of Justice;
- 3) Department of Agriculture/National Tobacco Administration;
- 4) Department of the Interior and Local Government;
- 5) Department of Transportation;
- 6) Department of Trade and Industry;
- 7) Department of Information and Communications Technology; and
- 8) Representative from the legitimate tobacco industry.

The Council shall convene at least once a month, or upon the initiative of the Chairperson. The Department of Finance shall serve as the Secretariat of the Council, using its existing organizational structure. The Council may invite resource persons, as it may deem necessary, to discuss matters relevant to the performance of its functions.

SEC. 8. *Powers and Functions of the Council.* – The Council shall have the following powers and functions:

- a) Formulate and implement appropriate measures to prevent and suppress illicit trade in covered products;
- b) Issue letters of authority directing the Bureau of Internal Revenue (BIR), the Bureau of Customs (BOC), and the Department of Trade and Industry (DTI) to enforce measures to combat illicit tobacco trade, including by effecting searches, seizures, and arrests, and by conducting inspections and securing documents: *Provided*, that for this purpose, the BIR, the BOC, and the DTI may coordinate with law enforcement agencies in the conduct of their operations;
- c) Establish mechanisms for the sharing of data and information on illicit trade in covered products within and among member agencies, including the identification and analysis of patterns of illicit trade in localities, possible routes, networks involved, and potential hotspot areas;
- d) Ensure that information obtained or disclosed is properly recorded and maintained, and that its handling complies with existing laws, rules, and regulations;
- e) Develop effective pathways, procedures, and guidelines for the implementation of measures against illicit trade in covered products;
- f) Disseminate the policies and guidelines adopted by the Council and ensure their implementation at the national and local levels;
- g) Coordinate and network with similar bodies internationally and share lessons and experiences to strengthen the implementation of measures against illicit trade in covered products;
- h) Submit an annual report to the Joint Congressional Oversight Committee on Illicit Trade on Excisable Products on its accomplishments and the status of its operations;
- i) Act on citizens' complaints: *Provided*, that any person may file a complaint with, or report violations to, any member of the Council;
- j) Ensure the prompt investigation and prosecution of persons accused or detained for offenses under this Act, and monitor the progress of their cases;
- k) Coordinate with government agencies, including government-owned or -controlled corporations and local government units (LGUs), as well as the business sector and non-governmental organizations, in implementing this Act; and
- l) Perform such other functions as may be necessary to carry out the purposes of this Act, in accordance with the rules adopted by the Council.

SEC. 9. *Law Enforcement Implementation and Coordination.* – The Philippine National Police (PNP), and other law enforcement agencies attached to or operating under the Departments represented in the Council including but not limited to the Bureau of Internal Revenue, Bureau of Customs, National Bureau of Investigation, Philippine Coast Guard and the enforcement offices of the Department of Agriculture, Department for Trade and Industry and the National Tobacco Administration, and such other agencies as may be authorized by law or deputized by the Council, shall enforce and implement the provisions

of this Act, consistent with their respective mandates. For this purpose, the PNP and other law enforcement agencies shall coordinate with, and may be deputized by, the Inter-Agency Council on Anti-Illicit Trade created under Section 6 hereof, including in the conduct of intelligence gathering, investigation, interdiction operations, search and seizure, arrest, and case build-up and prosecution support, subject to existing laws, rules, and regulations.

SEC. 10. *Custody and Disposition of Confiscated, Seized, and/or Surrendered Covered Products.* – The apprehending officer or team from the Bureau of Internal Revenue (BIR), the Bureau of Customs (BOC), or the Department of Trade and Industry (DTI) shall take charge and have custody of all covered products, as well as any manufacturing equipment, parts, packaging materials, and printing equipment or paraphernalia confiscated, seized, and/or surrendered, for proper disposition as follows:

- a) The apprehending officer or team having initial custody and control of the covered products shall, immediately after seizure and confiscation, conduct a physical inventory and photograph the seized or confiscated covered products in the presence of the person from whom such items were confiscated and/or seized, or such person's representative or counsel. The inventory shall be duly signed by the apprehending officer or team leader and witnessed and signed by at least two (2) barangay officials, whether elected or appointed, and a copy thereof shall be furnished to the person concerned: *Provided*, That the physical inventory and photograph shall be conducted at the place where the search warrant is served;
- b) The complete list of the names of the apprehending officer or team, together with the inventory duly signed and witnessed under paragraph (a) hereof, shall be submitted to the Council;
- c) The apprehending officer or team shall be responsible for the safekeeping of the seized or confiscated covered products until their final destruction;
- d) All seized or confiscated covered products shall be destroyed, except for the retention of representative samples for use in judicial, quasi-judicial, or administrative proceedings; and
- e) In every case, the BOC, BIR, or DTI shall cause the destruction of the seized or confiscated illicit items in the presence of at least one (1) representative from the tobacco or vapor product manufacturing sector and at least one (1) official representative from: (i) the Department of Agriculture–National Tobacco Administration, for tobacco products and materials; or (ii) the DTI–Fair Trade Enforcement Bureau, for vapor products and materials. Such destruction shall be conducted not earlier than five (5) calendar days from receipt of the notice, as duly acknowledged by the industry and government witnesses.

SEC. 11. *Appropriations.* – The amount necessary to carry out the provisions of this Act shall be included in the annual General Appropriations Act.

SEC. 12. *Implementing Rules and Regulations.* – Within ninety (90) days from the effectivity of this Act, the Department of Finance, through the BIR, shall, in consultation with the Department of Trade and Industry, through the Fair Trade Enforcement Bureau, the Department of Agriculture, through the National Tobacco Administration, the Department of Information and Communications Technology, through the National Telecommunications Commission, the Department of Justice, the Department of the Interior and Local Government, and the Department of Transportation, through the Philippine Coast Guard, promulgate the necessary guidelines for the effective implementation of this Act.

SEC. 13. *Separability Clause.* – If any provision of this Act is declared unconstitutional or invalid, other parts or provision hereof not affected thereby shall continue to be in full force and effect.

SEC. 14. *Repealing Clause.* – All laws, decrees, executive orders, proclamations, rules and regulations, and other issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 15. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,