

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

**TWENTIETH CONGRESS
Second Regular Session**

House Bill No. 10289



Introduced by Representative ROLANDO M. VALERIANO

EXPLANATORY NOTE

This legislative measure proposes the establishment of a uniform excise tax rate for all vapor products, irrespective of nicotine formulation. The initiative seeks to rectify structural deficiencies in the current excise tax regime under Section 144(c) of the National Internal Revenue Code (NIRC), which imposes different rates—₱60.20 per milliliter for nicotine salt solutions and ₱69.46 per 10 milliliters (equivalent to ₱6.95 per milliliter) for freebase nicotine solutions. Such disparity has created regulatory loopholes and incentivized tax avoidance, contributing to substantial revenue loss.

Illicit trade in vapor products is likewise rampant due to misdeclaration and smuggling. Euromonitor estimates illicit trade of vapor products at 84%.

Cognizant of the above issues, the proposed bill introduces a simplified and harmonized excise tax structure. By adopting a single rate across all vapor product types, the measure eliminates classification ambiguities, enhances compliance, and fosters equitable treatment among industry stakeholders.

In support of standardization and regulatory clarity, the bill also prescribes specific container or packaging capacities for vapor products: 1ml, 2 ml, 3ml, 5 ml, and 10 ml. This provision aims to streamline tax administration, prevent misdeclaration of product volumes, and facilitate accurate assessment and monitoring. By limiting packaging to defined sizes, the measure reduces opportunities for manipulation and underreporting, thereby reinforcing compliance and enabling more effective enforcement of excise tax laws.

The reform is expected to improve collection efficiency and enhance revenues. Moreover, it reinforces the constitutional principles of equality and uniformity in taxation by ensuring that articles of the same kind or class are taxed at consistent rates.

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



ROLANDO M. VALERIANO
Representative
Manila, 2nd District

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AN ACT
AMENDING SECTIONS 144, 145 AND 263-A OF REPUBLIC ACT NO. 8424, AS
AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL
REVENUE CODE OF 1997, AND FOR OTHER PURPOSES

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

SECTION. 1. Section 144 of the National Internal Revenue Code of 1997, as amended by Republic Act. No. 11467, is hereby further amended to read as follows:

“Sec. 144. Tobacco Products, Heated Tobacco Products, [~~and~~] Vapor Products, AND NOVEL TOBACCO PRODUCTS. –

“X X X

“(B) Heated Tobacco Products. – THERE SHALL BE LEVIED, ASSESSED AND COLLECTED ON HEATED TOBACCO PRODUCTS AN EXCISE TAX AT THE RATE OF THIRTY-NINE PESOS AND FIFTY CENTAVOS (P39.50) PER PACK OF TWENTY (20) UNITS OR PACKAGING COMBINATIONS OF NOT MORE THAN TWENTY (20) UNITS EFFECTIVE JANUARY 1, 2027.”

"PROVIDED THAT THE RATE OF TAX IMPOSED UNDER THIS SUBSECTION SHALL BE INCREASED YEARLY BY FIVE PERCENT (5%) BEGINNING JANUARY 1, 2028.”

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“(C) Vapor Products. — THERE SHALL BE LEVIED, ASSESSED, AND COLLECTED ON VAPOR PRODUCTS CONTAINING ANY LIQUID SUBSTANCE, REGARDLESS OF NICOTINE TYPE, INCLUDING NICOTINE-FREE LIQUIDS OR ANY SIMILAR PRODUCT, WHETHER CLASSIFIED AS NICOTINE SALT OR SALT NICOTINE OR CONVENTIONAL 'FREEBASE' OR 'CLASSIC' NICOTINE, AN EXCISE TAX AT THE RATE OF FIFTEEN PESOS (₱15.00) PER MILLILITER OR A FRACTION THEREOF, EFFECTIVE JANUARY 1, 2027.”

"PROVIDED THAT THE RATE OF TAX IMPOSED UNDER THIS SUBSECTION SHALL BE INCREASED YEARLY BY FIVE PERCENT (5%) BEGINNING JANUARY 1, 2028. “

“VAPOR PRODUCTS SHALL BE LIMITED TO THE FOLLOWING CONTAINER OR PACKAGING CAPACITIES: ONE (1) MILLILITER, TWO (2) MILLILITERS, THREE (3) MILLILITERS, FIVE (5) MILLILITERS, AND TEN (10) MILLILITERS.”

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“(D) NOVEL TOBACCO PRODUCTS. - THERE SHALL BE LEVIED, ASSESSED, AND COLLECTED ON ANY NON-COMBUSTED NOVEL TOBACCO PRODUCT, IN SOLID OR LIQUID FORM, AND INNOVATIONS MADE PARTLY OF TOBACCO LEAF OR SYNTHETIC NICOTINE AS RAW MATERIAL, AND OTHER SIMILAR PRODUCTS: PROVIDED, THAT SUCH PRODUCTS ARE NOT INTENDED FOR VAPORIZATION OR AEROSOLIZATION, AND ARE NOT CLASSIFIED EITHER AS VAPOR PRODUCTS OR HEATED TOBACCO PRODUCTS, AND EXCISE TAX BASED ON THE FOLLOWING SCHEDULE:

“EFFECTIVE ON JANUARY 1, 2027, ONE PESO (P1.00) PER GRAM, OR ONE PESO (P1.00) PER MILLILITER.”

“PROVIDED THAT THE RATES OF TAX IMPOSED UNDER THIS SUBSECTION SHALL BE INCREASED BY FIVE PERCENT (5%) EVERY YEAR EFFECTIVE ON JANUARY 1, 2028 THROUGH REVENUE REGULATIONS ISSUED BY THE SECRETARY OF FINANCE, UPON THE RECOMMENDATION OF THE COMMISSIONER OF INTERNAL REVENUE.”

SECTION 2. Section 145 of the National Internal Revenue Code of 1997, as amended by Republic Act. No. 11467, is hereby further amended to read as follows:

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“SELLING OF TOBACCO PRODUCTS AT A PRICE LOWER THAN THE COMBINED EXCISE AND VALUE-ADDED TAXES IMPOSED UNDER THE LAW, REASONABLE PRODUCTION COST, AND TRADE MARGINS BASED ON THE LOWEST PRICE BRAND REGISTERED WITH THE BUREAU OF INTERNAL REVENUE SHALL BE PROHIBITED. THE SELLER OF SUCH PRODUCTS SHALL BE PUNISHED WITH A FINE OF NOT LESS THAN TEN (10) TIMES THE AMOUNT OF EXCISE PLUS VALUE-ADDED TAXES DUE BUT NOT LESS THAN TWO HUNDRED THOUSAND PESOS (P200,000.00) NOR MORE THAN FIVE HUNDRED THOUSAND PESOS (P500,000.00), AND IMPRISONMENT OF NOT LESS THAN FOUR (4) YEARS BUT NOT MORE THAN SIX (6) YEARS.”

“THE BUREAU OF INTERNAL REVENUE IS MANDATED TO ISSUE A REVENUE REGULATION EVERY JANUARY OF EACH YEAR, OR MORE OFTEN AS NEEDED, PRESCRIBING THE FLOOR PRICE OR THE MINIMUM PRICE OF CIGARETTES TAKING INTO ACCOUNT THE SUM OF THE EXCISE AND VALUE-ADDED TAX, REASONABLE PRODUCTION COST, AND TRADE MARGIN BASED ON THE LOWEST PRICE BRAND REGISTERED WITH THE BUREAU OF INTERNAL REVENUE.”

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SECTION 3. Section 263-A of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 263-A. SELLING OF HEATED TOBACCO PRODUCTS, VAPOR PRODUCTS AND NOVEL TOBACCO PRODUCTS AT PRICE LOWER THAN THE FLOOR PRICE OR MINIMUM PRICE. – ANY PERSON WHO SELLS HEATED TOBACCO PRODUCTS, VAPOR PRODUCTS AND NOVEL TOBACCO PRODUCTS AT A PRICE LOWER THAN THE FLOOR PRICE OR MINIMUM PRICE PRESCRIBED BY THE BUREAU OF INTERNAL REVENUE SHALL BE PUNISHED WITH A FINE OF NOT LESS THAN TEN (10) TIMES THE AMOUNT OF EXCISE PLUS VALUE-ADDED TAXES DUE BUT NOT LESS THAN TWO HUNDRED THOUSAND PESOS (₱200,000.00) NOR MORE THAN FIVE HUNDRED THOUSAND PESOS (₱500,000.00), AND IMPRISONMENT OF NOT LESS THAN FOUR (4) YEARS BUT NOT MORE THAN SIX (6) YEARS.

THE BUREAU OF INTERNAL REVENUE IS MANDATED TO ISSUE A REVENUE REGULATION EVERY JANUARY OF EACH YEAR, OR MORE OFTEN AS NEEDED, PRESCRIBING THE FLOOR PRICE OR THE MINIMUM PRICE OF HEATED TOBACCO PRODUCTS, VAPOR PRODUCTS AND NOVEL TOBACCO PRODUCTS, TAKING INTO ACCOUNT THE SUM OF THE EXCISE AND VALUE-ADDED TAX, REASONABLE PRODUCTION COST/ IMPORTATION COST, AND TRADE MARGIN.

“x x x.”

SECTION 4. *Implementing Rules and Regulations.* – Such rules and regulations, as may be necessary for the effective implementation of this Act, shall be promulgated by the Secretary of Finance upon the recommendation of the Commissioner of Internal Revenue.

SECTION 5. *Separability Clause.* - If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SECTION 6. *Repealing Clause.* - All laws, decrees, executive orders, rules and regulations or parts thereof which are contrary to or inconsistent with this Act are hereby repealed, amended or modified accordingly.

SECTION 7. *Effectivity Clause.* - This Act is self-executory and shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation or the Official Gazette, without the need for the issuance of implementing rules and regulations.

Approved,