

SENATE

S. B. NO. 1854

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

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Prepared by the Committee with Senator Recto as author thereof.

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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 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 PROPER  
15 CLASSIFICATION THEREOF BASED ON THEIR NET RETAIL PRICE:  
16 PROVIDED, HOWEVER, THAT SUCH CLASSIFICATION SHALL NOT, IN  
17 ANY CASE BE LOWER THAN THE HIGHEST CLASSIFICATION OF ANY  
18 VARIANT OF THAT BRAND.

19 A 'VARIANT OF A BRAND' SHALL REFER TO A BRAND ON WHICH  
20 A MODIFIER IS PREFIXED AND/OR SUFFIXED TO THE ROOT NAME OF  
21 THE BRAND.

22 NEW BRANDS, AS DEFINED IN THE IMMEDIATELY FOLLOWING  
23 PARAGRAPH, SHALL INITIALLY BE CLASSIFIED ACCORDING TO THEIR  
24 SUGGESTED NET RETAIL PRICE.

25 WILLFUL UNDERSTATEMENT OF THE SUGGESTED NET RETAIL  
26 BY AS MUCH AS FIFTEEN PERCENT (15%) OF THE ACTUAL NET RETAIL  
27 PRICE SHALL RENDER THE MANUFACTURER LIABLE FOR  
28 ADDITIONAL EXCISE TAX EQUIVALENT TO THE TAX DUE AND

1 DIFFERENCE BETWEEN THE UNDERSTATED SUGGESTED NET RETAIL  
2 PRICE AND THE ACTUAL NET RETAIL PRICE

3 'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE  
4 DATE OF EFFECTIVITY OF R. A. NO. 8240.

5 'SUGGESTED NET RETAIL PRICE' SHALL MEAN THE NET RETAIL  
6 PRICE AT WHICH NEW BRANDS, AS DEFINED ABOVE, OF LOCALLY  
7 MANUFACTURED OR IMPORTED DISTILLED SPIRITS ARE INTENDED BY  
8 THE MANUFACTURER OR IMPORTER TO BE SOLD ON RETAIL IN MAJOR  
9 SUPERMARKETS OR RETAIL OUTLETS IN METRO MANILA FOR THOSE  
10 MARKETED NATIONWIDE, AND IN OTHER REGIONS, FOR THOSE WITH  
11 REGIONAL MARKETS. AT THE END OF THREE (3) MONTHS FROM THE  
12 PRODUCT LAUNCH, THE BUREAU OF INTERNAL REVENUE SHALL  
13 VALIDATE THE SUGGESTED NET RETAIL PRICE OF THE NEW BRAND  
14 AGAINST THE NET RETAIL PRICE AS DEFINED HEREIN AND DETERMINE  
15 THE CORRECT TAX BRACKET TO WHICH A PARTICULAR NEW BRAND OF  
16 DISTILLED SPIRITS, AS DEFINED ABOVE, SHALL BE CLASSIFIED. AFTER  
17 THE END OF EIGHTEEN (18) MONTHS FROM SUCH VALIDATION, THE  
18 BUREAU OF INTERNAL REVENUE SHALL REVALIDATE THE INITIALLY  
19 VALIDATED NET RETAIL PRICE AGAINST THE NET RETAIL PRICE AS  
20 OF THE TIME OF REVALIDATION IN ORDER TO FINALLY DETERMINE  
21 THE CORRECT TAX BRACKET WHICH A PARTICULAR NEW BRAND OF  
22 DISTILLED SPIRITS SHALL BE CLASSIFIED: *PROVIDED, HOWEVER,*  
23 *THAT BRANDS OF DISTILLED SPIRITS INTRODUCED IN THE*  
24 *DOMESTIC MARKET BETWEEN JANUARY 1, 1997 AND DECEMBER 31,*  
25 *2003 SHALL NO LONGER BE SUBJECT TO THE INITIAL VALIDATION*  
26 *AND REVALIDATION HEREIN REQUIRED, BUT SHALL CONTINUE TO*  
27 *REMAIN IN THE CLASSIFICATION UNDER WHICH THE BUREAU OF*  
28 *INTERNAL REVENUE HAS DETERMINED THEM TO BELONG AS OF*  
29 *DECEMBER 31, 2003. SUCH CLASSIFICATION OF NEW BRANDS AND*

1 BRANDS INTRODUCED BETWEEN JANUARY 1, 1997 AND DECEMBER 31,  
2 2003 SHALL NOT BE REVISED EXCEPT BY AN ACT OF CONGRESS.

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

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

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

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

25 ANY MANUFACTURER OR IMPORTER WHO, IN VIOLATION OF  
26 THIS SECTION, KNOWINGLY MISDECLARES OR MISREPRESENTS IN HIS  
27 OR ITS SWORN STATEMENT HEREIN REQUIRED ANY PERTINENT DATA  
28 OR INFORMATION SHALL, UPON FINAL FINDINGS BY THE  
29 COMMISSIONER THAT THE VIOLATION WAS COMMITTED

1 KNOWINGLY AND WILLFULLY, BE PENALIZED BY A SUMMARY  
2 CANCELLATION OR WITHDRAWAL OF HIS OR ITS PERMIT TO ENGAGE  
3 IN BUSINESS AS MANUFACTURER OR IMPORTER OF DISTILLED SPIRITS.  
4 HOWEVER, THE COMMISSIONER OR HIS AUTHORIZED  
5 REPRESENTATIVE IS HEREBY EMPOWERED TO SUSPEND THE  
6 BUSINESS OPERATIONS AND TEMPORARILY CLOSE THE BUSINESS  
7 ESTABLISHMENT UPON DISCOVERY OF THE VIOLATION.

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

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

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

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

24 "SEC 142. *Wines.* - On wines, there shall be collected per liter of volume  
25 capacity, the following taxes:

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

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

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

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

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

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

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

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

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 BY THE NATIONAL**  
18 **STATISTICS OFFICE (NSO), OR BY A REPUTABLE RESEARCH OR**  
19 **POLLING ORGANIZATION DEPUTIZED FOR THE PURPOSE BY THE BIR,**  
20 shall mean the price at which wine is sold on retail in **AT LEAST** ten (10) major  
21 supermarkets in Metro Manila, excluding the amount intended to cover the  
22 applicable excise tax and the value added tax [as of October 1, 1996]. **FOR**  
23 **BRANDS WHICH ARE MARKETED OUTSIDE METRO MANILA, THE 'NET**  
24 **RETAIL PRICE' SHALL MEAN THE PRICE AT WHICH THE WINE IS SOLD IN**  
25 **AT LEAST FIVE (5) MAJOR SUPERMARKETS IN THE REGION EXCLUDING**  
26 **THE AMOUNT INTENDED TO COVER THE APPLICABLE EXCISE TAX AND**  
27 **THE VALUE-ADDED TAX.**

28 VARIANTS OF EXISTING BRANDS AND VARIANTS OF NEW  
29 BRANDS WHICH ARE INTRODUCED IN THE DOMESTIC MARKET AFTER

1 THE EFFECTIVITY OF THIS ACT SHALL BE TAXED UNDER THE PROPER  
2 CLASSIFICATION THEREOF BASED ON THEIR NET RETAIL PRICE:  
3 PROVIDED, HOWEVER, THAT SUCH CLASSIFICATION SHALL NOT, IN  
4 ANY CASE BE LOWER THAN THE HIGHEST CLASSIFICATION OF ANY  
5 VARIANT OF THAT BRAND.

6 A 'VARIANT OF A BRAND' SHALL REFER TO A BRAND ON WHICH  
7 A MODIFIER IS PREFIXED AND/OR SUFFIXED TO THE ROOT NAME OF  
8 THE BRAND.

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

12 'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE  
13 DATE OF EFFECTIVITY OF R. A. NO. 8240.

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 WINES 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 DETERMINE  
24 THE CORRECT TAX BRACKET TO WHICH A PARTICULAR NEW BRAND OF  
25 WINE, AS DEFINED ABOVE, SHALL BE CLASSIFIED. AFTER THE END OF  
26 EIGHTEEN (18) MONTHS FROM SUCH VALIDATION, THE BUREAU OF  
27 INTERNAL REVENUE SHALL REVALIDATE THE INITIALLY VALIDATED  
28 NET RETAIL PRICE AGAINST THE NET RETAIL PRICE AS OF THE TIME OF  
29 REVALIDATION IN ORDER TO FINALLY DETERMINE THE CORRECT TAX



1 BRACKET WHICH A PARTICULAR NEW BRAND OF WINES SHALL BE  
2 CLASSIFIED: PROVIDED, HOWEVER, THAT BRANDS OF WINES IN THE  
3 DOMESTIC MARKET BETWEEN JANUARY 1, 1997 AND DECEMBER 31, 2003  
4 SHALL NO LONGER BE SUBJECT TO THE INITIAL VALIDATION AND  
5 REVALIDATION HEREIN REQUIRED, BUT SHALL CONTINUE TO REMAIN  
6 IN THE CLASSIFICATION UNDER WHICH THE BUREAU OF INTERNAL  
7 REVENUE HAS DETERMINED THEM TO BELONG AS OF DECEMBER 31,  
8 2003. SUCH CLASSIFICATION OF NEW BRANDS AND BRANDS  
9 INTRODUCED BETWEEN JANUARY 1, 1997 AND DECEMBER 31, 2003  
10 SHALL NOT BE REVISED EXCEPT BY AN ACT OF CONGRESS.

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

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

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

26 MANUFACTURERS AND IMPORTERS OF WINES SHALL, WITHIN  
27 THIRTY (30) DAYS FROM THE EFFECTIVITY OF THIS ACT, AND WITHIN  
28 THE FIRST FIVE (5) DAYS OF EVERY MONTH THEREAFTER, SUBMIT TO  
29 THE COMMISSIONER A SWORN STATEMENT OF THE VOLUME OF SALES

1 FOR EACH PARTICULAR BRAND OF WINES SOLD AT HIS  
2 ESTABLISHMENT FOR THE THREE-MONTH PERIOD IMMEDIATELY  
3 PRECEDING.

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

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

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

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

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

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

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

5 (b) If the net retail price (excluding the excise tax and the value-added  
6 tax) per liter of volume capacity is Fourteen pesos and fifty centavos (P14.50) up  
7 to Twenty-two pesos (P22.00), the tax shall be [Nine pesos and fifteen centavos  
8 (P9.15)] TWELVE PESOS AND THIRTY CENTAVOS (P12.30) per liter;

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

13 Variants of existing brands AND VARIANTS OF NEW BRANDS which  
14 are introduced in the domestic market after the effectivity of [Republic Act  
15 No.8240] THIS ACT shall be taxed under the PROPER CLASSIFICATION  
16 THEREOF BASED ON THEIR NET RETAIL PRICE: **PROVIDED, HOWEVER,**  
17 THAT SUCH CLASSIFICATION SHALL NOT, IN ANY CASE BE LOWER  
18 THAN THE highest classification of any variant of that brand.

19 A 'VARIANT OF A BRAND' SHALL REFER TO A BRAND ON WHICH  
20 A MODIFIER IS PREFIXED AND/OR SUFFIXED TO THE ROOT NAME OF  
21 THE BRAND.

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

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

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

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

4 'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE  
5 DATE OF EFFECTIVITY OF R. A. NO. 8240.

6 'SUGGESTED NET RETAIL PRICE' SHALL MEAN THE NET RETAIL  
7 PRICE AT WHICH NEW BRANDS, AS DEFINED ABOVE, OF LOCALLY  
8 MANUFACTURED OR IMPORTED FERMENTED LIQUOR ARE INTENDED  
9 BY THE MANUFACTURER OR IMPORTER TO BE SOLD ON RETAIL IN  
10 MAJOR SUPERMARKETS OR RETAIL OUTLETS IN METRO MANILA FOR  
11 THOSE MARKETED NATIONWIDE, AND IN OTHER REGIONS, FOR THOSE  
12 WITH REGIONAL MARKETS. AT THE END OF THREE (3) MONTHS FROM  
13 THE PRODUCT LAUNCH, THE BUREAU OF INTERNAL REVENUE SHALL  
14 VALIDATE THE SUGGESTED NET RETAIL PRICE AGAINST THE NET  
15 RETAIL PRICE AS DEFINED HEREIN AND DETERMINE THE CORRECT TAX  
16 BRACKET TO WHICH A PARTICULAR NEW BRAND OF FERMENTED  
17 LIQUOR, AS DEFINED ABOVE, SHALL BE CLASSIFIED. AFTER THE END  
18 OF EIGHTEEN (18) MONTHS FROM SUCH VALIDATION, THE BUREAU OF  
19 INTERNAL REVENUE SHALL REVALIDATE THE INITIALLY VALIDATED  
20 NET RETAIL PRICE AGAINST THE NET RETAIL PRICE AS OF THE TIME OF  
21 REVALIDATION IN ORDER TO FINALLY DETERMINE THE CORRECT TAX  
22 BRACKET WHICH A PARTICULAR NEW BRAND OF FERMENTED LIQUOR  
23 SHALL BE CLASSIFIED: *PROVIDED, HOWEVER,* THAT BRANDS OF  
24 FERMENTED LIQUOR INTRODUCED IN THE DOMESTIC MARKET  
25 BETWEEN JANUARY 1, 1997 AND DECEMBER 31, 2003 SHALL NO LONGER  
26 BE SUBJECT TO THE INITIAL VALIDATION AND REVALIDATION HEREIN  
27 REQUIRED, BUT SHALL CONTINUE TO REMAIN IN THE CLASSIFICATION  
28 UNDER WHICH THE BUREAU OF INTERNAL REVENUE HAS DETERMINED  
29 THEM TO BELONG AS OF DECEMBER 31, 2003. SUCH CLASSIFICATION

1 OF NEW BRANDS AND BRANDS INTRODUCED BETWEEN JANUARY 1,  
2 1997 AND DECEMBER 31, 2003 SHALL NOT BE REVISED EXCEPT BY AN  
3 ACT OF CONGRESS.

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

16 The classification of each brand of fermented liquor based on its average  
17 net retail price as of October 1, 1996, as set forth in Annex 'C', INCLUDING THE  
18 CLASSIFICATION OF BRANDS FOR THE SAME PRODUCTS WHICH,  
19 ALTHOUGH NOT SET FORTH IN SAID ANNEX 'C', WERE REGISTERED  
20 AND WERE BEING COMMERCIALY PRODUCED ON OCTOBER 1, 1996, AND  
21 WHICH CONTINUE TO BE COMMERCIALY PRODUCED AFTER THE  
22 EFFECTIVITY OF THIS ACT, shall remain in force until revised by Congress.

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

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

1 ANY DOWNWARD RECLASSIFICATION OF PRESENT CATEGORIES,  
2 FOR TAX PURPOSES, OF EXISTING BRANDS OF FERMENTED LIQUOR  
3 DULY REGISTERED AT THE TIME OF THE EFFECTIVITY OF THIS ACT  
4 WHICH WILL REDUCE THE TAX IMPOSED HEREIN, OR THE PAYMENT  
5 THEREOF, SHALL BE PROHIBITED.

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

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

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

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

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

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

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

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

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

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

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

11 **STEMMED LEAF TOBACCO PREPARED OR PARTIALLY**  
12 **PREPARED WITH OR WITHOUT THE USE OF ANY MACHINE OR**  
13 **INSTRUMENT OR WITHOUT BEING PRESSED OR SWEETENED, [F]fine-**  
14 **cut shorts and refuse, scraps, clippings, cuttings, stems, MIDRIBS, and**  
15 **sweepings of tobacco resulting from the handling of stripping of whole leaf**  
16 **tobacco SHALL [may] be transferred, disposed of, or otherwise sold, without**  
17 **any prepayment of the excise tax herein provided for, IF THE SAME ARE TO**  
18 **BE EXPORTED OR TO BE USED IN THE MANUFACTURE OF CIGARS,**  
19 **CIGARETTES, OR OTHER TOBACCO PRODUCTS ON WHICH THE**  
20 **EXCISE TAX WILL EVENTUALLY BE PAID ON THE FINISHED PRODUCT,**  
21 **under such conditions as may be prescribed in the rules and regulations**  
22 **promulgated by the Secretary of Finance, upon recommendation of the**  
23 **Commissioner [, if the same are to be exported or to be used in the manufacture**  
24 **of other tobacco products on which the excise tax will eventually be paid on the**  
25 **finished product].**

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

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

4 MANUFACTURERS AND IMPORTERS OF TOBACCO PRODUCTS  
5 SHALL, WITHIN THIRTY (30) DAYS FROM THE EFFECTIVITY OF THIS ACT,  
6 AND WITHIN THE FIRST FIVE (5) DAYS OF EVERY MONTH THEREAFTER,  
7 SUBMIT TO THE COMMISSIONER A SWORN STATEMENT OF THE  
8 VOLUME OF SALES FOR EACH PARTICULAR BRAND OF TOBACCO  
9 PRODUCTS SOLD AT HIS ESTABLISHMENT FOR THE THREE-MONTH  
10 PERIOD IMMEDIATELY PRECEDING.

11 ANY MANUFACTURER OR IMPORTER WHO, IN VIOLATION OF  
12 THIS SECTION, KNOWINGLY MISDECLARES OR MISREPRESENTS IN HIS  
13 OR ITS SWORN STATEMENT HEREIN REQUIRED ANY PERTINENT DATA  
14 OR INFORMATION SHALL, UPON DISCOVERY, BE PENALIZED BY A  
15 SUMMARY CANCELLATION OR WITHDRAWAL OF HIS OR ITS PERMIT TO  
16 ENGAGE IN BUSINESS AS MANUFACTURER OR IMPORTER OF CIGARS OR  
17 CIGARETTES.

18 ANY CORPORATION, ASSOCIATION OR PARTNERSHIP LIABLE FOR  
19 ANY OF THE ACTS OR OMISSIONS IN VIOLATION OF THIS SECTION  
20 SHALL BE FINED TREBLE THE AMOUNT OF DEFICIENCY TAXES,  
21 SURCHARGES AND INTEREST WHICH MAY BE ASSESSED PURSUANT TO  
22 THIS SECTION.

23 ANY PERSON LIABLE FOR ANY OF THE ACTS OR OMISSIONS  
24 PROHIBITED UNDER THIS SECTION SHALL BE CRIMINALLY LIABLE AND  
25 PENALIZED UNDER SECTION 254 OF THIS CODE. ANY PERSON WHO  
26 WILLFULLY AIDS OR ABETS IN THE COMMISSION OF ANY SUCH ACT OR  
27 OMISSION SHALL BE CRIMINALLY LIABLE IN THE SAME MANNER AS  
28 THE PRINCIPAL.



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

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

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

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

11 (1) IF THE NET RETAIL PRICE PER CIGAR IS FIVE HUNDRED  
12 PESOS (P500.00) OR LESS, TEN PERCENT (10%); AND

13 (2) IF THE NET RETAIL PRICE PER CIGAR (EXCLUDING THE  
14 EXCISE TAX AND THE VALUE-ADDED TAX) IS MORE THAN FIVE  
15 HUNDRED PESOS (P500.00), FIFTY PESOS (P50.00) PLUS FIFTEEN  
16 PERCENT (15%) OF THE NET RETAIL PRICE IN EXCESS OF FIVE HUNDRED  
17 PESOS (P500.00).

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

21 EFFECTIVE ON JANUARY 1, 2005, EIGHTY-FIVE CENTAVOS (P0.85)  
22 PER PACK;

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

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

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

1 DULY REGISTERED OR EXISTING BRANDS OF CIGARETTES OR NEW  
2 BRANDS THEREOF PACKED BY HAND SHALL ONLY BE PACKED IN  
3 THIRTIES.

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

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

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

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

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

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

20 EFFECTIVE ON JANUARY 1, 2005, **THREE PESOS (P3.00) PER PACK;**

21 EFFECTIVE ON JANUARY 1, 2007, **THREE PESOS AND TWENTY-**  
22 **SEVEN CENTAVOS (P3.27) PER PACK;**

23 EFFECTIVE ON JANUARY 1, 2009, **THREE PESOS AND FIFTY-FIVE**  
24 **CENTAVOS (P3.55) PER PACK; AND**

25 EFFECTIVE ON JANUARY 1, 2011, **THREE PESOS AND EIGHTY-**  
26 **FOUR CENTAVOS (P3.84) PER PACK.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 Variants of existing brands AND VARIANTS OF NEW BRANDS of  
4 cigarettes which are introduced in the domestic market after the effectivity of  
5 [RA No. 8240] THIS ACT shall be taxed under the PROPER  
6 CLASSIFICATION THEREOF BASED ON THEIR NET RETAIL PRICE:  
7 PROVIDED, HOWEVER, THAT SUCH CLASSIFICATION SHALL NOT, IN  
8 ANY CASE BE LOWER THAN THE highest classification of any variant of that  
9 brand.

10 A 'VARIANT OF A BRAND' SHALL REFER TO A BRAND ON WHICH  
11 A MODIFIER IS PREFIXED AND/OR SUFFIXED TO THE ROOT NAME OF  
12 THE BRAND.

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

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

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

25 ANY DOWNWARD RECLASSIFICATION OF PRESENT CATEGORIES,  
26 FOR TAX PURPOSES, OF EXISTING BRANDS OF CIGARS AND CIGARETTES  
27 DULY REGISTERED AT THE TIME OF THE EFFECTIVITY OF THIS ACT

1 WHICH WILL REDUCE THE TAX IMPOSED HEREIN, OR THE PAYMENT  
2 THEREOF, SHALL BE PROHIBITED.

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

6 'NEW BRAND' SHALL MEAN A BRAND REGISTERED AFTER THE  
7 DATE OF EFFECTIVITY OF R.A. No. 8240.

8 'SUGGESTED NET RETAIL PRICE' SHALL MEAN THE NET RETAIL  
9 PRICE AT WHICH NEW BRANDS, **AS DEFINED ABOVE**, OF LOCALLY  
10 MANUFACTURED OR IMPORTED CIGARETTES ARE INTENDED BY THE  
11 MANUFACTURER OR IMPORTER TO BE SOLD ON RETAIL IN MAJOR  
12 SUPERMARKETS OR RETAIL OUTLETS IN METRO MANILA FOR THOSE  
13 MARKETED NATIONWIDE, AND IN OTHER REGIONS, FOR THOSE WITH  
14 REGIONAL MARKETS. AT THE END OF THREE (3) MONTHS FROM THE  
15 PRODUCT LAUNCH, THE BUREAU OF INTERNAL REVENUE SHALL  
16 VALIDATE THE SUGGESTED NET RETAIL PRICE **OF THE NEW BRAND**  
17 AGAINST THE NET RETAIL PRICE AS DEFINED HEREIN AND DETERMINE  
18 THE CORRECT TAX BRACKET TO WHICH A PARTICULAR NEW BRAND OF  
19 CIGARETTE, **AS DEFINED ABOVE**, SHALL BE CLASSIFIED. AFTER THE  
20 END OF EIGHTEEN (18) MONTHS FROM SUCH VALIDATION, THE  
21 BUREAU OF INTERNAL REVENUE SHALL REVALIDATE THE INITIALLY  
22 VALIDATED NET RETAIL PRICE AGAINST THE NET RETAIL PRICE AS OF  
23 THE TIME OF REVALIDATION IN ORDER TO FINALLY DETERMINE THE  
24 CORRECT TAX BRACKET WHICH A PARTICULAR NEW BRAND OF  
25 CIGARETTE SHALL BE CLASSIFIED: *PROVIDED, HOWEVER, THAT*  
26 BRANDS OF CIGARETTES INTRODUCED IN THE DOMESTIC MARKET  
27 BETWEEN JANUARY 1, 1997 AND DECEMBER 31, 2003 SHALL NO LONGER  
28 BE SUBJECT TO THE INITIAL VALIDATION AND REVALIDATION HEREIN  
29 REQUIRED, BUT SHALL CONTINUE TO REMAIN IN THE CLASSIFICATION

1 UNDER WHICH THE BUREAU OF INTERNAL REVENUE HAS  
2 DETERMINED THEM TO BELONG AS OF DECEMBER 31, 2003. SUCH  
3 CLASSIFICATION OF NEW BRANDS AND BRANDS INTRODUCED  
4 BETWEEN JANUARY 1, 1997 AND DECEMBER 31, 2003 SHALL NOT BE  
5 REVISED EXCEPT BY AN ACT OF CONGRESS.

6 [For the above purpose, 'n]. 'Net retail price', AS DETERMINED BY THE  
7 BUREAU OF INTERNAL REVENUE (BIR) THROUGH A PRICE SURVEY TO  
8 BE CONDUCTED BY THE BIR ITSELF, OR THE NATIONAL STATISTICS  
9 OFFICE (NSO), OR BY A REPUTABLE RESEARCH OR POLLING  
10 ORGANIZATION DEPUTIZED FOR THE PURPOSE BY THE BIR, shall mean  
11 the price at which the cigarette is sold on retail in AT LEAST twenty (20) major  
12 supermarkets in Metro Manila (for brands of cigarettes marketed nationally),  
13 excluding the amount intended to cover the applicable excise tax and the value-  
14 added tax. For brands which are marketed only outside Metro Manila, the 'net  
15 retail price' shall mean the price at which the cigarette is sold in AT LEAST five  
16 (5) major supermarkets in the region excluding the amount intended to cover the  
17 applicable excise tax and the value-added tax.

18 *The classification of each brand of cigarettes based on its average net retail*  
19 *price as of October 1, 1996, as set forth in Annex 'D', INCLUDING THE*  
20 *CLASSIFICATION OF BRANDS FOR THE SAME PRODUCTS WHICH,*  
21 *ALTHOUGH NOT SET FORTH IN SAID ANNEX 'D', WERE REGISTERED*  
22 *AND WERE BEING COMMERCIALY PRODUCED ON OCTOBER 1, 1996, AND*  
23 *WHICH CONTINUE TO BE COMMERCIALY PRODUCED AFTER THE*  
24 *EFFECTIVITY OF THIS ACT, shall remain in force until revised by Congress.*

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

28 Manufacturers and importers of cigars and cigarettes shall, within thirty  
29 (30) days from the effectivity of [R.A. No. 8240] THIS ACT and within the first

1 five (5) days of every month thereafter submit to the Commissioner a sworn  
2 statement of the volume of sales for each particular brand of cigars and/or  
3 cigarettes sold at his establishment for the three-month period immediately  
4 preceding.

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

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

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

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

21 **SEC. 6. Internal revenue stamps, whether of a bar code or fusion design, tamper**  
22 **resistant stamp, or any other effective process, shall be firmly and conspicuously affixed**  
23 **and/or applied on each pack of cigars and cigarettes, or container of distilled spirits, wines,**  
24 **fermented liquor subject to excise tax in the manner and form as prescribed by the**  
25 **Commissioner of Internal Revenue, upon approval of the Secretary of Finance.**

26 **SEC. 7. Section 131 of the National Internal Revenue Code of 1997, as amended, is**  
27 **hereby further amended to read as follows:**

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

29 **(A) Persons Liable. –**

1       X X X

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



1           X X X

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

4           "SEC. 288. *Disposition of Incremental Revenues.* -

5           "(A) *Incremental Revenues from Republic Act No. 7660.* -

6           "x x x

7           "**(C) INCREMENTAL REVENUES FROM THE EXCISE TAX ON**  
8 **ALCOHOL AND TOBACCO PRODUCTS -**

9           **(1) FIVE PERCENT (5%) OF THE INCREMENTAL REVENUE FROM**  
10 **THE EXCISE TAX ON ALCOHOL AND TOBACCO PRODUCTS STARTING**  
11 **JANUARY 2005 SHALL BE REMITTED DIRECTLY TO THE PHILIPPINE**  
12 **HEALTH INSURANCE CORPORATION FOR THE PURPOSE OF MEETING**  
13 **AND SUSTAINING THE GOAL OF UNIVERSAL COVERAGE OF THE**  
14 **NATIONAL HEALTH INSURANCE PROGRAM; AND**

15           **(2) FIVE PERCENT (5%) OF THE INCREMENTAL REVENUE**  
16 **FROM THE EXCISE TAX ON ALCOHOL AND TOBACCO PRODUCTS**  
17 **STARTING JANUARY 2005 SHALL BE CREDITED TO THE ACCOUNT OF**  
18 **THE DEPARTMENT OF HEALTH AND CONSTITUTED AS A TRUST**  
19 **FUND FOR ITS DISEASE PREVENTION PROGRAM."**

20           **THE EARMARKING PROVIDED UNDER THIS PROVISION**  
21 **SHALL BE OBSERVED FOR FIVE (5) YEARS STARTING FROM JANUARY**  
22 **2005.**

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

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

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

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

Approved,