

SENATE

S. No. **3299**

91

(In substitution of H. No. 5727, taking into consideration S. Nos. 2763, 2764, 2998 and 3249)

Prepared by the Committee on Ways and Means with Senators Lacson, Defensor-Santiago and Recto as authors thereof

AN ACT

RESTRUCTURING THE EXCISE TAX ON ALCOHOL AND TOBACCO PRODUCTS BY AMENDING SECTIONS 141, 142, 143, 144, 145, 131, 288 AND 289 OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED BY REPUBLIC ACT NO. 9334, AND FOR OTHER PURPOSES

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

1 **SECTION 1.** Section 141 of Republic Act No. 8424, otherwise known as the National Internal
2 Revenue Code of 1997, as amended by Republic Act No. 9334, is hereby further amended to read as follows:

3 "SEC. 141. **Distilled Spirits.** - On distilled spirits, SUBJECT TO THE PROVISIONS OF SECTION
4 133 OF THIS CODE, AN EXCISE TAX [there] shall be collected [, subject to the provisions of Section
5 133 of this Code, excise] IN ACCORDANCE WITH THE FOLLOWING SCHEDULES:

6 "A, EFFECTIVE MARCH 1, 2013 --

7 "(1) THOSE ON WHICH AN EXCISE TAX OF FOURTEEN PESOS AND SIXTY-EIGHT
8 CENTAVOS (P14.68) PER PROOF LITER IS COLLECTED IN 2012 -- TWENTY
9 PESOS (P20.00) PER PROOF LITER;

10 "(2) THOSE ON WHICH AN EXCISE TAX OF ONE HUNDRED FIFTY-EIGHT PESOS
11 AND SEVENTY-THREE CENTAVOS (P158.73) PER PROOF LITER IS COLLECTED
12 IN 2012 -- EIGHTY PESOS (P80.00) PER PROOF LITER;

13 "(3) THOSE ON WHICH AN EXCISE TAX RATE OF THREE HUNDRED SEVENTEEN
14 PESOS AND FORTY-FOUR CENTAVOS (P317.44) PER PROOF LITER IS COLLECTED
15 IN 2012 -- ONE HUNDRED SIXTY PESOS (P160.00) PER PROOF LITER; AND

1 “(4) MORE THAN TWO HUNDRED FIFTY PESOS (P250.00) -- THREE HUNDRED
2 FORTY-FIVE PESOS AND SIXTY CENTAVOS (P345.60) PER PROOF LITER.

3 “THE NET RETAIL PRICE CUT-OFFS AND THE CORRESPONDING TAX RATES IMPOSED
4 UNDER THIS SECTION SHALL BE INCREASED BY EIGHT PERCENT (8%) EVERY TWO (2) YEARS
5 THEREAFTER STARTING MARCH 1, 2017 UNTIL MARCH 1, 2019 AND BY FOUR PERCENT (4%)
6 ON MARCH 1, 2020.

7 “THE RECLASSIFICATION OF EXISTING DISTILLED SPIRITS SHALL BE BASED ON THE PRICE
8 SURVEY TO BE CONDUCTED BY THE BUREAU OF INTERNAL REVENUE WITHIN THE MONTH
9 OF DECEMBER IMMEDIATELY PRECEDING THE EFFECTIVITY OF THE NEW EXCISE TAX
10 SCHEDULE: *PROVIDED*, THAT NEWLY INTRODUCED DISTILLED SPIRITS OR THOSE
11 INTRODUCED IN THE MARKET AFTER THE EFFECTIVITY OF THE NEW EXCISE TAX SCHEDULE
12 SHALL BE INITIALLY CLASSIFIED ACCORDING TO THEIR SUGGESTED NET RETAIL PRICE.

13 [(a) If produced from the sap of *nipa*, coconut, cassava, *camote*, or *buri* palm or from the juice,
14 syrup or sugar of the cane, provided such materials are produced commercially in the country where
15 they are processed into distilled spirits, per proof liter, Eleven pesos and sixty-five centavos (P11.65);]

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

19 [(1) Less than Two hundred and fifty Pesos (P250.00) — one hundred twenty-six
20 pesos (P126.00), per proof liter;]

21 [(2) Two hundred and fifty pesos (P250.00) up to Six hundred and seventy-five pesos
22 (P675.00) —Two hundred fifty-two pesos (P252.00), per proof liter; and]

23 [(3) More than Six hundred and seventy-five pesos (P675.00) — Five hundred four
24 pesos (P504), per proof liter.]

25 [(c)] Medicinal preparations, flavoring extracts, and all other preparations, except toilet
26 preparations, of which, excluding water, distilled spirits form the chief ingredient, shall be subject to
27 the same tax as such chief ingredient.

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

5 "**Spirits or distilled spirits**' is the substance known as ethyl alcohol, ethanol or spirits of
6 wine, including all dilutions, purifications and mixtures thereof, from whatever source, by whatever
7 process produced, and shall include whisky, brandy, rum, gin and vodka, and other similar products
8 or mixtures.

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

12 "**Net retail price**' as determined by the Bureau of Internal Revenue through a price survey to
13 be conducted by the Bureau of Internal Revenue itself, or by the National Statistics Office when
14 deputized for the purpose by the Bureau of Internal Revenue, shall mean the price at which the
15 distilled spirits is sold on retail in at least ten (10) major supermarkets in Metro Manila, excluding the
16 amount intended to cover the applicable excise tax and the value-added tax. For DISTILLED
17 SPIRITS [brands] which are marketed outside Metro Manila, the '**net retail price**' shall mean the
18 price at which the distilled spirits is sold in at least five (5) major supermarkets in the region
19 excluding the amount intended to cover applicable excise tax and value-added tax.

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

24 [A '**variant of a brand,**' shall refer to a brand on which a modifier is prefixed and/or suffixed
25 to the root name of the brand.]

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

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

5 ["**New Brand**' shall mean a brand registered after the date of effectivity of R.A. No. 8240.]

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

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

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

27 ["The classification of each brand of distilled spirits based on the average net retail price as of

1 October 1, 1996, as set forth in **Annex 'A'**, including the classification of brands for the same
2 products which, although not set forth in said **Annex 'A'**, were registered and were being
3 commercially produced and marketed on or after October 1, 1996, and which continue to be
4 commercially produced and marketed after the effectivity of this Act, shall remain in force until
5 revised by Congress.]

6 "WILLFUL UNDERSTATEMENT OF THE SUGGESTED NET RETAIL PRICE BY AS MUCH
7 AS FIFTEEN PERCENT (15%) OF THE ACTUAL NET RETAIL PRICE SHALL RENDER THE
8 MANUFACTURER OR IMPORTER LIABLE FOR ADDITIONAL EXCISE TAX EQUIVALENT TO
9 THE TAX DUE AND DIFFERENCE BETWEEN THE UNDERSTATED SUGGESTED NET RETAIL
10 PRICE AND THE ACTUAL NET RETAIL PRICE.

11 "Manufacturers and/OR importers of distilled spirits shall, within thirty (30) days from the
12 effectivity of this Act, and within the first five (5) days of every third month thereafter, submit to the
13 Commissioner a sworn statement of the volume of sales for each [particular brand of] distilled spirits
14 sold [at his establishment] for the three-month period immediately preceding.

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

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

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

27 "If the offender is not a citizen of the Philippines, he/SHE shall be deported immediately after

1 serving the sentence, without further proceedings for deportation.”

2 **SEC. 2.** Section 142 of the National Internal Revenue Code of 1997, as amended by Republic Act No.
3 9334, is hereby further amended to read as follows:

4 “SEC. 142. **Wines.** - On wines, SUBJECT TO THE PROVISIONS OF SECTION 133 OF THIS
5 CODE, AN EXCISE TAX [there] shall be collected per liter of volume capacity IN ACCORDANCE WITH
6 the following SCHEDULE [taxes] EFFECTIVE MARCH 1, 2013:

7 “(A[a]) SPARKLING WINES/CHAMPAGNES. –

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

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

13 “(2) More than Five hundred pesos (P500.00) —SEVEN HUNDRED PESOS (P700.00) [Four
14 hundred thirty-six pesos and eighty centavos (P436.80)].

15 “THE NET RETAIL PRICE CUT-OFFS AND THE CORRESPONDING TAX RATES IMPOSED
16 UNDER THIS PARAGRAPH (A) SHALL BE INCREASED BY EIGHT PERCENT (8%) EVERY TWO (2)
17 YEARS THEREAFTER STARTING MARCH 1, 2015 UNTIL MARCH 1, 2019 AND BY FOUR
18 PERCENT (4%) ON MARCH 1, 2020.

19 “THE RECLASSIFICATION OF EXISTING WINES SHALL BE BASED ON THE PRICE SURVEY TO
20 BE CONDUCTED BY THE BUREAU OF INTERNAL REVENUE WITHIN THE MONTH OF DECEMBER
21 IMMEDIATELY PRECEDING THE EFFECTIVITY OF THE NEW EXCISE TAX SCHEDULE:
22 *PROVIDED*, THAT NEWLY INTRODUCED WINES OR THOSE INTRODUCED IN THE MARKET
23 AFTER THE EFFECTIVITY OF THE NEW EXCISE TAX SCHEDULE SHALL BE INITIALLY
24 CLASSIFIED ACCORDING TO THEIR SUGGESTED NET RETAIL PRICE.

25 “(B) STILL WINES AND CARBONATED WINES. --

26 “(1[b]) Still wines AND CARBONATED WINES containing fourteen percent (14%) of
27 alcohol by volume or less, THIRTY PESOS (P30.00) [Seventeen pesos and forty-seven

1 centavos (P17.47)]; and

2 “(2[c]) Still wines AND CARBONATED WINES containing more than fourteen percent
3 (14%) but not more than twenty-five percent (25%) of alcohol by volume, SIXTY PESOS
4 (P60.00) [Thirty-four pesos and ninety-four centavos (P34.94)].

5 “THE RATES OF TAX IMPOSED UNDER THIS PARAGRAPH (B) SHALL BE INCREASED
6 BY EIGHT PERCENT (8%) EVERY TWO YEARS THEREAFTER EFFECTIVE MARCH 1, 2015
7 UNTIL MARCH 1, 2019 AND BY FOUR PERCENT (4%) ON MARCH 1, 2020.

8 “(C) FORTIFIED WINES. –

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

13 “‘NEWLY INTRODUCED FORTIFIED WINES’ SHALL MEAN THOSE REGISTERED AFTER
14 THE DATE OF EFFECTIVITY OF THIS ACT.

15 “‘**Net retail price,**’ as determined by the Bureau of Internal Revenue through a price survey
16 to be conducted by the Bureau of Internal Revenue itself, or by the National Statistics Office when
17 deputized for the purpose by the Bureau of Internal Revenue, shall mean the price at which the
18 wine is sold on retail in at least ten (10) major supermarkets in Metro Manila, excluding the amount
19 intended to cover the applicable excise tax and the value added tax. For WINES [brands] which are
20 marketed outside Metro Manila, the ‘net retail price’ shall mean the price at which the wine is sold in
21 at least five (5) major supermarkets in the region excluding the amount intended to cover applicable
22 excise tax and value-added tax.

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

27 [“A ‘**variant of a brand,**’ shall refer to a brand on which a modifier is prefixed and/or suffixed

1 to the root name of the brand.]

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

4 ["**New Brand,**' shall mean a brand registered after the date of effectivity of R.A. No. 8240.]

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

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

24 ["Any downward reclassification of present categories, for tax purposes, of existing brands of
25 wines duly registered at the time of the effectivity of this Act which will reduce the tax imposed
26 herein, or the payment thereof, shall be prohibited.]

27 ["The classification of each brand of wines based on the average net retail price as of October

1 1, 1996, as set forth in **Annex 'B'**, including the classification of brands for the same products
2 which, although not set forth in said **Annex 'B'**, were registered and were being commercially
3 produced and marketed on or after October 1, 1996, and which continue to be commercially
4 produced and marketed after the effectivity of this Act, shall remain in force until revised by
5 Congress.]

6 "WILLFUL UNDERSTATEMENT OF THE SUGGESTED NET RETAIL PRICE BY AS MUCH
7 AS FIFTEEN PERCENT (15%) OF THE ACTUAL NET RETAIL PRICE SHALL RENDER THE
8 MANUFACTURER OR IMPORTER LIABLE FOR ADDITIONAL EXCISE TAX EQUIVALENT TO
9 THE TAX DUE AND DIFFERENCE BETWEEN THE UNDERSTATED SUGGESTED NET RETAIL
10 PRICE AND THE ACTUAL NET RETAIL PRICE.

11 "Manufacturers and/OR importers of wines shall, within thirty (30) days from the effectivity of
12 this Act, and within the first five (5) days of every third month thereafter, submit to the
13 Commissioner a sworn statement of the volume of sales for each [particular brand of] wine[s] sold
14 [at his establishment] for the three-month period immediately preceding.

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

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

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

26 "If the offender is not a citizen of the Philippines, he/SHE shall be deported immediately after
27 serving the sentence, without further proceedings for deportation."

1 **SEC. 3.** Section 143 of the National Internal Revenue Code, as amended by Republic Act No. 9334, is
2 hereby further amended to read as follows:

3 "SEC. 143. **Fermented LiquorS.** - There shall be [levied, assessed and] collected an excise tax
4 PER LITER OF VOLUME CAPACITY on beer, lager beer, ale, porter, and similar fermented liquors
5 except *tuba, basi, tapuy* and similar fermented liquors EFFECTIVE MARCH 1, 2013 in accordance with
6 the following schedule:

7 "(a) If the net retail price (excluding the excise tax and value- added tax) per liter of volume
8 capacity is FIFTY PESOS AND SIXTY CENTAVOS (P50.60) OR LESS [less than
9 Fourteen pesos and fifty centavos (P14.50)], the tax shall be THIRTEEN PESOS AND
10 SEVENTY-FIVE CENTAVOS (P13.75) [Eight pesos and twenty-seven centavos (P8.27)]
11 per liter; AND

12 "(b) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume
13 capacity is MORE THAN FIFTY PESOS AND SIXTY CENTAVOS (P50.60) [Fourteen
14 pesos and fifty centavos (P14.50) up to Twenty-two pesos (P22.00)], the tax shall be
15 EIGHTEEN PESOS AND EIGHTY CENTAVOS (P18.80) [Twelve pesos and thirty
16 centavos (P12.30)] per liter;

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

20 "*PROVIDED*, THAT ANY RECLASSIFICATION OF PRESENT CATEGORIES, FOR TAX
21 PURPOSES, OF FERMENTED LIQUORS DULY REGISTERED FROM MARCH 1, 2013 TO
22 FEBRUARY 28, 2015 WHICH WILL REDUCE THE TAX IMPOSED HEREIN, OR THE
23 PAYMENT THEREOF SHALL BE PROHIBITED.

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

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

3 "Fermented liquors which are brewed and sold at micro-breweries or small establishments
4 such as pubs and restaurant shall be subjected to the rate OF TWENTY EIGHT PESOS (P28.00)
5 PER LITER [in paragraph (c) hereof].

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

8 "THE CORRESPONDING TAX RATES IMPOSED UNDER THIS SECTION SHALL BE
9 INCREASED BY EIGHT PERCENT (8%) EVERY TWO (2) YEARS THEREAFTER STARTING
10 MARCH 1, 2015 UNTIL MARCH 1, 2019 AND BY FOUR PERCENT (4%) ON MARCH 1, 2020.

11 "THE RECLASSIFICATION OF EXISTING FERMENTED LIQUORS SHALL BE BASED
12 ON THE PRICE SURVEY TO BE CONDUCTED BY THE BUREAU OF INTERNAL REVENUE
13 WITHIN THE MONTH OF DECEMBER IMMEDIATELY PRECEDING THE EFFECTIVITY OF THE
14 NEW EXCISE TAX SCHEDULE: *PROVIDED*, THAT NEWLY INTRODUCED FERMENTED
15 LIQUORS OR THOSE INTRODUCED IN THE MARKET AFTER THE EFFECTIVITY OF THE
16 NEW EXCISE TAX SCHEDULE SHALL BE INITIALLY CLASSIFIED ACCORDING TO THEIR
17 SUGGESTED NET RETAIL PRICE.

18 ["**New Brand**' shall mean a brand registered after the date of effectivity of R.A. No.
19 8240.]

20 "**Suggested net retail price,**' shall mean the net retail price at which NEWLY
21 INTRODUCED [new brands, as defined above, of locally manufactured or imported] fermented
22 liquors are intended by the BREWER [manufacturer] or importer to be sold on retail in major
23 supermarkets or retail outlets in Metro Manila for those marketed nationwide, and in other regions,
24 for those with regional markets. At the end of three (3) months from the product launch, the Bureau
25 of Internal Revenue shall validate the suggested net retail price of the NEWLY INTRODUCED
26 FERMENTED LIQUOR [new brand] against the net retail price defined herein and determine the
27 correct tax bracket to which A NEWLY INTRODUCED FERMENTED LIQUOR [a particular new

1 brand of fermented liquor, as defined above,] shall be classified. After TWELVE (12) [the eighteen
2 (18)] months from such validation, the Bureau of Internal Revenue shall revalidate the initially
3 validated net retail price against the net retail price as of the time of revalidation in order to finally
4 determine the correct tax bracket TO which a NEWLY INTRODUCED [particular new brand of]
5 fermented liquor[s] shall be classified[: *Provided, however,* That brands of fermented liquors
6 introduced in the domestic market between January 1, 1997 and December 31, 2003 shall remain in
7 the classification under which the Bureau of Internal Revenue has determined them to belong as of
8 December 31, 2003. Such classification of new brands and brands introduced between January 1,
9 1997 to December 31, 2003 shall not be revised except by an act of Congress].

10 "Net retail price," as determined by the Bureau of Internal Revenue through a price survey to
11 be conducted by the Bureau of Internal Revenue itself, or by the National Statistics Office when
12 deputized for the purpose by the Bureau of Internal Revenue, shall mean the price at which the
13 fermented liquor is sold on retail in at least TEN (10) [twenty (20)] major supermarkets in Metro
14 Manila (for [brands of] fermented liquorS marketed nationally), excluding the amount intended to
15 cover the applicable excise tax and the value added tax. For FERMENTED LIQUORS [brands]
16 which are marketed outside of Metro Manila, the 'net retail price' shall mean the price at which the
17 fermented liquor is sold in at least five (5) major supermarkets in the region excluding the amount
18 intended to cover applicable excise tax and value-added tax.

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

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

27 "WILLFUL UNDERSTATEMENT OF THE SUGGESTED NET RETAIL PRICE BY AS MUCH

1 AS FIFTEEN PERCENT (15%) OF THE ACTUAL NET RETAIL PRICE SHALL RENDER THE
2 BREWER OR IMPORTER LIABLE FOR ADDITIONAL EXCISE TAX EQUIVALENT TO THE TAX
3 DUE AND DIFFERENCE BETWEEN THE UNDERSTATED SUGGESTED NET RETAIL PRICE
4 AND THE ACTUAL NET RETAIL PRICE.

5 ["Any downward reclassification of present categories, for tax purposes, of existing brands of
6 fermented liquor duly registered at the time of the effectivity of this Act which will reduce the tax
7 imposed herein, or the payment thereof, shall be prohibited.]"

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

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

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

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

23 "If the offender is not a citizen of the Philippines, he/SHE shall be deported immediately after
24 serving the sentence, without further proceedings for deportation."

25 **SEC. 4.** Section 144 of the National Internal Revenue Code of 1997, as amended by Republic Act No.
26 9334, is hereby further amended to read as follow:

27 "SEC. 144. **Tobacco Products.** -- There shall be collected an EXCISE tax of ONE PESO AND

1 SEVENTY-FIVE CENTAVOS (P1.75) [One peso (P1.00)] on each kilogram of the following products of
2 tobacco EFFECTIVE MARCH 1, 2013:

3 "(a) Tobacco twisted by hand or reduced into a condition to be consumed in any manner other
4 than the ordinary mode of drying and curing;

5 "(b) Tobacco prepared or partially prepared with or without the use of any machine or
6 instruments or without being pressed or sweetened except as otherwise provided
7 hereunder; and

8 "(c) Fine-cut shorts and refuse, scraps, clippings, cuttings, stems and sweepings of tobacco
9 except as otherwise provided hereunder.

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

19 "On tobacco specially prepared for chewing so as to be unsuitable for use in any other
20 manner, on each kilogram, ONE PESO AND FIFTY CENTAVOS (1.50) [Seventy-nine centavos
21 (P0.79)].

22 "The rates of tax imposed under this Section shall be increased by EIGHT PERCENT (8%) [six
23 percent (6%)] every two years THEREAFTER starting on MARCH 1, 2015 UNTIL MARCH 1, 2019
24 AND BY FOUR PERCENT (4%) ON MARCH 1, 2020 [January 1, 2007 until January 1, 2011].

25 "Manufacturers and/OR importers of tobacco products shall, within thirty (30) days from the
26 effectivity of this Act, and within the first five (5) days of every third month thereafter, submit to the
27 Commissioner a sworn statement of the volume of sales for each [particular brand of] tobacco

1 product[s] sold [at their establishment] for the three-month period immediately preceding.

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 OR IMPORTER LIABLE FOR ADDITIONAL EXCISE TAX EQUIVALENT TO THE
5 TAX DUE AND DIFFERENCE BETWEEN THE UNDERSTATED SUGGESTED NET RETAIL PRICE,
6 AND THE ACTUAL NET RETAIL PRICE.

7 "Any manufacturer or importer who, in violation of this Section, knowingly misdeclares or
8 misrepresents in [his or] its sworn statement herein required any pertinent data or information shall,
9 upon discovery, be penalized by a summary cancellation or withdrawal of [his or] its permit to engage in
10 business as manufacturer or importer of cigars or cigarettes.

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

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

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

19 **SEC. 5.** Section 145 of the National Internal Revenue Code of 1997, as amended by Republic Act No.
20 9334, is hereby further amended to read as follows:

21 "SEC. 145. Cigars and Cigarettes. —

22 "(A) **Cigars** —There shall be levied, assessed and collected on cigars an ad valorem EXCISE tax
23 based on the net retail price per cigar (excluding the excise tax and the value-added tax) in accordance
24 with the following schedule EFFECTIVE MARCH 1, 2013:

25 "(1) If the net retail price per cigar is Five hundred pesos (P500.00) or less[,] -- TWENTY
26 PERCENT (20%) [ten percent (10%)]; and

27 "(2) If the net retail price per cigar [(excluding the excise tax and the value-added tax)] is

1 more than Five hundred pesos (P500.00)[.] -- ONE HUNDRED PESOS (P100.00) [Fifty
2 pesos (P50.00)] plus TWENTY-FIVE PERCENT (25%) [fifteen percent (15%)] of the net
3 retail price in excess of Five hundred pesos.

4 "THE NET RETAIL PRICE CUT-OFFS SHALL BE INCREASED BY EIGHT PERCENT (8%)
5 EVERY TWO (2) YEARS THEREAFTER STARTING MARCH 1, 2015 UNTIL MARCH 1, 2019 AND
6 BY FOUR PERCENT (4%) ON MARCH 1, 2020.

7 "THE RECLASSIFICATION OF EXISTING CIGARS SHALL BE BASED ON THE PRICE
8 SURVEY TO BE CONDUCTED BY THE BUREAU OF INTERNAL REVENUE WITHIN THE
9 MONTH OF DECEMBER IMMEDIATELY PRECEDING THE EFFECTIVITY OF THE NEW EXCISE
10 TAX SCHEDULE: *PROVIDED*, THAT NEWLY INTRODUCED CIGARS OR THOSE INTRODUCED
11 IN THE MARKET AFTER THE EFFECTIVITY OF THE NEW EXCISE TAX SCHEDULE SHALL BE
12 INITIALLY CLASSIFIED ACCORDING TO THEIR SUGGESTED NET RETAIL PRICE.

13 "(B) **Cigarettes Packed by Hand.** — ON CIGARETTES PACKED BY HAND, t[T]here shall be
14 [levied, assessed and] collected AN EXCISE TAX IN ACCORDANCE WITH THE FOLLOWING
15 SCHEDULE [on cigarettes packed by hand a tax at the rates prescribed below]:

16 "Effective on MARCH 1, 2013[.] -- SIX PESOS (P6.00) [January 1, 2005, Two pesos
17 (P2.00)] per pack;

18 "Effective on MARCH 1, 2015[.] -- SIX PESOS AND FORTY-EIGHT CENTAVOS (P6.48)
19 [January 1, 2007, Two pesos and twenty-three centavos (P2.23)] per pack;

20 "Effective on MARCH 1, 2017[.] -- SEVEN PESOS (P7.00) [January 1, 2009, Two pesos
21 and forty-seven centavos (P2.47)] per pack;

22 "Effective on MARCH 1, 2019[.] -- SEVEN PESOS AND FIFTY-SIX CENTAVOS (P7.56)
23 [January 1, 2011, Two pesos and seventy-two centavos (P2.72)] per pack; AND

24 "EFFECTIVE ON MARCH 1, 2020 -- SEVEN PESOS AND EIGHTY-SIX CENTAVOS
25 (P7.86) PER PACK.

26 "Duly registered [or existing brands of] cigarettes [or new brands thereof] packed by hand shall only
27 be packed in thirties.

1 “(C) **Cigarettes Packed by Machine.** — ON CIGARETTES PACKED BY MACHINE, AN
2 EXCISE TAX [There] shall be [levied, assessed and] collected IN ACCORDANCE WITH THE
3 FOLLOWING SCHEDULES [on cigarettes packed by hand a tax at the rates prescribed below]:

4 “1. EFFECTIVE MARCH 1, 2013 –

5 a) THOSE ON WHICH AN EXCISE TAX OF LESS THAN SEVEN PESOS AND FIFTY-SIX
6 CENTAVOS (P7.56) IS COLLECTED IN 2012 -- SIX PESOS (P6.00) PER PACK;

7 b) THOSE ON WHICH AN EXCISE TAX OF SEVEN PESOS AND FIFTY-SIX CENTAVOS
8 (P7.56) BUT LESS THAN TWELVE PESOS (P12.00) IS COLLECTED IN 2012 -- TEN
9 PESOS (P10.00) PER PACK; AND

10 c) THOSE ON WHICH AN EXCISE TAX OF TWELVE PESOS (P12.00) OR MORE IS
11 COLLECTED IN 2012 -- FOURTEEN PESOS (P14.00) PER PACK.

12 “ON NEWLY INTRODUCED CIGARETTES WITHIN THE PERIOD MARCH 1, 2013 TO
13 FEBRUARY 28, 2015, THERE SHALL BE COLLECTED AN EXCISE TAX IN ACCORDANCE WITH
14 THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) PER
15 PACK AND WITH THE FOLLOWING SCHEDULE BELOW:

16 a) LESS THAN FIFTEEN PESOS (P15.00) – SIX PESOS (P6.00) PER PACK;

17 b) FIFTEEN PESOS (P15.00) UP TO EIGHTEEN PESOS (P18.00) -- TEN PESOS (P10.00)
18 PER PACK; AND

19 c) MORE THAN EIGHTEEN PESOS (P18.00) -- FOURTEEN PESOS (P14.00) PER PACK.

20 “2. EFFECTIVE MARCH 1, 2015 AN EXCISE TAX SHALL BE COLLECTED IN ACCORDANCE
21 WITH THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX)
22 PER PACK AND WITH THE FOLLOWING SCHEDULE:

23 a) LESS THAN FIFTEEN PESOS (P15.00) -- SEVEN PESOS AND FIFTY CENTAVOS (P7.50)
24 PER PACK;

25 b) FIFTEEN PESOS (P15.00) UP TO EIGHTEEN PESOS (P18.00) -- TEN PESOS AND
26 FIFTY CENTAVOS (P10.50) PER PACK; AND

27 c) MORE THAN EIGHTEEN PESOS (P18.00) -- FOURTEEN PESOS AND FIFTY

1 CENTAVOS (P14.50) PER PACK.

2 "THE RECLASSIFICATION OF EXISTING CIGARETTES PACKED BY MACHINE SHALL BE
3 BASED ON THE PRICE SURVEY TO BE CONDUCTED BY THE BUREAU OF INTERNAL
4 REVENUE WITHIN THE MONTH OF DECEMBER 2014. NEWLY INTRODUCED
5 CIGARETTES PACKED BY MACHINE OR THOSE INTRODUCED IN THE MARKET AFTER
6 FEBRUARY 28, 2015 UP TO FEBRUARY 28, 2017 SHALL BE INITIALLY CLASSIFIED
7 ACCORDING TO THEIR SUGGESTED NET RETAIL PRICE.

8 "3. EFFECTIVE MARCH 1, 2017 AN EXCISE TAX SHALL BE COLLECTED IN ACCORDANCE
9 WITH THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX)
10 PER PACK AND WITH THE FOLLOWING SCHEDULE:

- 11 a) LESS THAN SIXTEEN PESOS AND TWENTY CENTAVOS (P16.20) -- NINE PESOS
12 (P9.00) PER PACK;
- 13 b) SIXTEEN PESOS AND TWENTY CENTAVOS (P16.20) UP TO NINETEEN PESOS AND
14 FORTY-FOUR CENTAVOS (P19.44) -- ELEVEN PESOS (P11.00) PER PACK; AND
- 15 c) MORE THAN NINETEEN PESOS AND FORTY-FOUR CENTAVOS (P19.44) -- FIFTEEN
16 PESOS (P15.00).

17 "THE RECLASSIFICATION OF EXISTING CIGARETTES PACKED BY MACHINE SHALL BE
18 BASED ON THE PRICE SURVEY TO BE CONDUCTED BY THE BUREAU OF INTERNAL
19 REVENUE WITHIN THE MONTH OF DECEMBER 2016. NEWLY INTRODUCED CIGARETTES
20 PACKED BY MACHINE OR THOSE INTRODUCED IN THE MARKET AFTER FEBRUARY 28 ,
21 2017 UP TO FEBRUARY 28, 2019 SHALL BE INITIALLY CLASSIFIED ACCORDING TO THEIR
22 SUGGESTED NET RETAIL PRICE.

23 "4. EFFECTIVE MARCH 1, 2019 AN EXCISE TAX SHALL BE COLLECTED IN ACCORDANCE
24 WITH THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX)
25 PER PACK AND WITH THE FOLLOWING SCHEDULE:

- 26 a) LESS THAN SEVENTEEN PESOS AND FIFTY CENTAVOS (P17.50) -- TEN PESOS AND
27 FIFTY CENTAVOS (P10.50) PER PACK;

- 1 b) SEVENTEEN PESOS AND FIFTY CENTAVOS (P17.50) UP TO TWENTY-ONE PESOS
2 (P21.00) -- ELEVEN PESOS AND FIFTY CENTAVOS (P11.50) PER PACK; AND
3 c) MORE THAN TWENTY-ONE PESOS (P21.00) -- FIFTEEN PESOS AND FIFTY
4 CENTAVOS (P15.50) PER PACK.

5 "THE RECLASSIFICATION OF EXISTING CIGARETTES PACKED BY MACHINE SHALL
6 BE BASED ON THE PRICE SURVEY TO BE CONDUCTED BY THE BUREAU OF INTERNAL
7 REVENUE WITHIN THE MONTH OF DECEMBER 2018. NEWLY INTRODUCED CIGARETTES
8 PACKED BY MACHINE OR THOSE INTRODUCED IN THE MARKET AFTER FEBRUARY 28,
9 2019 UP TO FEBRUARY 29, 2020 SHALL BE INITIALLY CLASSIFIED ACCORDING TO THEIR
10 SUGGESTED NET RETAIL PRICE.

11 "5. EFFECTIVE MARCH 1, 2020, AN EXCISE TAX SHALL BE COLLECTED IN ACCORDANCE
12 WITH THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX)
13 PER PACK AND WITH THE FOLLOWING SCHEDULE:

- 14 a) TWENTY-ONE PESOS AND EIGHTY-FOUR CENTAVOS (P21.84) OR LESS -- TWELVE
15 PESOS (P12.00) PER PACK;
16 b) MORE THAN TWENTY-ONE PESOS AND EIGHTY-FOUR CENTAVOS (P21.84) --
17 SIXTEEN PESOS (P16.00) PER PACK.

18 "THE RECLASSIFICATION OF EXISTING CIGARETTES PACKED BY MACHINE SHALL BE
19 BASED ON THE PRICE SURVEY TO BE CONDUCTED BY THE BUREAU OF INTERNAL
20 REVENUE WITHIN THE MONTH OF DECEMBER 2019. NEWLY INTRODUCED CIGARETTES
21 PACKED BY MACHINE OR THOSE INTRODUCED IN THE MARKET AFTER FEBRUARY 29 ,
22 2020 SHALL BE INITIALLY CLASSIFIED ACCORDING TO THEIR SUGGESTED NET RETAIL
23 PRICE."

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

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

27 "Effective on January 1, 2007, Two pesos and twenty-three centavos (P2.23) per pack;

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

2 and

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

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

6 "Effective on January 1, 2005, Six pesos and thirty-five centavos (P6.35) per pack;

7 "Effective on January 1, 2007, Six pesos and seventy-four centavos (P6.74) per pack;

8 "Effective on January 1, 2009, Seven pesos and fourteen centavos (P7.14) per pack; and

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

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

12 "Effective on January 1, 2005, Ten pesos and thirty-five centavos (P10.35) per pack;

13 "Effective on January 1, 2007, Ten pesos and eighty-eight centavos (P10.88) per pack;

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

15 and

16 "Effective on January 1, 2011, Twelve pesos (P12.00) per pack.]

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

19 "Effective on January 1, 2005, Twenty-five pesos (P25.00) per pack;

20 "Effective on January 1, 2007, Twenty-six pesos and six centavos (P26.06) per pack;

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

22 and

23 "Effective on January 1, 2011, Twenty-eight pesos thirty centavos (P28.30) per pack.]

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

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

3 "Duly registered [or existing brands of] cigarettes [or new brands thereof] packed by machine
4 shall only be packed in twenties.

5 ["Any downward reclassification of present categories, for tax purposes, of existing brands of
6 cigars and cigarettes duly registered at the time of the effectivity of this Act which will reduce the
7 tax imposed herein, or the payment thereof, shall be prohibited.]

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

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

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

1 **"Net retail price,"** as determined by the Bureau of Internal Revenue through a price survey
2 to be conducted by the Bureau of Internal Revenue itself, or by the National Statistics Office
3 when deputized for the purpose by the Bureau of Internal Revenue, shall mean the price at
4 which the cigarettes is sold on retail in at least TEN (10) [twenty (20)] major supermarkets in
5 Metro Manila (for [brands of] cigarettes marketed nationally), excluding the amount intended to
6 cover the applicable excise tax and the value added tax. For CIGARETTES [brands] which are
7 marketed outside of Metro Manila, the 'net retail price' shall mean the price at which the
8 cigarettes is sold in at least five (5) major supermarkets in the region excluding the amount
9 intended to cover applicable excise tax and value-added tax.

10 ["The classification of each brand of cigarettes based on its average net retail price as of
11 October 1, 1996, as set forth in **Annex 'D'**, including the classification of brands for the same
12 products which, although not set forth in said **Annex 'D'**, were registered and were being
13 commercially produced and marketed on or after October 1, 1996, and which continue to be
14 commercially produced and marketed after the effectivity of this Act, shall remain in force until
15 revised by Congress.]

16 "WILLFUL UNDERSTATEMENT OF THE SUGGESTED NET RETAIL PRICE BY AS MUCH
17 AS FIFTEEN PERCENT (15%) OF THE ACTUAL NET RETAIL PRICE SHALL RENDER THE
18 MANUFACTURER OR IMPORTER OF CIGARS AND/OR CIGARETTES LIABLE FOR
19 ADDITIONAL EXCISE TAX EQUIVALENT TO THE TAX DUE AND DIFFERENCE BETWEEN
20 THE UNDERSTATED SUGGESTED NET RETAIL PRICE AND THE ACTUAL NET RETAIL
21 PRICE.

22 "Manufacturers and/OR importers of cigars and/OR cigarettes shall, within thirty (30) days
23 from the effectivity of this Act, and within the first five (5) days of every third month thereafter,
24 submit to the Commissioner a sworn statement of the volume of sales for each [particular brand
25 of] cigar[s] and/or cigarette[s] sold [at his establishment] for the three-month period immediately
26 preceding.

27 "Any manufacturer or importer OF CIGARS AND/OR CIGARETTES who, in violation of this

1 Section, knowingly misdeclares or misrepresents in [his or] its sworn statement herein required
2 any pertinent data or information shall be penalized by summary cancellation or withdrawal of
3 [his or] its permit to engage in business as manufacturer or importer of cigars and/OR cigarettes.

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

7 "Any person liable for any of the acts or omissions prohibited under this Section shall be
8 criminally liable and penalized under Section 254 of this Code. Any person who willfully aids or
9 abets in the commission of any such act or omission shall be criminally liable in the same
10 manner as the principal.

11 "If the offender is not a citizen of the Philippines, he/SHE shall be deported immediately after
12 serving the sentence, without further proceedings for deportation."

13 **SEC. 6.** Section 131, Subsection A of the National Internal Revenue Code of 1997, as amended by
14 Republic Act No. 9334, is hereby further amended as follows:

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

16 "(A) x x x

17 " x x x

18 "The provision of any special or general law to the contrary notwithstanding, the importation
19 of cigars and cigarettes, distilled spirits, fermented liquors and wines into the Philippines, even if
20 destined for tax and duty-free shops, shall be subject to all applicable taxes, duties, charges,
21 including excise taxes due thereon. This shall apply to cigars and cigarettes, distilled spirits,
22 fermented liquors and wines brought directly into the duly chartered or legislated freeports of the
23 Subic Special Economic and Freeport Zone, created under Republic Act No. 7227; the Cagayan
24 Special Economic Zone and Freeport, created under the Republic Act No. 7922; and the
25 Zamboanga City Special Economic Zone, created Republic Act No.7903, and such other
26 freeports as may hereafter be established or created by law: *Provided, further,* That

1 NOTWITHSTANDING THE PROVISIONS OF REPUBLIC ACT NOS. 9400 AND 9593,
2 importations of cigars and cigarettes, distilled spirits, fermented liquors and wines made
3 directly by a government-owned-and-operated duty-free shop, like the Duty-free Philippines
4 (DFP), shall be exempted from all applicable duties only. x x x

5 "x x x.

6 "Articles confiscated shall be disposed of USING THE MOST ENVIRONMENTALLY
7 FRIENDLY METHOD AVAILABLE AND in accordance with the rules and regulations to be
8 promulgated by the Secretary of Finance, upon recommendation of the Commissioners of
9 Customs and Internal Revenue, upon consultation with the Secretary of Tourism and General-
10 Manager of the Philippine Tourism Authority.

11 "x x x.

12 "(B) x x x."

13 **SEC. 7.** Section 288 of the National Internal Revenue Code of 1997, as amended by Republic Act No.
14 9334, is hereby further amended by deleting Paragraphs (B) and (C), to read as follows:

15 "SEC. 288. Disposition of Incremental Revenues. —

16 (A) Incremental Revenues from Republic Act No. 7660. - x x x.

17 [(B) Incremental Revenues from Republic Act No. 8240. - Fifteen percent (15%) of the
18 incremental revenue collected from the excise tax on tobacco products under R.A. No. 8240
19 (November 22, 1996), shall be allocated and divided among the provinces producing burley and
20 native tobacco in accordance with the volume of tobacco leaf production. The fund shall be
21 *exclusively utilized for programs in pursuit of the following objectives:*]

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

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

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

4 [The Department of Budget and Management, in consultation with the Oversight Committee
5 created under said R.A. No. 8240, shall issue the corresponding rules and regulations governing the
6 allocation and disbursement of this fund.]

7 ["(C) Incremental Revenues from the Excise Tax on Alcohol and Tobacco Products. —

8 "(1) Two and a half percent (2.5%) of the incremental revenue from the excise tax on alcohol
9 and tobacco products starting January 2005 shall be remitted directly to the Philippine Health
10 Insurance Corporation for the purpose of meeting and sustaining the goal of universal coverage of
11 the National Health Insurance Program; and

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

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

17 "(B)[(D)] x x x.

18 "(C)[(E)] x x x."

19 **SEC. 8.** Section 289 of the National Internal Revenue Code of 1997, as amended by Republic Act No.
20 9334, is hereby further amended, to read as follows:

21 "SEC. 289. -- DISPOSITION OF EXCISE TAX COLLECTIONS FROM ALCOHOL AND
22 TOBACCO PRODUCTS. --

23 "(A) *Special Financial Support to Beneficiary Provinces Producing Virginia Tobacco*
24 *UNDER REPUBLIC ACT NO. 7171.* -- The financial support given by the National Government
25 for the beneficiary provinces shall be constituted and collected from the proceeds of fifteen
26 percent (15%) of the excise taxes on locally manufactured Virginia-type of cigarettes.

1 "The funds allotted shall be divided among the beneficiary provinces pro-rata according to
2 the volume of Virginia tobacco production.

3 "Provinces producing Virginia tobacco shall be the beneficiary provinces under Republic
4 Act No. 7171: *Provided, however,* That to qualify as beneficiary under R.A. No. 7171, a
5 province must have an average annual production of Virginia leaf tobacco in an amount not less
6 than one million kilos: *Provided, further,* That the Department of Budget and Management
7 (DBM) shall each year determine the beneficiary provinces and their computed share of the
8 funds under R.A. No. 7171, referring to the National Tobacco Administration (NTA) records of
9 tobacco acceptances, at the tobacco trading centers for the immediate past year.

10 "The Secretary of Budget and Management is hereby directed to retain annually the said
11 funds equivalent to fifteen percent (15%) of excise taxes on locally manufactured Virginia type
12 cigarettes to be remitted to the beneficiary provinces qualified under R.A. No. 7171.

13 "The provision of existing laws to the contrary notwithstanding, the fifteen percent (15%)
14 share from government revenues mentioned in R.A. No. 7171 and due to the Virginia tobacco-
15 producing provinces shall be directly remitted to the provinces concerned.

16 "*Provided,* That this Section shall be implemented in accordance with the guidelines of
17 Memorandum Circular No. 61-A dated November 28, 1993, which amended Memorandum
18 Circular No. 61, entitled "Prescribing Guidelines for Implementing Republic Act No. 7171",
19 dated January 1, 1992.

20 "*Provided, further,* That in addition to the local government units mentioned in the above
21 circular, the concerned officials in the province shall be consulted as regards the identification of
22 projects to be financed.

23 "(B) *SPECIAL FINANCIAL SUPPORT TO BENEFICIARY PROVINCES PRODUCING*
24 *BURLEY AND NATIVE TOBACCO. – AN AMOUNT OF ONE BILLION PESOS*
25 *(P1,000,000,000) FROM THE EXCISE TAX COLLECTION ON TOBACCO PRODUCTS SHALL*
26 *BE ANNUALLY ALLOCATED AND DIVIDED AMONG THE PROVINCES PRODUCING*
27 *BURLEY AND NATIVE TOBACCO IN ACCORDANCE WITH THE VOLUME OF TOBACCO*

1 LEAF PRODUCTION. THE FUND SHALL BE EXCLUSIVELY UTILIZED FOR PROGRAMS TO
2 PROMOTE ECONOMICALLY VIABLE ALTERNATIVES FOR TOBACCO FARMERS AND
3 WORKERS SUCH AS:

4 "(1) COOPERATIVE PROJECTS THAT WILL ENHANCE BETTER QUALITY OF
5 AGRICULTURAL PRODUCTS AND INCREASE INCOME AND PRODUCTIVITY OF
6 FARMERS;

7 "(2) LIVELIHOOD PROJECTS, PARTICULARLY THE DEVELOPMENT OF
8 ALTERNATIVE FARMING SYSTEM TO ENHANCE FARMERS' INCOME;

9 "(3) AGRO INDUSTRIAL PROJECTS THAT WILL ENABLE TOBACCO FARMERS
10 TO BE INVOLVED IN THE MANAGEMENT AND SUBSEQUENT OWNERSHIP OF
11 PROJECTS, SUCH AS POST HARVEST AND SECONDARY PROCESSING LIKE
12 CIGARETTE MANUFACTURING AND BY-PRODUCT UTILIZATION.

13 "(4) PROGRAMS THAT WILL PROVIDE INPUTS, TRAINING, AND OTHER
14 SUPPORT FOR TOBACCO FARMERS WHO SHIFT TO PRODUCTION OF
15 AGRICULTURAL PRODUCTS OTHER THAN TOBACCO;

16 "(5) PROGRAMS THAT WILL PROVIDE FINANCIAL SUPPORT FOR
17 TOBACCO FARMERS WHO ARE DISPLACED OR WHO CEASE TO PRODUCE
18 TOBACCO VOLUNTARILY; AND

19 "(6) COOPERATIVE PROGRAMS TO ASSIST TOBACCO FARMERS IN
20 PLANTING ALTERNATIVE CROPS OR IMPLEMENTING OTHER LIVELIHOOD
21 PROJECTS.

22 "THE DEPARTMENT OF BUDGET AND MANAGEMENT (DBM), IN CONSULTATION
23 WITH THE DEPARTMENT OF AGRICULTURE (DA), SHALL ISSUE RULES AND
24 REGULATIONS GOVERNING THE ALLOCATION AND DISBURSEMENT OF THIS FUND,
25 NOT LATER THAN THIRTY (30) DAYS FROM THE EFFECTIVITY OF THIS ACT.

26 "(C) *SPECIAL FINANCIAL SUPPORT FOR HEALTH CARE PROGRAMS.* –

27 "(1) AN AMOUNT EQUIVALENT TO FORTY PERCENT (40%) OF THE TOTAL EXCISE

1 TAX COLLECTION FROM ALCOHOL AND TOBACCO PRODUCTS SHALL BE ANNUALLY
2 ALLOCATED AND REMITTED DIRECTLY TO THE PHILIPPINE HEALTH INSURANCE
3 CORPORATION (PHILHEALTH) FOR THE PURPOSE OF MEETING AND SUSTAINING THE
4 GOAL OF UNIVERSAL COVERAGE OF THE NATIONAL HEALTH INSURANCE PROGRAM:
5 *PROVIDED*, THAT SAID AMOUNT SHALL NOT BE USED FOR PERSONNEL SERVICES, AS
6 WELL AS FOR TRAVEL, TRANSPORTATION OR REPRESENTATION EXPENSES, OR
7 PURCHASE OF MOTOR VEHICLES.

8 "(2) AN AMOUNT EQUIVALENT TO TEN PERCENT (10%) OF THE TOTAL EXCISE TAX
9 COLLECTION FROM ALCOHOL AND TOBACCO PRODUCTS SHALL BE ANNUALLY
10 ALLOCATED AND REMITTED DIRECTLY TO THE DEPARTMENT OF HEALTH (DOH) TO BE
11 DISTRIBUTED AS FOLLOWS:

- 12 - FIFTY PERCENT (50%) FOR REGIONAL HOSPITALS; AND
- 13 - FIFTY PERCENT (50%) FOR DISTRICT HOSPITALS OPERATED BY LOCAL
14 GOVERNMENT UNITS (LGUs).

15 "(3) AN AMOUNT OF ONE HUNDRED MILLION PESOS (P100,000,000.00) FROM THE
16 TOTAL EXCISE TAX COLLECTION FROM ALCOHOL AND TOBACCO PRODUCTS TO BE
17 DIRECTLY REMITTED TO AND ADMINISTERED BY THE DEPARTMENT OF HEALTH (DOH)
18 SHALL BE ANNUALLY ALLOCATED TO FINANCE A PUBLIC INFORMATION AND
19 EDUCATION PROGRAM AIMED TO PROVIDE HEALTH AWARENESS INFORMATION ON
20 THE DANGERS OF SMOKING AND DRINKING.

21 "(D) *SPECIAL FINANCIAL SUPPORT FOR DISPLACED WORKERS/FARMERS IN THE*
22 *ALCOHOL AND TOBACCO INDUSTRY. --*

23 "AN AMOUNT OF ONE HUNDRED MILLION PESOS (P100,000,000) FROM THE TOTAL
24 EXCISE TAX COLLECTION FROM ALCOHOL AND TOBACCO PRODUCTS TO BE
25 DIRECTLY REMITTED TO AND ADMINISTERED BY THE DEPARTMENT OF LABOR AND
26 EMPLOYMENT (DOLE) SHALL BE ALLOCATED TO FINANCE PROGRAMS CONNECTING

1 WORKERS TO LIVELIHOOD RESOURCES, SOCIAL PROTECTION BENEFITS AND TO
2 TRAINING AND EDUCATION SCHOLARSHIP AND EMPLOYMENT OPPORTUNITIES.

3 "THE REMAINING BALANCE OF THE TOTAL REVENUES COLLECTED FROM THE
4 EXCISE TAXES ON ALCOHOL AND TOBACCO PRODUCTS UNDER THIS ACT SHALL
5 ACCRUE TO THE GENERAL FUND."

6 **SEC. 9. *Implementing Rules and Regulations.*** - The Secretary of Finance shall, upon the
7 recommendation of the Commissioner of Internal Revenue, and in coordination with the Department of Budget
8 and Management (DBM), the Department of Health (DOH), and the National Tobacco Administration (NTA),
9 promulgate not later than thirty (30) days upon the effectivity of this Act the necessary Rules and Regulations
10 for its effective implementation.

11 **SEC. 10. *Separability Clause.*** - If any provision of this Act is subsequently declared invalid or
12 unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

13 **SEC. 11. *Repealing Clause.*** - All laws, acts, presidential decrees, executive orders, issuances,
14 presidential proclamations, rules and regulations or parts thereof which are contrary to and inconsistent with
15 any provision of this Act are hereby repealed, amended or modified accordingly.

16 **SEC. 12. *Effectivity.*** - This Act shall take effect fifteen (15) days after its complete publication either in the
17 Official Gazette, or in at least two (2) newspapers of general circulation.

Approved,