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Introduced by Senator Lacson

EXPLANATORY NOTE

Section 28, paragraph 1, Article VI of the 1987 Constitution states that: "The rule of taxation shall be uniform and equitable. The Congress shall evolve a progressive system of taxation."

The current system of excise tax on alcohol products under RA No. 9334 is no longer an effective and efficient taxation scheme to improve government revenue and deter alcohol consumption.

The present alcohol tax system in Sin Tax Reform Act of 2005 has multiple classification of products with various tax rates, discriminates against brands that were introduced after December 31, 2003 and fails to track price movements. The multi-tiered rates under the present scheme create opportunities for discretion in classification of alcoholic beverages as well as push drinkers to consume lower priced, and therefore lower taxed, brands of wines, distilled spirits and beer. The price-based classification of these products have severely favored locally produced brands. The distinction between old and new brands creates an uneven playing field among alcohol products. The absence of a transparent benchmark by which the excise tax rates is adjusted to track inflation resulted in lower-than-projected revenue collection.

This bill therefore intends to address these problems so that the government can achieve its twin purpose of revenue generation and control alcoholic beverage consumption by imposing a unitary specific tax rate for these products. The unification of the tax rates on distilled spirits will be based on the strength of the spirits and will be undertaken in stages. In succeeding years, the specific tax rate shall be a singular rate that will be indexed to the alcohol price index.

The proposed excise tax system on alcohol products under this bill will be simple, effective and efficient. It will reduce administrative complications associated with the current multi-rate structure, provide a market conducive to pure competition, raise revenues and discourage alcohol consumption.

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


PANFILO M. LACSON
Senator

1 **PROVIDED, THAT, ON THE FOURTH YEAR**
2 **AFTER THE EFFECTIVITY OF THIS ACT AND**
3 **EVERY YEAR THEREAFTER, THE EXCISE TAX**
4 **RATES PRESCRIBED HEREIN SHALL BE**
5 **ADJUSTED TO ITS PRESENT VALUE USING AN**
6 **APPROPRIATE PRICE INDEX FOR ALCOHOLIC**
7 **DRINKS, AS PUBLISHED BY THE NATIONAL**
8 **STATISTICS OFFICE (NSO)."**

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

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

18 ["(1) Less than two hundred and fifty pesos (P250.00) – One
19 hundred twenty six pesos (P126.00) per proof liter;"]

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

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

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

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

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

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

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

26 ["Variants of existing brands and variants of new brands which are
27 introduced in the domestic market after the effectively of this Act shall be
28 taxed under the proper classification thereof based on their suggested net

1 retail price: *Provided, however,* that such classification shall not, in any
2 case, be lower than the highest classification of any variant of that brand.】

3 【“ A **‘variant of a brand’** shall refer to a brand on which a modifier
4 is prefixed and/or suffixed to the root name of the brand.】

5 【“ New brands, as defined in the immediately following paragraph,
6 shall initially be classified according to their suggested net retail price.
7 Willful understatement of the suggested net retail price by as much as
8 fifteen percent (15%) of the actual net retail price shall render the
9 manufacturer liable for additional excise tax equivalent to the tax due and
10 difference between the understated suggested net retail price and the
11 actual net retail price.】

12 【“ **‘New brand’** shall mean a brand registered after the date of
13 effectivity of R.A. No. 8240.】

14 【“ **‘Suggested net retail price’** shall mean the net retail price at
15 which new brands, as defined above, of locally manufactured or imported
16 distilled spirits are intended by the manufacturer or importer to be sold on
17 retail in major supermarkets or retail outlets in Metro Manila for those
18 marketed nationwide, and in other regions, for those with regional
19 markets. At the end of three (3) months from the product launch, the
20 Bureau of Internal Revenue shall validate the suggested net retail price as
21 defined herein and determine the correct tax bracket to which a particular
22 new brand of distilled spirits, as defined above, shall be classified. After
23 the end of eighteen (18) months from such validation, the Bureau of
24 Internal Revenue shall revalidate the initially validated net retail price
25 against the net retail price as of the time of revalidation in order to finally
26 determine the correct tax bracket which a particular new brand of distilled
27 spirits shall be classified: *Provided, however,* That brands of distilled
28 spirits introduced in the domestic market between January 1, 1997 and
29 December 31, 2003 shall remain in the classification under which the

1 Bureau of Internal Revenue has determined them to belong as of
2 December 31, 2003. Such classification of new brands and brands
3 introduced between January 1, 1997 and December 31, 2003 shall not be
4 revised except by an act of Congress.]

5 [" The rates of tax imposed under this Section shall be increase by
6 eight percent (8%) every two years starting on January 1, 2007.]

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

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

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

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

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

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

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

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

16 “SEC. 142. *Wines.* – On wines, there shall be collected per liter of
17 volume capacity, the following taxes:

18 “(a) Sparkling wines/champagnes regardless of proof [, if the net
19 retail price per bottle (excluding the excise tax and the value-added tax)
20 is:] – **THREE HUNDRED PESOS (P300.00);**

21 [“(1) Five hundred pesos (P500.00) or less – One hundred forty-five
22 pesos and sixty centavos (P145.60); and]

23 [“(2) More than Five hundred pesos (P500.00) – Four hundred
24 thirty-six pesos and eighty centavos (P436.80)]

25 [“(b) Still wines containing fourteen percent (14%) of alcohol by
26 volume or less, Seventeen pesos and forty-seven centavos (P17.47)]; and

27 [“(c) Still Wines containing more than fourteen percent (14%) but
28 not more than twenty-five percent (25%) of alcohol by volume, Thirty-four
29 pesos and ninety-four centavos (P34.94).]

1 “(b) STILL WINES, REGARDLESS OF PROOF – FIFTY PESOS
2 (P50.00)

3 *PROVIDED, THAT, A YEAR AFTER THE EFFECTIVITY*
4 *OF THIS ACT AND EVERY YEAR THEREAFTER, THE EXCISE TAX*
5 *RATES PRESCRIBED HEREIN SHALL BE ADJUSTED TO ITS*
6 *PRESENT VALUE USING AN APPROPRIATE PRICE INDEX FOR*
7 *ALCOHOLIC DRINKS, AS PUBLISHED BY THE NATIONAL*
8 *STATISTICS OFFICE (NSO).”*

9 “Fortified wines containing more than twenty-five percent (25%) of
10 alcohol by volume shall be taxed as distilled spirits. **‘Fortified wines’** shall
11 mean *natural wines to which distilled spirits are added to increase their*
12 *alcohol strength.*

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

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

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

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

3 [“ ‘New brand’ shall mean a brand registered after the date of
4 effectivity of R.A. No. 8240.”]

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

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

28 [Any downward reclassification of present categories, for tax
29 purposes, of existing brands of wines duly registered at the time of the

1 effectivity of this Act which will reduce the tax imposed herein, or the
2 payment hereof, shall be prohibited.]

3 [The classification of each brand of wines based on the average net
4 retail price as of October 1, 1996, as set forth in Annex 'B', including the
5 classification of brands for the same products which, although not set forth
6 in said "Annex B" were registered and were being commercially
7 produced and marketed after the effectivity of this Act, shall remain in
8 force until revised by Congress.]

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

14 "Any manufacturer or importer who, in violation of this Section,
15 knowingly misdeclares or misrepresents in his or its sworn statement
16 herein required any pertinent data or information shall, upon discovery, be
17 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
20 acts or omissions in violation of this Section shall be fined treble the
21 amount of deficiency taxes, surcharges and interest which may be
22 assessed pursuant to this Section.

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

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

4 **SEC. 3.** Section 143 of the National Internal Revenue Code of (1997), as
5 amended by Republic Act No. 9334, is hereby further amended to read as
6 follows:

7 **“SEC. 143. Fermented Liquor.** – There shall be levied, assessed and
8 collected an excise tax on beer, lager beer, ale, porter and other fermented
9 liquors except *tuba, basi, tapuy* and similar fermented liquors [in accordance with
10 the following schedule:] **AN EXCISE TAX EQUIVALENT TO TWENTY-ONE**
11 **PESOS AND FIFTY-TWO CENTAVOS (P21.52) PER LITER: PROVIDED,**
12 **THAT, A YEAR AFTER THE EFFECTIVITY OF THIS ACT AND EVERY YEAR**
13 **THEREAFTER, THE EXCISE TAX RATE PRESCRIBED HEREIN SHALL BE**
14 **ADJUSTED TO ITS PRESENT VALUE USING AN APPROPRIATE PRICE**
15 **INDEX FOR ALCOHOLIC DRINKS, AS PUBLISHED BY THE NATIONAL**
16 **STATISTICS OFFICE (NSO).”**

17 [“(a) If the net retail price (excluding the excise tax and the value-
18 added tax) per liter of volume capacity is less than Fourteen pesos and
19 fifty centavos (P14.50), the tax shall be Eight pesos and twenty-seven
20 centavos (P8.27) per liter;]

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

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

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

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

8 [“Fermented liquors which are brewed and sold at microbreweries
9 or small establishments such as pubs and restaurants shall be subject to
10 the rate in paragraph (c) hereof.]

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

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

15 [“**‘Suggested net retail price’** shall mean the net retail price at
16 which new brands, as defined above, of locally manufactured or imported
17 fermented liquor are intended by the manufacturer or importer to be sold
18 on retail in major supermarkets or retail outlets in Metro Manila for those
19 marketed nationwide, and in other regions, for those with regional
20 markets. *At the end of three (3) months from the product launch, the*
21 *Bureau of Internal Revenue shall validate the suggested net retail price of*
22 *the new brand against the net retail price as defined herein and determine*
23 *the correct tax bracket to which a particular new brand of fermented liquor,*
24 *as defined above, shall be classified. After the end of the eighteen (18)*
25 *months from such validation, the Bureau of Internal Revenue shall*
26 *revalidate the initially validated net retail price against the net retail price*
27 *as of the time of revalidation in order to finally determine the correct tax*
28 *bracket which a particular new brand of fermented liquors shall be*
29 *classified: Provided, however,* That brands of fermented liquors introduced

1 in the domestic market between January 1, 1997 and December 31, 2003
2 shall remain in the classification under which the Bureau of Internal
3 Revenue has determined them to belong as of December 31, 2003. Such
4 classification of new brands and brands introduced between January 1,
5 1997 and December 31, 2003 shall not be revised except by an act of
6 Congress.]

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

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

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

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

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

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

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

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

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

27 **SEC. 4. *Implementing Rules and Regulations.*** – The Secretary of
28 Finance shall, upon the recommendation of the Commissioner of Internal

1 Revenue, promulgate the necessary rules and regulations for the effective
2 implementation of this Act.

3 **SEC. 5. *Repealing Clause.*** – All laws, decrees, executive orders, rules
4 and regulations or parts thereof which are contrary to or inconsistent with this Act
5 are hereby repealed, amended or modified accordingly.

6 **SEC. 6. *Effectivity.*** - This Act shall take effect fifteen (15) days after its
7 publication in the Official Gazette or in any two newspapers of general
8 circulation, whichever comes earlier.

9 Approved,