



HOUSE OF REPRESENTATIVES

H. No. 5727

BY REPRESENTATIVES ABAYA, CLIMACO, AUMENTADO, ALMARIO, LIMKAICHONG, ARNAIZ, SUAREZ, SINGSON (E.), ABAD, TUPAS, UNGAB, AGLIPAY, GULLAS, TEVES, SAN LUIS, CO, BATOCABE, GARBIN, SARMIENTO (M.), VILLARICA, ONG, ALCALA, GONZALEZ, TREÑAS, APACIBLE, VIOLAGO, LOYOLA, MERCADO, CRUZ-GONZALES, ROMUALDO, CASTRO, HERRERA-DY, CAGAS, ASILO, BANAL, MANDANAS, PUNO, CALIMBAS-VILLAROSA, VERGARA, BONOAN-DAVID, ACOP, COSALAN, DE VENECIA, BERNOS, BATAOIL, ERIGUEL, ORTEGA (V.), DALOG, OBILLO, PING-AY, LEONEN-PIZZARO, BULUT-BEGTANG, TING, PADILLA, ALBANO, DY, CUA, AGGABAO, CELESTE, YAP (A.), ONG, MAGSAYSAY (M.), FARIÑAS, ORTEGA (F.), SINGSON (R.), SINGSON (R.L.), JAVIER, TEODORO, VARGAS-ALFONSO, SALIMBANGON, GONZALEZ, OLIVAREZ, RAMOS, SAN LUIS, PICHAY, GARIN, BAGASINA AND ARNAIZ, PER COMMITTEE REPORT NO. 2171

AN ACT RESTRUCTURING THE EXCISE TAX ON ALCOHOL AND TOBACCO PRODUCTS

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

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

4 “SEC. 141. *Distilled Spirits.* – On distilled spirits, SUBJECT
5 TO THE PROVISIONS OF SECTION 133 OF THIS CODE, AN EXCISE
6 TAX [there] shall be collected [, subject to the provisions of
7 Section 133 of this Code, excise taxes] IN ACCORDANCE WITH
8 THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE

1 VALUE-ADDED TAX) PER BOTTLE OF SEVEN HUNDRED FIFTY
2 MILLILITER (750 ML.) VOLUME CAPACITY EFFECTIVE JANUARY
3 1, 2013 as follows:

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

6 "(B) NINETY PESOS (P90.00) UP TO ONE HUNDRED FIFTY
7 PESOS (P150.00) – EIGHTY PESOS (P80.00) PER PROOF LITER;
8 AND

9 "(C) MORE THAN ONE HUNDRED FIFTY PESOS (P150.00) –
10 THREE HUNDRED TWENTY PESOS (P320.00) PER PROOF LITER.

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

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

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

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

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

16 “(1) Less than Two hundred and fifty pesos (P250.00) –
17 One hundred twenty-six pesos (P126.00), per proof liter;

18 “(2) Two hundred and fifty pesos (P250.00) up to Six
19 hundred and seventy-five pesos (P675.00) – Two hundred fifty-two
20 pesos (P252.00), per proof liter; and

21 “(3) More than Six hundred and seventy-five pesos
22 (P675.00) – Five hundred four pesos (P504.00), per proof liter.]

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

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

7 “ ‘Spirits or distilled spirits’ is the substance known as ethyl
8 alcohol, ethanol or spirits of wine, including all dilutions,
9 purifications and mixtures thereof, from whatever source, by
10 whatever process produced, and shall include whisky, brandy, rum,
11 gin and vodka, and other similar products or mixtures.

12 “ ‘Proof spirits’ is liquor containing one-half (1/2) of its
13 volume of alcohol of a specific gravity of seven thousand nine
14 hundred and thirty-nine ten thousandths (0.7939) at fifteen degrees
15 centigrade (15°C). A ‘proof liter’ means a liter of proof spirits.

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

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

7 “A ‘variant of a brand’ shall refer to a brand on which a
8 modifier is prefixed and/or suffixed to the root name of the brand.

9 “New brands, as defined in the immediately following
10 paragraph, shall initially be classified according to their suggested
11 net retail price.

12 “Willful understatement of the suggested net retail price by
13 as much as fifteen percent (15%) of the actual net retail price shall
14 render the manufacturer liable for additional excise tax equivalent
15 to the tax due and difference between the understated suggested net
16 retail price and the actual net retail price.

17 “ ‘New brand’ shall mean a brand registered after the date of
18 effectivity of R. A. No. 8240.]

19 **“DISTILLED SPIRITS INTRODUCED IN THE DOMESTIC**
20 **MARKET AFTER THE EFFECTIVITY OF THIS ACT SHALL BE**
21 **INITIALLY TAX CLASSIFIED ACCORDING TO THEIR SUGGESTED**
22 **NET RETAIL PRICES.**

23 “ ‘Suggested net retail price’ shall mean the net retail price
24 at which [new brands, as defined above, of] locally manufactured
25 or imported distilled spirits are intended by the manufacturer or
26 importer to be sold on retail in major supermarkets or retail outlets
27 in Metro Manila for those marketed nationwide, and in other
28 regions, for those with regional markets. At the end of three (3)

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

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

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

25 ["The classification of each brand of distilled spirits based
26 on the average net retail price as of October 1, 1996, as set forth in

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

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

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

17 "Manufacturers and importers of distilled spirits shall,
18 within thirty (30) days from the effectivity of this Act, and within
19 the first five (5) days of every third month thereafter, submit to the
20 Commissioner a sworn statement of the volume of sales for each
21 particular brand of distilled spirits sold at his establishment for the
22 three-month period immediately preceding.

23 "Any manufacturer or importer who, in violation of this
24 Section, knowingly misdeclares or misrepresents in his or its sworn
25 statement herein required any pertinent data or information shall,
26 upon final findings by the Commissioner that the violation was
27 committed, be penalized by a summary cancellation or withdrawal

1 of his or its permit to engage in business as manufacturer or
2 importer of distilled spirits.

3 "Any corporation, association or partnership liable for any
4 of the acts or omissions in violation of this Section shall be fined
5 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
8 prohibited under this Section shall be criminally liable and
9 penalized under Section 254 of this Code. Any person who
10 willfully aids or abets in the commission of any such act or
11 omission shall be criminally liable in the same manner as the
12 principal.

13 "If the offender is not a citizen of the Philippines, he shall be
14 deported immediately after serving the sentence, without further
15 proceedings for deportation."

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

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

22 "(a) Sparkling wines/champagnes regardless of proof, if the
23 net retail price per bottle **OF SEVEN HUNDRED FIFTY MILLILITER**
24 **(750 ML.) VOLUME CAPACITY** (excluding the excise tax and the
25 value-added tax) is:

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

1 “(2) More than Five hundred pesos (P500.00) – [Four
2 hundred thirty-six pesos and eighty centavos (P436.80)] **SEVEN**
3 **HUNDRED PESOS (P700.00).**

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

8 “(c) Still wines **AND CARBONATED WINES** containing more
9 than fourteen percent (14%) but not more than twenty-five percent
10 (25%) of alcohol by volume, [Thirty-four pesos and ninety-four
11 centavos (P34.94)] **SIXTY PESOS (P60.00).**

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

17 “Fortified wines containing more than twenty-five percent
18 (25%) of alcohol by volume shall be taxed as distilled spirits[.]:
19 **PROVIDED, HOWEVER, THAT THE TAX RATE SHALL NOT BE**
20 **LOWER THAN EIGHTY PESOS (P80.00) PER PROOF LITER.**
21 ‘Fortified wines’ shall mean natural wines to which distilled spirits
22 are added to increase their alcohol strength.

23 “ ‘Net retail price’, as determined by the Bureau of Internal
24 Revenue through a price survey to be conducted by the Bureau of
25 Internal Revenue itself, or by the National Statistics Office when
26 deputized for the purpose by the Bureau of Internal Revenue, shall
27 mean the price at which **SPARKLING wine/CHAMPAGNE** is sold on

1 retail in at least ten (10) major supermarkets in Metro Manila,
2 excluding the amount intended to cover the applicable
3 excise tax and the value-added tax. For [brands] SPARKLING
4 WINES/CHAMPAGNES which are marketed outside Metro Manila,
5 the 'net retail price' shall mean the price at which the wine is sold
6 in at least five (5) major supermarkets in the region excluding the
7 amount intended to cover the applicable excise tax and the
8 value-added tax.

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

15 "A 'variant of a brand' shall refer to a brand on which a
16 modifier is prefixed and/or suffixed to the root name of the brand.

17 "New brands, as defined in the immediately following
18 paragraph, shall initially be classified according to their suggested
19 net retail price.

20 " 'New brand' shall mean a brand registered after the date of
21 effectivity of R. A. No. 8240.]

22 "SPARKLING WINES/CHAMPAGNES INTRODUCED IN THE
23 DOMESTIC MARKET AFTER THE EFFECTIVITY OF THIS ACT
24 SHALL BE INITIALLY TAX CLASSIFIED ACCORDING TO THEIR
25 SUGGESTED NET RETAIL PRICES.

26 " 'Suggested net retail price' shall mean the net retail price
27 at which [new brands, as defined above, of] locally manufactured

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

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

1 [“Any downward reclassification of present categories, for
2 tax purposes, of existing brands of wines duly registered at the time
3 of the effectivity of this Act which will reduce the tax imposed
4 herein, or the payment thereof, shall be prohibited.

5 “The classification of each brand of wines based on the
6 average net retail price as of October 1, 1996, as set forth in Annex
7 ‘B’, including the classification of brands for the same products
8 which, although not set forth in said “Annex B”, were registered
9 and were being commercially produced and marketed on or after
10 October 1, 1996, and which continue to be commercially produced
11 and marketed after the effectivity of this Act, shall remain in force
12 until revised by Congress.]

13 **“THE PROPER TAX CLASSIFICATION OF SPARKLING
14 WINES/CHAMPAGNES, WHETHER REGISTERED BEFORE OR AFTER
15 THE EFFECTIVITY OF THIS ACT, SHALL BE DETERMINED EVERY
16 TWO YEARS FROM THE DATE OF EFFECTIVITY OF THIS ACT.**

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

22 “Manufacturers and importers of wines shall, within thirty
23 (30) days from the effectivity of this Act, and within the first five
24 (5) days of every month thereafter, submit to the Commissioner a
25 sworn statement of the volume of sales for each particular brand of
26 wines sold at his establishment for the three-month period
27 immediately preceding.

1 “Any manufacturer or importer who, in violation of this
2 Section, knowingly misdeclares or misrepresents in his or its sworn
3 statement herein required any pertinent data or information shall,
4 upon discovery, be penalized by a summary cancellation or
5 withdrawal of his or its permit to engage in business as
6 manufacturer or importer of wines.

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

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

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

20 SEC. 3. Section 143 of the National Internal Revenue Code of 1997, as
21 amended by Republic Act No. 9334, is hereby further amended to read as
22 follows:

23 “SEC. 143. *Fermented Liquors*. – There shall be levied,
24 assessed and collected an excise tax on beer, lager beer, ale, porter
25 and other fermented liquors except *tuba*, *basi*, *tapuy* and similar
26 fermented liquors in accordance with the following schedule:

27 [“(a) If the net retail price (excluding the excise tax and the
28 value-added tax) per liter of volume capacity is less than Fourteen

1 pesos and fifty centavos (P14.50), the tax shall be Eight pesos and
2 twenty-seven centavos (P8.27) per liter;]

3 [“(b) If the net retail price (excluding the excise tax and the
4 value-added tax) per liter of volume capacity is Fourteen pesos and
5 fifty centavos (P14.50) up to Twenty-two pesos (P22.00), the tax
6 shall be Twelve pesos and thirty centavos (P12.30) per liter;

7 “(c) If the net retail price (excluding the excise tax and the
8 value-added tax) per liter of volume capacity is more than
9 Twenty-two pesos (P22.00), the tax shall be Sixteen pesos and
10 thirty-three centavos (P16.33) per liter.

11 “Variants of existing brands and variants of new brands
12 which are introduced in the domestic market after the effectivity of
13 this Act shall be taxed under the proper classification thereof based
14 on their suggested net retail price: *Provided, however,* That such
15 classification shall not, in any case, be lower than the highest
16 classification of any variant of that brand.

17 “A ‘variant of a brand’ shall refer to a brand on which a
18 modifier is prefixed and/or suffixed to the root name of the brand.

19 “Fermented liquors which are brewed and sold at
20 micro-breweries or small establishments such as pubs and
21 restaurants shall be subject to the rate in paragraph (c) hereof.

22 “New brands, as defined in the immediately following
23 paragraph, shall initially be classified according to their suggested
24 net retail price.

25 “ ‘New brand’ shall mean a brand registered after the date of
26 effectivity of R. A. No. 8240.]

1 “(A) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE
2 TAX AND THE VALUE-ADDED TAX) PER LITER OF VOLUME
3 CAPACITY IS FIFTY PESOS AND SIXTY CENTAVOS (P50.60) OR
4 LESS, THE TAX SHALL BE THIRTEEN PESOS AND SEVENTY-FIVE
5 CENTAVOS (P13.75) PER LITER EFFECTIVE JANUARY 1, 2013;
6 AND

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

12 “*PROVIDED*, THAT FERMENTED LIQUORS WHICH ARE
13 BREWED AND SOLD AT MICRO-BREWERIES OR SMALL
14 ESTABLISHMENTS SUCH AS PUBS AND RESTAURANTS SHALL BE
15 SUBJECT TO THE RATE OF TWENTY-EIGHT PESOS (P28.00) PER
16 LITER EFFECTIVE JANUARY 1, 2013.

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

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

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

25 “ ‘Net retail price’, as determined by the Bureau of Internal
26 Revenue through a price survey to be conducted by the Bureau of
27 Internal Revenue itself, or the National Statistics Office when

1 deputized for the purpose by the Bureau of Internal Revenue, shall
2 mean the price at which the fermented liquor is sold on retail in at
3 least twenty (20) major supermarkets in Metro Manila (for brands
4 of fermented liquor marketed nationally), excluding the amount
5 intended to cover the applicable excise tax and the value-added tax.
6 For brands which are marketed outside Metro Manila, the 'net
7 retail price' shall mean the price at which the fermented liquor is
8 sold in at least five (5) major supermarkets in the region excluding
9 the amount intended to cover the applicable excise tax and the
10 value-added tax.

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

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

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

1 **“THE PROPER TAX CLASSIFICATION OF FERMENTED**
2 **LIQUORS, WHETHER REGISTERED BEFORE OR AFTER THE**
3 **EFFECTIVITY OF THIS ACT, SHALL BE DETERMINED EVERY TWO**
4 **YEARS FROM THE DATE OF EFFECTIVITY OF THIS ACT.**

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

11 “Every brewer or importer of fermented liquor shall, within
12 thirty (30) days from the effectivity of this Act, and within the first
13 five (5) days of every month thereafter, submit to the
14 Commissioner a sworn statement of the volume of sales for each
15 particular brand of fermented liquor sold at his establishment for
16 the three-month period immediately preceding.

17 “Any brewer or importer who, in violation of this Section,
18 knowingly misdeclares or misrepresents in his or its sworn
19 statement herein required any pertinent data or information shall be
20 penalized by a summary cancellation or withdrawal of his or its
21 permit to engage in business as brewer or importer of fermented
22 liquor.

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

27 “Any person liable for any of the acts or omissions
28 prohibited under this Section shall be criminally liable and
29 penalized under Section 254 of this Code. Any person who

1 willfully aids or abets in the commission of any such act or
2 omission shall be criminally liable in the same manner as the
3 principal.

4 "If the offender is not a citizen of the Philippines, he shall be
5 deported immediately after serving the sentence, without further
6 proceedings for deportation."

7 SEC. 4. Section 144 of the National Internal Revenue Code of 1997, as
8 amended by Republic Act No. 9334, is hereby further amended to read as
9 follows:

10 "SEC. 144. *Tobacco Products.* – There shall be collected a
11 tax of [One peso (P1.00)] **ONE PESO AND SEVENTY-FIVE**
12 **CENTAVOS (P1.75)** on each kilogram of the following products of
13 tobacco:

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

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

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

23 "Stemmed leaf tobacco, tobacco prepared or partially
24 prepared with or without the use of any machine or instrument or
25 without being pressed or sweetened, fine-cut shorts and refuse,
26 scraps, clippings, cuttings, stems, midribs, and sweepings of
27 tobacco resulting from the handling or stripping of whole leaf
28 tobacco shall be transferred, disposed of, or otherwise sold, without

1 any prepayment of the excise tax herein provided for, if the same
2 are to be exported or to be used in the manufacture of cigars,
3 cigarettes, or other tobacco products on which the excise tax will
4 eventually be paid on the finished product, under such conditions
5 as may be prescribed in the rules and regulations promulgated
6 by the Secretary of Finance, upon recommendation of the
7 Commissioner.

8 "On tobacco specially prepared for chewing so as to be
9 unsuitable for use in any other manner, on each kilogram,
10 [Seventy-nine centavos (P0.79)] **ONE PESO AND FIFTY CENTAVOS**
11 **(P1.50).**

12 ["The rates of tax imposed under this Section shall be
13 increased by six percent (6%) every two years starting on January
14 1, 2007 until January 1, 2011.]

15 **"PROVIDED, THAT THE RATES OF TAX IMPOSED UNDER**
16 **THIS SECTION SHALL BE INCREASED BY EIGHT PERCENT**
17 **(8%) EVERY TWO YEARS THEREAFTER EFFECTIVE**
18 **JANUARY 1, 2015 UNTIL JANUARY 1, 2025, THROUGH**
19 **REVENUE REGULATIONS ISSUED BY THE SECRETARY OF**
20 **FINANCE.**

21 "Manufacturers and importers of tobacco products shall,
22 within thirty (30) days from the effectivity of this Act, and within
23 the first five (5) days of every month thereafter, submit to the
24 Commissioner a sworn statement of the volume of sales for each
25 particular brand of tobacco products sold [at their establishment]
26 for the three-month period immediately preceding.

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

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

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

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

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

23 “SEC. 145. *Cigars and Cigarettes.* –

24 “(A) *Cigars.* – There shall be levied, assessed and
25 collected on cigars [an *ad valorem* tax based on the net retail price]
26 **A TAX OF ONE HUNDRED FIFTY PESOS (P150.00)** per cigar.
27 [(excluding the excise tax and the value-added tax) in accordance
28 with the following schedule:

1 “(1) If the net retail price per cigar is Five hundred pesos
2 (P500.00) or less, ten percent (10%); and

3 “(2) If the net retail price per cigar (excluding the excise
4 tax and the value-added tax) is more than Five hundred pesos
5 (P500.00), Fifty pesos (P50.00) plus fifteen percent (15%) of the
6 net retail price in excess of Five hundred pesos (P500.00).]

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

12 “(B) *Cigarettes Packed by Hand.* – There shall be levied,
13 assessed and collected on cigarettes packed by hand a tax [at the
14 rates prescribed below:] OF SEVEN PESOS AND FIFTY-SIX
15 CENTAVOS (P7.56) PER PACK EFFECTIVE JANUARY 1, 2013.
16 THE TAX RATE SHALL BE INCREASED TO TWELVE PESOS
17 (P12.00) PER PACK EFFECTIVE JANUARY 1, 2014.

18 **“PROVIDED, THAT THE RATE OF TAX IMPOSED UNDER THIS
19 SUBSECTION SHALL BE INCREASED BY EIGHT PERCENT
20 (8%) EVERY TWO YEARS THEREAFTER EFFECTIVE
21 JANUARY 1, 2015 UNTIL JANUARY 1, 2025, THROUGH
22 REVENUE REGULATIONS ISSUED BY THE SECRETARY OF
23 FINANCE.**

24 [“Effective on January 1, 2005, Two pesos (P2.00) per
25 pack;

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

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

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

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

8 “(C) *Cigarettes Packed by Machine.* – There shall be
9 levied, assessed and collected on cigarettes packed by machine a
10 tax at the rates prescribed below:

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

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

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

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

19 “Effective on January 1, 2011, Two pesos and seventy-two
20 centavos (P2.72) per pack.

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

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

26 “Effective on January 1, 2007, Six pesos and seventy-four
27 centavos (P6.74) per pack;]

1 [“Effective on January 1, 2009, Seven pesos and fourteen
2 centavos (P7.14) per pack; and

3 “Effective on January 1, 2011, Seven pesos and fifty-six
4 centavos (P7.56) per pack.

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

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

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

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

14 “Effective on January 1, 2011, Twelve pesos (P12.00) per
15 pack.

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

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

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

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

25 “Effective on January 1, 2011, Twenty-eight pesos and thirty
26 centavos (P28.30) per pack.]

1 [“Variants of existing brands and variants of new brands of
2 cigarettes which are introduced in the domestic market after the
3 effectivity of this Act shall be taxed under the proper classification
4 thereof based on their suggested net retail price: *Provided,*
5 *however,* That such classification shall not, in any case, be lower
6 than the highest classification of any variant of that brand.

7 “A ‘variant of a brand’ shall refer to a brand on which a
8 modifier is prefixed and/or suffixed to the root name of the brand.]

9 **“EFFECTIVE ON JANUARY 1, 2013**

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

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

19 **“EFFECTIVE ON JANUARY 1, 2014**

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

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

1 **“PROVIDED, THAT THE RATES OF TAX IMPOSED UNDER**
2 **THIS SUBSECTION SHALL BE INCREASED BY EIGHT PERCENT**
3 **(8%) EVERY TWO YEARS THEREAFTER EFFECTIVE**
4 **JANUARY 1, 2015 UNTIL JANUARY 1, 2025, THROUGH**
5 **REVENUE REGULATIONS ISSUED BY THE SECRETARY OF**
6 **FINANCE. HOWEVER, IN CASE OF CIGARETTES AFFECTED BY**
7 **THE ‘NO DOWNWARD RECLASSIFICATION’ PROVISIONS**
8 **PRESCRIBED UNDER THIS SECTION, THE EIGHT PERCENT (8%)**
9 **INCREASE SHALL APPLY TO THEIR RESPECTIVE APPLICABLE TAX**
10 **RATES.**

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

14 **“Any downward reclassification of present categories, for**
15 **tax purposes, [of existing brands] of cigars and cigarettes duly**
16 **registered at the time of the effectivity of this Act which will**
17 **reduce the tax imposed herein, or the payment thereof, shall be**
18 **prohibited.**

19 **[“New brands, as defined in the immediately following**
20 **paragraph, shall initially be classified according to their suggested**
21 **net retail price.**

22 **“ ‘New brand’ shall mean a brand registered after the date of**
23 **effectivity of R. A. No. 8240.]**

24 **“CIGARETTES INTRODUCED IN THE DOMESTIC MARKET**
25 **AFTER THE EFFECTIVITY OF THIS ACT SHALL BE INITIALLY TAX**
26 **CLASSIFIED ACCORDING TO THEIR SUGGESTED NET RETAIL**
27 **PRICES.**

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

25 “ ‘Net retail price’, as determined by the Bureau of Internal
26 Revenue through a price survey to be conducted by the Bureau of
27 Internal Revenue itself, or the National Statistics Office when

1 deputized for [the] THIS purpose by the Bureau of Internal
2 Revenue, shall mean the price at which the cigarette is sold on
3 retail in at least twenty (20) major supermarkets in Metro Manila
4 (for brands of cigarettes marketed nationally), excluding the
5 amount intended to cover the applicable excise tax and the
6 value-added tax. For [brands] CIGARETTES which are marketed
7 only outside Metro Manila, the 'net retail price' shall mean the
8 price at which the cigarette is sold in at least five (5) major
9 supermarkets in the region excluding the amount intended to cover
10 the applicable excise tax and the value-added tax.

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

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

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

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

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

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

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

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

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

4 “SEC. 131. *Payment of Excise Taxes on Imported*
5 *Articles.* –

6 “x x x

7 “The provision of any special or general law to the contrary
8 notwithstanding, the importation of cigars and cigarettes distilled
9 spirits, fermented liquors and wines into the Philippines, even if
10 destined for tax and duty-free shops, shall be subject to all
11 applicable taxes, duties, charges, including excise taxes due
12 thereon. This shall apply to cigars and cigarettes, distilled spirits,
13 fermented liquors and wines brought directly into the duly
14 chartered or legislated freeports of the Subic Special Economic and
15 Freeport Zone, created under Republic Act No. 7227; the Cagayan
16 Special Economic Zone and Freeport, created under Republic Act
17 No. 7922; and the Zamboanga City Special Economic Zone,
18 created under Republic Act No. 7903, and such other freeports as
19 may hereafter be established or created by law: *Provided, further,*
20 **That NOTWITHSTANDING THE PROVISIONS OF REPUBLIC ACTS**
21 **9400 AND 9593**, importations of cigars and cigarettes, distilled
22 spirits, fermented liquors and wines made directly by a
23 government-owned and operated duty-free shop, like the Duty-Free
24 Philippines (DFP), shall be exempted from all applicable duties
25 only: x x x

26 “x x x

27 “Articles confiscated shall be **DESTROYED USING THE MOST**
28 **ENVIRONMENTALLY FRIENDLY METHOD AVAILABLE.** [disposed

1 of in accordance with the rules and regulations to be promulgated
2 by the Secretary of Finance, upon recommendation of the
3 Commissioners of Customs and Internal Revenue, upon
4 consultation with the Secretary of Tourism and the General
5 Manager of the Philippine Tourism Authority.]

6 "x x x

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

10 "(B) *Incremental Revenues from Republic Act No. 8240.* –
11 Fifteen percent (15%) of the incremental revenue collected from
12 the excise tax on tobacco products under R. A. No. 8240 shall be
13 allocated and divided among the provinces producing burley and
14 native tobacco in accordance with the volume of tobacco leaf
15 production. The fund shall be exclusively utilized for programs [in
16 pursuit of the following objectives] **TO PROMOTE ECONOMICALLY**
17 **VIABLE ALTERNATIVES FOR TOBACCO FARMERS AND WORKERS**
18 **SUCH AS:**

19 "(1) **PROGRAMS THAT WILL PROVIDE INPUTS, TRAINING,**
20 **AND OTHER SUPPORT FOR TOBACCO FARMERS WHO SHIFT TO**
21 **PRODUCTION OF AGRICULTURAL PRODUCTS OTHER THAN**
22 **TOBACCO;**

23 "(2) **PROGRAMS THAT WILL PROVIDE FINANCIAL**
24 **SUPPORT FOR TOBACCO FARMERS WHO ARE DISPLACED OR WHO**
25 **CEASE TO PRODUCE TOBACCO VOLUNTARILY; AND**

26 "(3) **COOPERATIVE PROGRAMS TO ASSIST TOBACCO**
27 **FARMERS IN PLANTING ALTERNATIVE CROPS OR IMPLEMENTING**
28 **OTHER LIVELIHOOD PROJECTS.**

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

4 “(2) Livelihood projects, particularly the development of
5 alternative farming system to enhance farmer’s income; and

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

10 “The Department of Budget and Management, in
11 consultation with the [Oversight Committee created under said
12 R. A. No. 8240] **DEPARTMENT OF AGRICULTURE**, shall issue [the
13 corresponding] rules and regulations governing the allocation and
14 disbursement of this fund, **NOT LATER THAN ONE HUNDRED**
15 **EIGHTY (180) DAYS FROM THE EFFECTIVITY OF THIS ACT.**

16 “(C) *Incremental Revenues from the Excise Tax on Alcohol*
17 *and Tobacco Products.* –

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

24 “(2) Two and a half percent (2.5%) of the incremental
25 revenue from the excise tax on alcohol and tobacco products
26 starting January 2005 shall be credited to the account of the

1 Department of Health and constituted as a trust fund for its disease
2 prevention program.

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

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

11 SEC. 8. *Annual Report.* – The Department of Budget and
12 Management, the Department of Agriculture, the Philippine Health Insurance
13 Corporation and the Department of Health shall each submit to the Oversight
14 Committee, created under Republic Act No. 8240, a detailed report on the
15 expenditure of the amounts earmarked in this Section on the first week of
16 August of every year. The reports shall be simultaneously published in the
17 *Official Gazette* and in the agencies' websites.

18 SEC. 9. *Oversight Committee.* – The composition of the Oversight
19 Committee, created under Republic Act No. 8240, shall include the Agriculture
20 and Health Committee Chairpersons of the Senate and the House of
21 Representatives as part of the four (4) members to be appointed from each
22 House.

23 Upon receipt of the agencies' annual reports, the Committee shall review
24 them and ensure the proper implementation of this Act as regards the
25 expenditures of the earmarked funds.

26 SEC. 10. *Implementing Rules and Regulations.* – The Secretary of
27 Finance shall, upon the recommendation of the Commissioner of Internal
28 Revenue, and in consultation with the Department of Health, promulgate the

1 necessary rules and regulations for the effective implementation of this Act not
2 later than one hundred eighty (180) days upon the effectivity of this Act.

3 SEC. 11. *Separability Clause.* – If any of the provisions of this Act is
4 declared invalid by a competent court, the remainder of this Act or any
5 provision not affected by such declaration of invalidity shall remain in force
6 and effect.

7 SEC. 12. *Repealing Clause.* – All laws, decrees, ordinances, rules and
8 regulations, executive or administrative orders and such other presidential
9 issuances that are inconsistent with any of the provisions of this Act are hereby
10 repealed, amended or otherwise modified accordingly.

11 SEC. 13. *Effectivity.* – This Act shall take effect fifteen (15) days after
12 its publication in a newspaper of general circulation.

Approved,

O