

SENATE

S. B. NO. 1854

(In substitution of SBN 1815, in consideration of HBN 3174)

Prepared by the Committee with Senator Recto as author thereof.

AN ACT
INCREASING THE EXCISE TAX RATES IMPOSED ON ALCOHOL AND
TOBACCO PRODUCTS, AMENDING FOR THE PURPOSE SECTIONS 131, 141,
142, 143, 144, 145 AND 288 OF THE NATIONAL INTERNAL REVENUE CODE OF
1997, AS AMENDED

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

1 SECTION 1. Section 141 of the National Internal Revenue Code of 1997, as
2 amended, is hereby further amended to read as follows:

3 "SEC. 141. *Distilled Spirits.* - On distilled spirits, there shall be collected,
4 subject to the provisions of Section 133 of this Code, excise taxes as follows:

5 (a) If produced from the sap of nipa, coconut, cassava, camote, or buri
6 palm or from the juice, syrup or sugar of the cane, [provided such materials are
7 produced commercially in the country where they are] AND processed into
8 distilled spirits, per proof liter, [Eight Pesos (P8.00): Provided, That if produced
9 in a pot still or other similar primary distilling apparatus by a distiller producing
10 not more than one hundred (100) liters a day, containing not more than fifty
11 percent (50%) of alcohol by volume, per proof liter, Four pesos (P4.00)] **ELEVEN
12 PESOS AND SIXTY-FIVE CENTAVOS (P11.65);**

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

1 (1) Less than Two hundred and fifty pesos (P250) - [Seventy Five Pesos
2 (P75)] **ONE HUNDRED TWENTY-SIX PESOS (P126.00)**, per proof liter;

3 (2) Two hundred and fifty pesos (P250) up to Six hundred and seventy
4 five pesos (P675) - [One hundred and fifty pesos (P150)] **TWO**
5 **HUNDRED FIFTY-TWO PESOS (P252.00)**, per proof liter; and

6 (3) More than Six hundred and seventy five pesos (P675) - [Three
7 hundred pesos (P300)] **FIVE HUNDRED FOUR PESOS (P504.00)**, per
8 proof liter.

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

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

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

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

25 [The rates of tax imposed under this Section shall be increased by twelve
26 percent (12%) on January 1, 2000.]

27 [New brands shall be classified according to their current net retail price.]

28 [For the above purpose, 'n] 'Net retail price', **AS DETERMINED BY THE**
29 **BUREAU OF INTERNAL REVENUE (BIR) THROUGH A PRICE SURVEY TO**

1 BE CONDUCTED BY THE BIR ITSELF, OR BY THE NATIONAL
2 STATISTICS OFFICE (NSO), OR BY A REPUTABLE RESEARCH OR
3 POLLING ORGANIZATION DEPUTIZED FOR THE PURPOSE BY THE BIR,
4 shall mean the price at which the distilled spirit is sold on retail in AT LEAST ten
5 (10) major supermarkets in Metro Manila, excluding the amount intended to
6 cover the applicable excise tax and the value added tax [as of October 1, 1996].
7 FOR BRANDS WHICH ARE MARKETED OUTSIDE METRO MANILA, THE
8 'NET RETAIL PRICE' SHALL MEAN THE PRICE AT WHICH THE DISTILLED
9 SPIRITS IS SOLD IN AT LEAST FIVE (5) MAJOR SUPERMARKETS IN THE
10 REGION EXCLUDING THE AMOUNT INTENDED TO COVER THE
11 APPLICABLE EXCISE TAX AND THE VALUE-ADDED TAX.

12 VARIANTS OF EXISTING BRANDS AND VARIANTS OF NEW
13 BRANDS WHICH ARE INTRODUCED IN THE DOMESTIC MARKET AFTER
14 THE EFFECTIVITY OF THIS ACT SHALL BE TAXED UNDER THE HIGHEST
15 CLASSIFICATION OF ANY VARIANT OF THAT BRAND.

16 A 'VARIANT OF A BRAND' SHALL REFER TO A BRAND ON WHICH
17 A MODIFIER IS PREFIXED AND/OR SUFFIXED TO THE ROOT NAME OF
18 THE BRAND AND/OR A DIFFERENT BRAND WHICH CARRIES THE SAME
19 LOGO OR DESIGN OF THE EXISTING BRAND.

20 NEW BRANDS, AS DEFINED IN THE IMMEDIATELY FOLLOWING
21 PARAGRAPH, SHALL INITIALLY BE CLASSIFIED ACCORDING TO THEIR
22 [CURRENT] SUGGESTED NET RETAIL PRICE.

23 'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE
24 DATE OF EFFECTIVITY OF R. A. NO. 8240. [THIS ACT, AND SHALL
25 INCLUDE PREVIOUSLY REGISTERED BUT INACTIVE BRANDS OF
26 DISTILLED SPIRITS.]

27 'SUGGESTED NET RETAIL PRICE' SHALL MEAN THE NET RETAIL
28 PRICE AT WHICH NEW BRANDS, AS DEFINED ABOVE, OF LOCALLY
29 MANUFACTURED OR IMPORTED DISTILLED SPIRITS ARE INTENDED BY

1 THE MANUFACTURER OR IMPORTER TO BE SOLD ON RETAIL IN MAJOR
2 SUPERMARKETS OR RETAIL OUTLETS IN METRO MANILA FOR THOSE
3 MARKETED NATIONWIDE, AND IN OTHER REGIONS, FOR THOSE WITH
4 REGIONAL MARKETS. AT THE END OF THREE (3) MONTHS FROM THE
5 PRODUCT LAUNCH, THE BUREAU OF INTERNAL REVENUE SHALL
6 VALIDATE THE SUGGESTED NET RETAIL PRICE OF THE NEW BRAND
7 AGAINST THE NET RETAIL PRICE AS DEFINED HEREIN AND [FINALLY]
8 DETERMINE THE CORRECT TAX BRACKET TO WHICH A PARTICULAR
9 NEW BRAND OF DISTILLED SPIRITS, AS DEFINED ABOVE, SHALL BE
10 CLASSIFIED. SUCH CLASSIFICATION SHALL NOT BE REVISED EXCEPT
11 BY AN ACT OF CONGRESS.

12 THE RATES OF TAX IMPOSED UNDER THIS SECTION SHALL BE
13 INCREASED BY EIGHT PERCENT (8%) EVERY TWO YEARS STARTING ON
14 JANUARY 1, 2007 UNTIL JANUARY 1, 2011.

15 ANY DOWNWARD RECLASSIFICATION OF PRESENT CATEGORIES,
16 FOR TAX PURPOSES, OF EXISTING BRANDS OF DISTILLED SPIRITS DULY
17 REGISTERED AT THE TIME OF THE EFFECTIVITY OF THIS ACT WHICH
18 WILL REDUCE THE TAX IMPOSED HEREIN, OR THE PAYMENT THEREOF,
19 SHALL BE PROHIBITED.

20 The classification of each brand of distilled spirits based on the average
21 net retail price as of October 1, 1996, as set forth in Annex 'A', INCLUDING
22 THE CLASSIFICATION OF BRANDS FOR THE SAME PRODUCTS WHICH,
23 ALTHOUGH NOT SET FORTH IN SAID ANNEX 'A', WERE REGISTERED
24 AND COMMERCIALY PRODUCED ON OR BEFORE JANUARY 1, 1997,
25 AND WHICH CONTINUE TO BE COMMERCIALY PRODUCED AFTER
26 THE EFFECTIVITY OF THIS ACT, shall remain in force until revised by
27 Congress.

28 MANUFACTURERS AND IMPORTERS OF DISTILLED SPIRITS SHALL,
29 WITHIN THIRTY (30) DAYS FROM THE EFFECTIVITY OF THIS ACT, AND

1 WITHIN THE FIRST FIVE (5) DAYS OF EVERY MONTH THEREAFTER,
2 SUBMIT TO THE COMMISSIONER A SWORN STATEMENT OF THE
3 VOLUME OF SALES FOR EACH PARTICULAR BRAND OF DISTILLED SPIRIT
4 SOLD AT HIS ESTABLISHMENT FOR THE THREE-MONTH PERIOD
5 IMMEDIATELY PRECEDING.

6 ANY MANUFACTURER OR IMPORTER WHO, IN VIOLATION OF
7 THIS SECTION, KNOWINGLY MISDECLARES OR MISREPRESENTS IN HIS
8 OR ITS SWORN STATEMENT HEREIN REQUIRED ANY PERTINENT DATA
9 OR INFORMATION SHALL, UPON DISCOVERY, BE PENALIZED BY A
10 SUMMARY CANCELLATION OR WITHDRAWAL OF HIS OR ITS PERMIT TO
11 ENGAGE IN BUSINESS AS MANUFACTURER OR IMPORTER OF DISTILLED
12 SPIRITS.

13 ANY CORPORATION, ASSOCIATION OR PARTNERSHIP LIABLE FOR
14 ANY OF THE ACTS OR OMISSIONS IN VIOLATION OF THIS SECTION
15 SHALL BE FINED TREBLE THE AMOUNT OF DEFICIENCY TAXES,
16 SURCHARGES AND INTEREST WHICH MAY BE ASSESSED PURSUANT TO
17 THIS SECTION.

18 ANY PERSON LIABLE FOR ANY OF THE ACTS OR OMISSIONS
19 PROHIBITED UNDER THIS SECTION SHALL BE CRIMINALLY LIABLE AND
20 PENALIZED UNDER SECTION 254 OF THIS CODE. ANY PERSON WHO
21 WILLFULLY AIDS OR ABETS IN THE COMMISSION OF ANY SUCH ACT OR
22 OMISSION SHALL BE CRIMINALLY LIABLE IN THE SAME MANNER AS
23 THE PRINCIPAL.

24 IF THE OFFENDER IS NOT A CITIZEN OF THE PHILIPPINES, HE
25 SHALL BE DEPORTED IMMEDIATELY AFTER SERVING THE SENTENCE,
26 WITHOUT FURTHER PROCEEDINGS FOR DEPORTATION."

27 SEC. 2. Section 142 of the National Internal Revenue Code of 1997, as amended,
28 is hereby further amended to read as follows:

1 “SEC 142. *Wines.* - On wines, there shall be collected per liter of volume
2 capacity, the following taxes:

3 (a) Sparkling wines/champagnes regardless of proof, if the net retail price
4 per bottle (excluding the excise tax and the value-added tax) is:

5 (1) Five hundred pesos (P500) or less - [One hundred pesos (P100)] ONE
6 HUNDRED FORTY-FIVE PESOS AND SIXTY CENTAVOS (P145.60); and

7 (2) More than Five hundred pesos (P500) - [Three hundred pesos (P300)]
8 FOUR HUNDRED THIRTY SIX PESOS AND EIGHTY CENTAVOS (P436.80).

9 (b) Still wines containing fourteen percent (14%) of alcohol by volume or
10 less, [Twelve pesos (P12.00)] SEVENTEEN PESOS AND FORTY-SEVEN
11 CENTAVOS (P17.47); and;

12 (c) Still wines containing more than fourteen percent (14%) but not more
13 than twenty-five percent (25%) of alcohol by volume, [Twenty-four pesos
14 (P24.00)] THIRTY-FOUR PESOS AND NINETY-FOUR CENTAVOS (P34.94).

15 Fortified wines containing more than twenty-five percent (25%) of alcohol
16 by volume shall be taxed as distilled spirits. ‘Fortified wines’ shall mean natural
17 wines to which distilled spirits are added to increase their alcohol strength.

18 [The rates of tax imposed under this Section shall be increased by twelve
19 percent (12%) on January 1, 2000.]

20 [New brands shall be classified according to their current net retail price.]

21 [For the above purpose, ‘n] ‘Net retail price’, **AS DETERMINED BY THE**
22 **BUREAU OF INTERNAL REVENUE (BIR) THROUGH A PRICE SURVEY TO**
23 **BE CONDUCTED BY THE BIR ITSELF, OR BY THE NATIONAL**
24 **STATISTICS OFFICE (NSO), OR BY A REPUTABLE RESEARCH OR**
25 **POLLING ORGANIZATION DEPUTIZED FOR THE PURPOSE BY THE BIR,**
26 shall mean the price at which wine is sold on retail in **AT LEAST** ten (10) major
27 supermarkets in Metro Manila, excluding the amount intended to cover the
28 applicable excise tax and the value added tax [as of October 1, 1996]. **FOR**
29 **BRANDS WHICH ARE MARKETED OUTSIDE METRO MANILA, THE ‘NET**

1 RETAIL PRICE' SHALL MEAN THE PRICE AT WHICH THE WINE IS SOLD IN
2 AT LEAST FIVE (5) MAJOR SUPERMARKETS IN THE REGION EXCLUDING
3 THE AMOUNT INTENDED TO COVER THE APPLICABLE EXCISE TAX AND
4 THE VALUE-ADDED TAX.

5 VARIANTS OF EXISTING BRANDS AND VARIANTS OF NEW
6 BRANDS WHICH ARE INTRODUCED IN THE DOMESTIC MARKET AFTER
7 THE EFFECTIVITY OF THIS ACT SHALL BE TAXED UNDER THE HIGHEST
8 CLASSIFICATION OF ANY VARIANT OF THAT BRAND.

9 A 'VARIANT OF A BRAND' SHALL REFER TO A BRAND ON WHICH
10 A MODIFIER IS PREFIXED AND/OR SUFFIXED TO THE ROOT NAME OF
11 THE BRAND AND/OR A DIFFERENT BRAND WHICH CARRIES THE SAME
12 LOGO OR DESIGN OF THE EXISTING BRAND.

13 NEW BRANDS, AS DEFINED IN THE IMMEDIATELY FOLLOWING
14 PARAGRAPH, SHALL INITIALLY BE CLASSIFIED ACCORDING TO THEIR
15 [CURRENT] SUGGESTED NET RETAIL PRICE.

16 'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE
17 DATE OF EFFECTIVITY OF R. A. NO. 8240 [THIS ACT, AND SHALL
18 INCLUDE PREVIOUSLY REGISTERED BUT INACTIVE BRANDS OF WINE].

19 'SUGGESTED NET RETAIL PRICE' SHALL MEAN THE NET RETAIL
20 PRICE AT WHICH NEW BRANDS, AS DEFINED ABOVE, OF LOCALLY
21 MANUFACTURED OR IMPORTED WINES ARE INTENDED BY THE
22 MANUFACTURER OR IMPORTER TO BE SOLD ON RETAIL IN MAJOR
23 SUPERMARKETS OR RETAIL OUTLETS IN METRO MANILA FOR THOSE
24 MARKETED NATIONWIDE, AND IN OTHER REGIONS, FOR THOSE WITH
25 REGIONAL MARKETS. AT THE END OF THREE (3) MONTHS FROM THE
26 PRODUCT LAUNCH, THE BUREAU OF INTERNAL REVENUE SHALL
27 VALIDATE THE SUGGESTED NET RETAIL PRICE OF THE NEW BRAND
28 AGAINST THE NET RETAIL PRICE AS DEFINED HEREIN AND [FINALLY]
29 DETERMINE THE CORRECT TAX BRACKET TO WHICH A PARTICULAR

1 NEW BRAND OF WINE, AS DEFINED ABOVE, SHALL BE CLASSIFIED.
2 SUCH CLASSIFICATION SHALL NOT BE REVISED EXCEPT BY AN ACT
3 OF CONGRESS.

4 THE RATES OF TAX IMPOSED UNDER THIS SECTION SHALL BE
5 INCREASED BY EIGHT PERCENT (8%) EVERY TWO YEARS STARTING ON
6 JANUARY 1, 2007 UNTIL JANUARY 1, 2011.

7 ANY DOWNWARD RECLASSIFICATION OF PRESENT CATEGORIES,
8 FOR TAX PURPOSES, OF EXISTING BRANDS OF WINES DULY REGISTERED
9 AT THE TIME OF THE EFFECTIVITY OF THIS ACT WHICH WILL REDUCE
10 THE TAX IMPOSED HEREIN, OR THE PAYMENT THEREOF, SHALL BE
11 PROHIBITED.

12 The classification of each brand of wines based on the average net retail
13 price as of October 1, 1996, as set forth in Annex 'B', INCLUDING THE
14 CLASSIFICATION OF BRANDS FOR THE SAME PRODUCTS WHICH,
15 ALTHOUGH NOT SET FORTH IN SAID "ANNEX B", WERE REGISTERED
16 AND COMMERCIALY PRODUCED ON OR BEFORE JANUARY 1, 1997,
17 AND WHICH CONTINUE TO BE COMMERCIALY PRODUCED AFTER
18 THE EFFECTIVITY OF THIS ACT, shall remain in force until revised by
19 Congress.

20 MANUFACTURERS AND IMPORTERS OF WINES SHALL, WITHIN
21 THIRTY (30) DAYS FROM THE EFFECTIVITY OF THIS ACT, AND WITHIN
22 THE FIRST FIVE (5) DAYS OF EVERY MONTH THEREAFTER, SUBMIT TO
23 THE COMMISSIONER A SWORN STATEMENT OF THE VOLUME OF SALES
24 FOR EACH PARTICULAR BRAND OF WINES SOLD AT HIS
25 ESTABLISHMENT FOR THE THREE-MONTH PERIOD IMMEDIATELY
26 PRECEDING.

27 ANY MANUFACTURER OR IMPORTER WHO, IN VIOLATION OF
28 THIS SECTION, KNOWINGLY MISDECLARES OR MISREPRESENTS IN HIS
29 OR ITS SWORN STATEMENT HEREIN REQUIRED ANY PERTINENT DATA

1 OR INFORMATION SHALL, UPON DISCOVERY, BE PENALIZED BY A
2 SUMMARY CANCELLATION OR WITHDRAWAL OF HIS OR ITS PERMIT TO
3 ENGAGE IN BUSINESS AS MANUFACTURER OR IMPORTER OF WINES.

4 ANY CORPORATION, ASSOCIATION OR PARTNERSHIP LIABLE FOR
5 ANY OF THE ACTS OR OMISSIONS IN VIOLATION OF THIS SECTION
6 SHALL BE FINED TREBLE THE AMOUNT OF DEFICIENCY TAXES,
7 SURCHARGES AND INTEREST WHICH MAY BE ASSESSED PURSUANT TO
8 THIS SECTION.

9 ANY PERSON LIABLE FOR ANY OF THE ACTS OR OMISSIONS
10 PROHIBITED UNDER THIS SECTION SHALL BE CRIMINALLY LIABLE AND
11 PENALIZED UNDER SECTION 254 OF THIS CODE. ANY PERSON WHO
12 WILLFULLY AIDS OR ABETS IN THE COMMISSION OF ANY SUCH ACT OR
13 OMISSION SHALL BE CRIMINALLY LIABLE IN THE SAME MANNER AS
14 THE PRINCIPAL.

15 IF THE OFFENDER IS NOT A CITIZEN OF THE PHILIPPINES, HE
16 SHALL BE DEPORTED IMMEDIATELY AFTER SERVING THE SENTENCE,
17 WITHOUT FURTHER PROCEEDINGS FOR DEPORTATION."

18 SEC. 3. Section 143 of the National Internal Revenue Code of 1997, as amended,
19 is hereby further amended to read as follows:

20 "SEC. 143. *Fermented Liquor.* - There shall be levied, assessed and collected
21 an excise tax on beer, lager beer; ale, porter and other fermented liquors except
22 *tuba, basi, tapuy* and similar [domestic] fermented liquors in accordance with the
23 following schedule:

24 (a) If the net retail price (excluding the excise tax and value-added tax) per
25 liter of volume capacity is less than Fourteen pesos and fifty centavos (P14.50),
26 the tax shall be [Six pesos and fifteen centavos (P6.15)] EIGHT PESOS AND
27 TWENTY-SEVEN CENTAVOS (P8.27) per liter;

28 (b) If the net retail price (excluding the excise tax and the value-added
29 tax) per liter of volume capacity is Fourteen pesos and fifty centavos (P14.50) up

1 to Twenty-two pesos (P22.00), the tax shall be [Nine pesos and fifteen centavos
2 (P9.15)] TWELVE PESOS AND THIRTY CENTAVOS (P12.30) per liter;

3 (c) If the net retail price (excluding the excise tax and the value-added tax)
4 per liter of volume capacity is more than Twenty-two pesos (P22.00), the tax shall
5 be [Twelve pesos and fifteen centavos (P12.15)] SIXTEEN PESOS AND THIRTY-
6 THREE CENTAVOS (P16.33) per liter.

7 Variants of existing brands AND VARIANTS OF NEW BRANDS which
8 are introduced in the domestic market after the effectivity of [Republic Act
9 No.8240] THIS ACT shall be taxed under the highest classification of any variant
10 of that brand.

11 A 'VARIANT OF A BRAND' SHALL REFER TO A BRAND ON WHICH
12 A MODIFIER IS PREFIXED AND/OR SUFFIXED TO THE ROOT NAME OF
13 THE BRAND AND/OR A DIFFERENT BRAND WHICH CARRIES THE SAME
14 LOGO OR DESIGN OF THE EXISTING BRAND.

15 Fermented liquor which are brewed and sold at micro-breweries or small
16 establishments such as pubs and restaurants shall be subject to the rate in
17 paragraph (c) hereof.

18 [The excise tax from any brand of fermented liquor within the next three
19 (3) years from the effectivity of R.A. No. 8240 shall not be lower than the tax
20 which was due from each brand on October 1, 1996.]

21 [The rates of excise tax on fermented liquor under paragraphs (a), (b), and
22 (c) hereof shall be increased by twelve percent (12%) on January 1, 2000].

23 New brands, AS DEFINED IN THE IMMEDIATELY FOLLOWING
24 PARAGRAPH, shall INITIALLY be classified according to their [current]
25 SUGGESTED net retail price.

26 'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE
27 DATE OF EFFECTIVITY OF R. A. NO. 8240 [THIS ACT, AND SHALL
28 INCLUDE PREVIOUSLY REGISTERED BUT INACTIVE BRANDS OF
29 FERMENTED LIQUOR].

1 'SUGGESTED NET RETAIL PRICE' SHALL MEAN THE NET RETAIL
2 PRICE AT WHICH NEW BRANDS, AS DEFINED ABOVE, OF LOCALLY
3 MANUFACTURED OR IMPORTED FERMENTED LIQUOR ARE INTENDED
4 BY THE MANUFACTURER OR IMPORTER TO BE SOLD ON RETAIL IN
5 MAJOR SUPERMARKETS OR RETAIL OUTLETS IN METRO MANILA FOR
6 THOSE MARKETED NATIONWIDE, AND IN OTHER REGIONS, FOR THOSE
7 WITH REGIONAL MARKETS. AT THE END OF THREE (3) MONTHS FROM
8 THE PRODUCT LAUNCH, THE BUREAU OF INTERNAL REVENUE SHALL
9 VALIDATE THE SUGGESTED NET RETAIL PRICE AGAINST THE NET
10 RETAIL PRICE AS DEFINED HEREIN AND [FINALLY] DETERMINE THE
11 CORRECT TAX BRACKET TO WHICH A PARTICULAR NEW BRAND OF
12 FERMENTED LIQUOR, AS DEFINED ABOVE, SHALL BE CLASSIFIED. SUCH
13 CLASSIFICATION SHALL NOT BE REVISED EXCEPT BY AN ACT OF
14 CONGRESS.

15 [For the above purpose, n] 'Net retail price', AS DETERMINED BY THE
16 BUREAU OF INTERNAL REVENUE (BIR) THROUGH A PRICE SURVEY TO
17 BE CONDUCTED BY THE BIR ITSELF, OR THE NATIONAL STATISTICS
18 OFFICE (NSO), OR BY A REPUTABLE RESEARCH OR POLLING
19 ORGANIZATION DEPUTIZED FOR THE PURPOSE BY THE BIR, shall mean
20 the price at which the fermented liquor is sold on retail in AT LEAST twenty (20)
21 major supermarkets in Metro Manila (for brands of fermented liquor marketed
22 nationally), excluding the amount intended to cover the applicable excise tax and
23 the value-added tax. For brands which are marketed outside Metro Manila, the
24 'net retail price' shall mean the price at which the fermented liquor is sold in AT
25 LEAST five (5) major supermarkets in the region excluding the amount intended
26 to cover the applicable excise tax and the value-added tax.

27 The classification of each brand of fermented liquor based on its average
28 net retail price as of October 1, 1996, as set forth in Annex 'C', INCLUDING THE
29 CLASSIFICATION OF BRANDS FOR THE SAME PRODUCTS WHICH,

1 ALTHOUGH NOT SET FORTH IN SAID ANNEX 'C', WERE REGISTERED
2 AND COMMERCIALY PRODUCED ON OR BEFORE JANUARY 1, 1997,
3 AND WHICH CONTINUE TO BE COMMERCIALY PRODUCED AFTER
4 THE EFFECTIVITY OF THIS ACT, shall remain in force until revised by
5 Congress.

6 [A 'variant of a brand' shall refer to a brand on which a modifier is
7 prefixed and/or suffixed to the root name of the brand and/or a different brand
8 which carries the same logo or design of the existing brand.]

9 THE RATES OF TAX IMPOSED UNDER THIS SECTION SHALL BE
10 INCREASED BY EIGHT PERCENT (8%) EVERY TWO YEARS STARTING ON
11 JANUARY 1, 2007 UNTIL JANUARY 1, 2011.

12 ANY DOWNWARD RECLASSIFICATION OF PRESENT CATEGORIES,
13 FOR TAX PURPOSES, OF EXISTING BRANDS OF FERMENTED LIQUOR
14 DULY REGISTERED AT THE TIME OF THE EFFECTIVITY OF THIS ACT
15 WHICH WILL REDUCE THE TAX IMPOSED HEREIN, OR THE PAYMENT
16 THEREOF, SHALL BE PROHIBITED.

17 Every brewer or importer of fermented liquor shall, within thirty (30) days
18 from the effectivity of [RA NO. 8240] THIS ACT, and within the first five (5) days
19 of every month thereafter, submit to the Commissioner a sworn statement of the
20 volume of sales for each particular brand of fermented liquor sold at his
21 establishment for the three-month period immediately preceding.

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

27 Any corporation, association or partnership liable for any of the acts or
28 omissions in violation of this Section shall be fined treble the amount of

1 deficiency taxes, surcharge and interest which may be assessed pursuant to this
2 Section.

3 Any person liable for any of the acts or omissions prohibited under this
4 Section shall be criminally liable and penalized under Section 254 of this Code.

5 Any person who willfully aids or abets in the commission of any such act
6 or omission shall be criminally liable in the same manner as the principal.

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

10 SEC. 4. Section 144 of the National Internal Revenue Code of 1997, as amended,
11 is hereby further amended to read as follows:

12 "SEC. 144. *Tobacco Products.* - There shall be collected a tax of [seventy-five
13 centavos (P0.75)] ONE PESO (P1.00) on each kilogram of the following products
14 of tobacco:

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

17 (b) Tobacco prepared or partially prepared with or without the use of any
18 machine or instruments or without being pressed or sweetened **EXCEPT AS**
19 **OTHERWISE PROVIDED HEREUNDER;** and

20 (c) Fine-cut shorts and refuse, scraps, clippings, cuttings, stems and
21 sweepings of tobacco **EXCEPT AS OTHERWISE PROVIDED HEREUNDER.**

22 **STEMMED LEAF TOBACCO PREPARED OR PARTIALLY**
23 **PREPARED WITH OR WITHOUT THE USE OF ANY MACHINE OR**
24 **INSTRUMENT OR WITHOUT BEING PRESSED OR SWEETENED, [F]fine-**
25 **cut shorts and refuse, scraps, clippings, cuttings, stems, MIDRIBS, and**
26 **sweepings of tobacco resulting from the handling of stripping of whole leaf**
27 **tobacco SHALL [may] be transferred, disposed of, or otherwise sold, without**
28 **any prepayment of the excise tax herein provided for, IF THE SAME ARE TO**
29 **BE EXPORTED OR TO BE USED IN THE MANUFACTURE OF CIGARS,**

1 CIGARETTES, OR OTHER TOBACCO PRODUCTS ON WHICH THE
2 EXCISE TAX WILL EVENTUALLY BE PAID ON THE FINISHED PRODUCT,
3 under such conditions as may be prescribed in the rules and regulations
4 promulgated by the Secretary of Finance, upon recommendation of the
5 Commissioner [, if the same are to be exported or to be used in the manufacture
6 of other tobacco products on which the excise tax will eventually be paid on the
7 finished product].

8 On tobacco specially prepared for chewing so as to be unsuitable for use
9 in any other manner, on each kilogram, [Sixty centavos (P0.60)] SEVENTY-NINE
10 CENTAVOS (P0.79).

11 THE RATES OF TAX IMPOSED UNDER THIS SECTION SHALL BE
12 INCREASED BY SIX PERCENT (6%) EVERY TWO YEARS STARTING ON
13 JANUARY 1, 2007 UNTIL JANUARY 1, 2011.

14 MANUFACTURERS AND IMPORTERS OF TOBACCO PRODUCTS
15 SHALL, WITHIN THIRTY (30) DAYS FROM THE EFFECTIVITY OF THIS ACT,
16 AND WITHIN THE FIRST FIVE (5) DAYS OF EVERY MONTH THEREAFTER,
17 SUBMIT TO THE COMMISSIONER A SWORN STATEMENT OF THE
18 VOLUME OF SALES FOR EACH PARTICULAR BRAND OF TOBACCO
19 PRODUCTS SOLD AT HIS ESTABLISHMENT FOR THE THREE-MONTH
20 PERIOD IMMEDIATELY PRECEDING.

21 ANY MANUFACTURER OR IMPORTER WHO, IN VIOLATION OF
22 THIS SECTION, KNOWINGLY MISDECLARES OR MISREPRESENTS IN HIS
23 OR ITS SWORN STATEMENT HEREIN REQUIRED ANY PERTINENT DATA
24 OR INFORMATION SHALL, UPON DISCOVERY, BE PENALIZED BY A
25 SUMMARY CANCELLATION OR WITHDRAWAL OF HIS OR ITS PERMIT TO
26 ENGAGE IN BUSINESS AS MANUFACTURER OR IMPORTER OF CIGARS OR
27 CIGARETTES.

28 ANY CORPORATION, ASSOCIATION OR PARTNERSHIP LIABLE FOR
29 ANY OF THE ACTS OR OMISSIONS IN VIOLATION OF THIS SECTION

1 SHALL BE FINED TREBLE THE AMOUNT OF DEFICIENCY TAXES,
 2 SURCHARGES AND INTEREST WHICH MAY BE ASSESSED PURSUANT TO
 3 THIS SECTION.

4 ANY PERSON LIABLE FOR ANY OF THE ACTS OR OMISSIONS
 5 PROHIBITED UNDER THIS SECTION SHALL BE CRIMINALLY LIABLE AND
 6 PENALIZED UNDER SECTION 254 OF THIS CODE. ANY PERSON WHO
 7 WILLFULLY AIDS OR ABETS IN THE COMMISSION OF ANY SUCH ACT OR
 8 OMISSION SHALL BE CRIMINALLY LIABLE IN THE SAME MANNER AS
 9 THE PRINCIPAL.

10 IF THE OFFENDER IS NOT A CITIZEN OF THE PHILIPPINES, HE
 11 SHALL BE DEPORTED IMMEDIATELY AFTER SERVING THE SENTENCE,
 12 WITHOUT FURTHER PROCEEDINGS FOR DEPORTATION."

13 SEC. 5. Section 145 of the National Internal Revenue Code, as amended, is hereby
 14 further amended to read as follows:

15 "SEC. 145. *Cigars and Cigarettes.* -

16 (A) *Cigars.* - There shall be levied, assessed and collected on cigars aN AD
 17 VALOREM tax [of One peso (P1.00) per cigar.] BASED ON THE NET RETAIL
 18 PRICE PER CIGAR (EXCLUDING THE EXCISE TAX AND THE VALUE-
 19 ADDED TAX) IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:

20 (1) IF THE NET RETAIL PRICE PER CIGAR IS FIVE HUNDRED
 21 PESOS (P500.00) OR LESS, TEN [TWENTY] PERCENT (10%) [(20%)] AND

22 (2) IF THE NET RETAIL PRICE PER CIGAR (EXCLUDING THE
 23 EXCISE TAX AND THE VALUE-ADDED TAX) IS MORE THAN FIVE
 24 HUNDRED PESOS (P500.00), FIFTY [ONE HUNDRED] PESOS (P50.00)
 25 [(P100.00)] PLUS FIFTEEN [THIRTY] PERCENT (15%) [(30%)] OF THE NET
 26 RETAIL PRICE IN EXCESS OF FIVE HUNDRED PESOS (P500.00).

27 (B) *Cigarettes Packed by Hand.* - There shall be levied, assessed and collected
 28 on cigarettes packed by hand a tax AT THE RATES PRESCRIBED BELOW [of
 29 Forty centavos (P0.40) per pack.]:

1 EFFECTIVE ON JANUARY 1, 2005, EIGHTTY-FIVE CENTAVOS (P0.85)
2 PER PACK;

3 EFFECTIVE ON JANUARY 1, 2007, ONE PESO AND FOUR CENTAVOS
4 (P1.04) PER PACK;

5 EFFECTIVE ON JANUARY 1, 2009, ONE PESO AND TWENTY-FOUR
6 CENTAVOS (P1.24) PER PACK; AND

7 EFFECTIVE ON JANUARY 1, 2011, ONE PESO AND FORTY-FOUR
8 CENTAVOS (P1.44) PER PACK.

9 DULY REGISTERED OR EXISTING BRANDS OF CIGARETTES OR NEW
10 BRANDS THEREOF PACKED BY HAND SHALL ONLY BE PACKED IN
11 THIRTIES.

12 (C) *Cigarettes Packed by Machine.* - There shall be levied, assessed and
13 collected on cigarettes packed by machine a tax at the rates prescribed below:

14 [(1) If the net retail price (excluding the excise tax and the value-added
15 tax) is above Ten pesos (P10.00) per pack, the tax shall be Twelve pesos (P12.00)
16 per pack;]

17 [(2) If the net retail price (excluding the excise tax and the value-added
18 tax) exceeds Six pesos and fifty centavos (P6.50) but does not exceed Ten pesos
19 (P10.00) per pack, the tax shall be Eight pesos (P8.00) per pack;]

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

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

25 (1) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND
26 THE VALUE-ADDED TAX) IS BELOW FIVE PESOS (P5.00) PER PACK, THE
27 TAX SHALL BE:

28 EFFECTIVE ON JANUARY 1, 2005, TWO PESOS [ONE PESO] AND
29 TWENTY-FOUR [SIXTY-FIVE] CENTAVOS (P2.24) [(P1.65)] PER PACK;

1 EFFECTIVE ON JANUARY 1, 2007, TWO PESOS [ONE PESO] AND
2 FORTY-EIGHT [EIGHTY-SEVEN] CENTAVOS (P2.48) [(P1.87)] PER PACK;

3 EFFECTIVE ON JANUARY 1, 2009, TWO PESOS AND SEVENTY-THREE
4 [TEN] CENTAVOS (P2.73) [(P2.10)] PER PACK; AND

5 EFFECTIVE ON JANUARY 1, 2011, TWO PESOS AND NINETY-NINE
6 [THIRTY-FOUR] CENTAVOS (P2.99) [(P2.34)] PER PACK.

7 (2) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND
8 THE VALUE-ADDED TAX) IS FIVE PESOS (P5.00) BUT DOES NOT EXCEED
9 SIX PESOS AND FIFTY CENTAVOS (P6.50) PER PACK, THE TAX SHALL BE:

10 EFFECTIVE ON JANUARY 1, 2005, SIX PESOS AND SIXTY-SEVEN
11 CENTAVOS (P6.67) PER PACK;

12 EFFECTIVE ON JANUARY 1, 2007, SEVEN PESOS AND SEVEN
13 CENTAVOS (P7.07) PER PACK;

14 EFFECTIVE ON JANUARY 1, 2009, SEVEN PESOS AND FORTY-EIGHT
15 CENTAVOS (P7.48) PER PACK; AND

16 EFFECTIVE ON JANUARY 1, 2011, SEVEN PESOS AND NINETY-ONE
17 CENTAVOS (P7.91) PER PACK.

18 (3) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND
19 THE VALUE-ADDED TAX) EXCEEDS SIX PESOS AND FIFTY CENTAVOS
20 (P6.50) BUT DOES NOT EXCEED TEN PESOS (P10.00) PER PACK, THE TAX
21 SHALL BE:

22 EFFECTIVE ON JANUARY 1, 2005, TEN PESOS AND FORTY-FOUR
23 CENTAVOS (P10.44) PER PACK;

24 EFFECTIVE ON JANUARY 1, 2007, TEN PESOS AND NINETY-EIGHT
25 CENTAVOS (P10.98) PER PACK;

26 EFFECTIVE ON JANUARY 1, 2009, ELEVEN PESOS AND FIFTY-FOUR
27 CENTAVOS (P11.54) PER PACK; AND

28 EFFECTIVE ON JANUARY 1, 2011, TWELVE PESOS AND TWELVE
29 CENTAVOS (P12.12) PER PACK.

1 (4) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND
2 THE VALUE-ADDED TAX) IS ABOVE TEN PESOS (P10.00) PER PACK, THE
3 TAX SHALL BE:

4 EFFECTIVE ON JANUARY 1, 2005, SEVENTEEN PESOS AND FORTY-
5 SEVEN CENTAVOS (P17.47) PER PACK;

6 EFFECTIVE ON JANUARY 1, 2007, EIGHTEEN PESOS AND FIFTY-TWO
7 CENTAVOS (P18.52) PER PACK;

8 EFFECTIVE ON JANUARY 1, 2009, NINETEEN PESOS AND SIXTY-
9 THREE CENTAVOS (P19.63) PER PACK; AND

10 EFFECTIVE ON JANUARY 1, 2011, TWENTY PESOS AND EIGHTY-ONE
11 CENTAVOS (P20.81) PER PACK.

12 Variants of existing brands AND VARIANTS OF NEW BRANDS of
13 cigarettes which are introduced in the domestic market after the effectivity of
14 [RA No. 8240] THIS ACT shall be taxed under the highest classification of any
15 variant of that brand.

16 A 'VARIANT OF A BRAND' SHALL REFER TO A BRAND ON WHICH
17 A MODIFIER IS PREFIXED AND/OR SUFFIXED TO THE ROOT NAME OF
18 THE BRAND AND/OR A DIFFERENT BRAND WHICH CARRIES THE SAME
19 LOGO OR DESIGN OF THE EXISTING BRAND.

20 [The excise tax from any brand of cigarettes within the next three (3) years
21 from the effectivity of R.A. No. 8240 shall not be lower than the tax, which is due
22 from each brand on October 1, 1996: *Provided, however,* That in cases where the
23 excise tax rates imposed in paragraphs (1), (2), (3) and (4) hereinabove will result
24 in an increase in excise tax of more than seventy percent (70%), for a brand of
25 cigarette, the increase shall take effect in two tranches: fifty percent (50%) of the
26 increase shall be effective in 1977 and one hundred percent (100%) of the increase
27 shall be effective in 1998].

28 Duly registered or existing brands of cigarettes or new brands thereof
29 packed by machine shall only be packed in twenties.

1 [The rates of excise tax on cigars and cigarettes under paragraphs (1), (2),
2 (3) and (4) hereof, shall be increased by twelve percent (12%) on January 1, 2000.]

3 ANY DOWNWARD RECLASSIFICATION OF PRESENT CATEGORIES,
4 FOR TAX PURPOSES, OF EXISTING BRANDS OF CIGARS AND CIGARETTES
5 DULY REGISTERED AT THE TIME OF THE EFFECTIVITY OF THIS ACT
6 WHICH WILL REDUCE THE TAX IMPOSED HEREIN, OR THE PAYMENT
7 THEREOF, SHALL BE PROHIBITED.

8 New brands, **AS DEFINED IN THE IMMEDIATELY FOLLOWING**
9 **PARAGRAPH**, shall **INITIALLY** be classified according to their [current]
10 **SUGGESTED** net retail price.

11 'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE
12 DATE OF EFFECTIVITY OF **R.A. No. 8240**. [THIS ACT, AND SHALL INCLUDE
13 PREVIOUSLY REGISTERED BUT INACTIVE BRANDS OF CIGARETTES.]

14 'SUGGESTED NET RETAIL PRICE' SHALL MEAN THE NET RETAIL
15 PRICE AT WHICH NEW BRANDS, **AS DEFINED ABOVE**, OF LOCALLY
16 MANUFACTURED OR IMPORTED CIGARETTES ARE INTENDED BY THE
17 MANUFACTURER OR IMPORTER TO BE SOLD ON RETAIL IN MAJOR
18 SUPERMARKETS OR RETAIL OUTLETS IN METRO MANILA FOR THOSE
19 MARKETED NATIONWIDE, AND IN OTHER REGIONS, FOR THOSE WITH
20 REGIONAL MARKETS. AT THE END OF THREE (3) MONTHS FROM THE
21 PRODUCT LAUNCH, THE BUREAU OF INTERNAL REVENUE SHALL
22 VALIDATE THE SUGGESTED NET RETAIL PRICE **OF THE NEW BRAND**
23 **AGAINST THE NET RETAIL PRICE AS DEFINED HEREIN AND [FINALLY]**
24 **DETERMINE THE CORRECT TAX BRACKET TO WHICH A PARTICULAR**
25 **NEW BRAND OF CIGARETTE, AS DEFINED ABOVE, SHALL BE**
26 **CLASSIFIED. SUCH CLASSIFICATION SHALL NOT BE REVISED EXCEPT**
27 **BY AN ACT OF CONGRESS.**

28 [For the above purpose, 'n] 'Net retail price', **AS DETERMINED BY THE**
29 **BUREAU OF INTERNAL REVENUE (BIR) THROUGH A PRICE SURVEY TO**

1 BE CONDUCTED BY THE BIR ITSELF, OR THE NATIONAL STATISTICS
2 OFFICE (NSO), OR BY A REPUTABLE RESEARCH OR POLLING
3 ORGANIZATION DEPUTIZED FOR THE PURPOSE BY THE BIR, shall mean
4 the price at which the cigarette is sold on retail in AT LEAST twenty (20) major
5 supermarkets in Metro Manila (for brands of cigarettes marketed nationally),
6 excluding the amount intended to cover the applicable excise tax and the value-
7 added tax. For brands which are marketed only outside Metro Manila, the 'net
8 retail price' shall mean the price at which the cigarette is sold in AT LEAST five
9 (5) major supermarkets in the region excluding the amount intended to cover the
10 applicable excise tax and the value-added tax.

11 The classification of each brand of cigarettes based on its average net retail
12 price as of October 1, 1996, as set forth in Annex 'D', INCLUDING THE
13 CLASSIFICATION OF BRANDS FOR THE SAME PRODUCTS WHICH,
14 ALTHOUGH NOT SET FORTH IN SAID ANNEX 'D', WERE REGISTERED
15 AND COMMERCIALY PRODUCED ON OR BEFORE JANUARY 1, 1997,
16 AND WHICH CONTINUE TO BE COMMERCIALY PRODUCED AFTER
17 THE EFFECTIVITY OF THIS ACT, shall remain in force until revised by
18 Congress.

19 ['Variant of a brand' shall refer to a brand on which a modifier is prefixed
20 and/or suffixed to the root name of the brand and/or a different brand which
21 carries the same logo or design of the existing brand.]

22 Manufacturers and importers of cigars and cigarettes shall, within thirty
23 (30) days from the effectivity of [R.A. No. 8240] THIS ACT and within the first
24 five (5) days of every month thereafter submit to the Commissioner a sworn
25 statement of the volume of sales for each particular brand of cigars and/or
26 cigarettes sold at his establishment for the three-month period immediately
27 preceding.

28 Any manufacturer or importer who, in violation of this Section,
29 knowingly misdeclares or misrepresents in his or its sworn statement herein

1 required any pertinent data or information shall, upon discovery, be penalized
 2 by a summary cancellation or withdrawal of his or its permit to engage in
 3 business as manufacturer or importer of cigars or cigarettes.

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

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

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

15 **SEC. 6. INTERNAL REVENUE STAMPS, WHETHER OF A BAR CODE OR**
 16 **FUSON DESIGN, TAMPER RESISTANT STAMP, OR ANY OTHER EFFECTIVE**
 17 **PROCESS, SHALL BE FIRMLY AND CONSPICUOUSLY AFFIXED AND/OR**
 18 **APPLIED ON EACH PACK OF CIGARS AND CIGARETTES, OR CONTAINER OF**
 19 **DISTILLED SPIRITS, WINES, FERMENTED LIQUOR SUBJECT TO EXCISE TAX IN**
 20 **THE MANNER AND FORM AS PRESCRIBED BY THE COMMISSIONER OF**
 21 **INTERNAL REVENUE, UPON APPROVAL OF THE SECRETARY OF FINANCE.**

22 **SEC. 7. SECTION 131 OF THE NATIONAL INTERNAL REVENUE CODE OF**
 23 **1997, AS AMENDED, IS HEREBY FURTHER AMENDED TO READ AS FOLLOWS:**

24 **"SEC. 131. *Payment of Excise Taxes on Imported Articles.* –**

25 **(A) Persons Liable. –**

26 **x x x**

27 **The provision of any special or general law to the contrary notwithstanding,**
 28 **the importation of cigars and cigarettes, distilled spirits, FERMENTED LIQUORS**
 29 **and wines into the Philippines, even if destined for tax and duty-free shops, shall be**

1 subject to all applicable taxes, duties, charges, including excise taxes due thereon[;
 2 *Provided, however, That*]. T[t]his shall [not] apply to cigars and cigarettes, distilled
 3 spirits, **FERMENTED LIQUORS** and wines brought directly into the duly
 4 chartered or legislated freeports of the Subic Special Economic and Freeport Zone,
 5 created under Republic Act No. 7227; the Cagayan Special Economic Zone and
 6 Freeport, created under Republic Act No. 7922; and the Zamboanga City Special
 7 Economic Zone, created under Republic Act no. 7903, and **SUCH OTHER**
 8 **FREEPORTS AS MAY HEREAFTER BE ESTABLISHED OR CREATED BY**
 9 **LAW** [are not transshipped to any other port in the Philippines]: *Provided, further,*
 10 *That importations of cigars and cigarettes, distilled spirits, FERMENTED*
 11 *LIQUORS and wines MADE DIRECTLY by a government-owned and operated*
 12 *duty-free shop, like the Duty-Free Philippines (DFP), shall be exempted from all*
 13 *applicable [taxes,] duties[,] ONLY [charges, including excise tax due thereon]:*
 14 *Provided, still further, That such articles directly imported by a government-owned*
 15 *and operated duty-free shop, like the Duty-Free Philippines, shall be labeled ‘[tax*
 16 *and] duty-free’ and ‘not for resale’: [Provided, still further, That if such articles*
 17 *brought into the duly chartered or legislated freeports under Republic Act Nos.*
 18 *7227, 7922, and 7903 are subsequently introduced into the Philippine customs*
 19 *territory, then such articles shall, upon such introduction, be deemed imported into*
 20 *the Philippines and shall be subject to all imposts and excise taxes provided herein*
 21 *and other statutes:] *Provided, finally, That the removal and transfer of tax and duty-**
 22 *free goods, products, machinery, equipment and other similar articles **OTHER***
 23 ***THAN CIGARS AND CIGARETTES, DISTILLED SPIRITS, FERMENTED***
 24 ***LIQUORS, AND WINES, from one freeport to another freeport, shall not be***
 25 *deemed an introduction into the Philippine customs territory.”*

26 x x x

27 SEC. 8. [6] Section 288 of the National Internal Revenue Code of 1997, as
 28 amended, is hereby further amended to read as follows:

29 “SEC. 288. *Disposition of Incremental Revenues.* -

1 “(A) *Incremental Revenues from Republic Act No. 7660.* -

2 “x x x

3 “(C) *INCREMENTAL REVENUES FROM THE EXCISE TAX ON*
4 *ALCOHOL AND TOBACCO PRODUCTS. - TEN PERCENT (10%) OF THE*
5 *INCREMENTAL REVENUE GENERATED BY THE GOVERNMENT FROM*
6 *THE EXCISE TAX ON ALCOHOL AND TOBACCO PRODUCTS STARTING*
7 *JANUARY 2005 SHALL BE EARMARKED FOR THE NATIONAL HEALTH*
8 *INSURANCE PROGRAM TO MEET AND SUSTAIN ITS GOAL OF UNIVERSAL*
9 *COVERAGE, AND TWO AND A HALF PERCENT (2½%) SHALL BE*
10 *EARMARKED FOR THE PUBLIC INFORMATION PROGRAMS ON THE ILL*
11 *EFFECTS OF SMOKING OF THE DEPARTMENT OF HEALTH.”*

12 SEC. 9. [7] *Implementing Rules and Regulations.* - The Secretary of Finance shall,
13 upon the recommendation of the Commissioner of Internal Revenue, promulgate the
14 necessary rules and regulations for the effective implementation of this Act.

15 SEC. 10. [8] *Separability Clause.* - If any of the provisions of this Act is declared
16 invalid by competent court, the remainder of this Act or any provision not affected by
17 such declaration of invalidity shall remain in force and effect.

18 SEC. 11. [9] *Repealing Clause.* - All laws, decrees, ordinances, rules and
19 regulations, executive or administrative orders, and such other presidential issuances as
20 are inconsistent with any of the provisions of this Act are hereby repealed, amended or
21 otherwise modified accordingly.

22 SEC. 12. [10] *Effectivity.* - This Act shall take effect on January 1, 2005.

Approved,