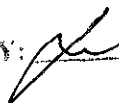


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SENATE
S. No. 2998

RECEIVED BY: 

Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

While cigarette prices in the Philippines are supposedly among the lowest in the world, the statistics on the prevalence of smoking in the country are also reportedly among the highest recorded globally.

According to the World Health Organization, 240 Filipinos die every day due to tobacco-related ailments. As of the latest public health records, there are now reportedly more than 17.3 million Filipino smokers. Thus, various public health advocacy groups are pushing for higher tobacco taxes as the single most effective policy for reducing cigarette use and increasing tax revenues. However, pending sin tax bills in the Congress have prevented further regulation since 1996.

The cost of a pack of cigarettes can go as low as P10.00. Cigarettes are also commonly sold on a per stick basis. These low prices for cigarettes make smoking extremely affordable and accessible, even to the youth, despite existing laws banning the sale of cigarettes and other tobacco products to minors.¹

Hence, this bill is designed to make the tax structure simple, effective, and efficient, in order to enhance revenue generation, as well as to curb the consumption of tobacco. The main features of the bill are the following:

1. Provides for a unitary excise tax system for each category of tobacco products;
2. Provides for the indexation of the tobacco excise tax to inflation to avoid erosion of revenues by inflation;

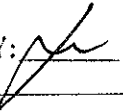
¹ <http://dateline.ph/2011/07/05/higher-tobacco-taxes-pushed-for-health-revenue-reasons/>

3. Removes the price classification freeze by repealing Annex D under Republic Act No. 9334, or the Sin Tax Law of 2004; and
4. Earmarks incremental revenues for the following:
 - a. universal health coverage;
 - b. disease prevention;
 - c. health promotion campaigns; and
 - d. support for tobacco farmers, whose livelihood may be affected by the tax.

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Miriam Defensor Santiago
MIRIAM DEFENSOR SANTIAGO

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SENATE
S. No. 2998

RECEIVED BY: 

Introduced by Senator Miriam Defensor Santiago

1 AN ACT
2 RESTRUCTURING THE EXCISE TAX ON TOBACCO PRODUCTS
3 AND AMENDING FOR THE PURPOSE PERTINENT SECTIONS OF THE
4 NATIONAL INTERNAL REVENUE CODE

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

5 SECTION 1. Section 144 of the National Internal Revenue Code of 1997, as amended by
6 Republic Act. No. 9334, is hereby further amended to read as follows:

7 **SEC. 144. Tobacco Products.** – There shall be collected a tax of [One
8 peso (P1.00)] **TWO PESOS AND FIFTY CENTAVOS (P2.50)** on each
9 kilogram of the following products of tobacco:

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

12 (b) Tobacco prepared or partially prepared with or without the use of any
13 machine or instruments or without being pressed or sweetened except as
14 otherwise provided hereunder; and

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

17 Stemmed leaf tobacco, tobacco prepared or partially prepared with or
18 without the use of any machine or instrument or without being pressed or
19 sweetened, fine-cut shorts and refuse, scraps, clippings, cuttings, stems, midribs,
20 and sweepings of tobacco resulting from the handling or stripping of whole leaf
21 tobacco shall be transferred, disposed of, or otherwise sold, without any
22 prepayment of the excise tax herein provided for, if the same are to be exported or

1 be used in the manufacture of cigars, cigarettes, or other tobacco products on
2 which the excise tax will eventually be paid on the finished product, under such
3 conditions as may be prescribed in the rules and regulations promulgated by the
4 Secretary of Finance, upon the recommendation of the Commissioner.

5 On tobacco specially prepared for chewing so as to be unsuitable for use
6 in any other manner, on each kilogram, [Seventy-nine centavos (P0.79)] **ONE**
7 **PESO AND EIGHTY-SEVEN CENTAVOS (P 1.87).**

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

10 ***PROVIDED, THAT, ON 1 JANUARY 2013 AND EVERY YEAR***
11 **THEREAFTER, THE EXCISE TAX RATES PRESCRIBED IN THIS ACT**
12 **SHALL BE ADJUSTED ANNUALLY TO THEIR PRESENT VALUE**
13 **USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE**
14 **NATIONAL STATISTICS OFFICE.**

15 Manufacturers and importers of tobacco products shall, within 30 days
16 from the effectivity of this Act and within the first (5) days of every month
17 thereafter, submit to the Commissioner a sworn statement of the volume of sales
18 for each particular brand of tobacco products sold [at their establishment] for the
19 three-month period immediately preceding.

20 Any manufacturer or importer who, in violation of this Section, knowingly
21 misdeclares and misrepresents in his or its sworn statement herein required any
22 pertinent data or information shall, upon discovery, be penalized by a summary
23 cancellation or withdrawal of his or its permit to engage in the business as
24 manufacturer or importer of cigar or cigarettes.

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

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

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

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

8 SECTION 2. Section 145 of the National Internal Revenue Code of 1997, as amended by
9 Republic Act. No. 9334, is hereby further amended to read as follows:

10 **SEC. 145. Cigars and Cigarettes. –**

11 (A) *Cigars.* – There shall be levied, assessed and collected on cigars [an
12 *ad valorem* tax based on the retail price] **A TAX OF TWO HUNDRED PESOS**
13 **(P200.00)** per cigar. [(excluding the excise tax and the value- added tax) in
14 accordance with the following schedule:]

15 [(1) If the net retail price per cigar is Five hundred pesos (P500) or less,
16 ten percent (10%); and]

17 [(2) If the net retail price per cigar (excluding the excise tax and the value-
18 added tax) is more than Five hundred pesos (P500), Fifty pesos (P50.00) plus
19 fifteen percent (15%) of the net retail price in excess of Five hundred pesos
20 (P500.00).]

21 **PROVIDED, THAT, ON JANUARY 1, 2013 AND EVERY YEAR**
22 **THEREAFTER, THE EXCISE TAX RATE PRESCRIBED HEREIN**
23 **SHALL BE ADJUSTED ANNUALLY TO ITS PRESENT VALUE USING**
24 **THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL**
25 **STATISTICS OFFICE.**

26 (B) *Cigarettes Packed by Hand.* – There shall be levied, assessed and
27 collected on cigarettes packed by hand a tax at the [rates prescribed below:]
28 **RATE OF FOURTEEN PESOS (P14.00) PER PACK.**

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

2 [Effective on January 1, 2007, Two pesos and twenty-three centavos
3 (P2.23) per pack;]

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

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

8 **PROVIDED, THAT, ON JANUARY 1, 2013 AND EVERY YEAR**
9 **THEREAFTER, THE EXCISE TAX RATE PRESCRIBED IN THIS ACT**
10 **SHALL BE ADJUSTED ANNUALLY TO ITS PRESENT VALUE USING**
11 **THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL**
12 **STATISTICS OFFICE.**

13 Duly registered or existing brands of cigarettes or new brands thereof
14 packed by hand shall only be packed in thirties. **ANY BRAND PACKED BY**
15 **LESS THAN THIRTIES SHALL BE TREATED AS IF IT IS PACKED BY**
16 **THIRTIES AND SUBJECTED TO THE TAX PROVIDED IN THIS ACT,**
17 **WITHOUT PREJUDICE TO OTHER ADMINISTRATIVE OR**
18 **CRIMINAL PENALTIES THAT MAY BE IMPOSED ON THE**
19 **MANUFACTURER, IMPORTER AND DISTRIBUTOR OF THE SAID**
20 **BRAND.**

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

23 **EFFECTIVE ON 1 JANUARY 2012 –**

24 **(1) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX**
25 **AND THE VALUE-ADDED TAX) IS TEN PESOS (P10.00) AND BELOW**
26 **PER PACK, THE TAX SHALL BE FOURTEEN PESOS (P14.00) PER**
27 **PACK;**

1 (2) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX
2 AND THE VALUE-ADDED TAX) IS MORE THAN TEN PESOS (P10.00)
3 PER PACK, THE TAX SHALL BE TWENTY EIGHT PESOS AND
4 THIRTY CENTAVOS (P28.30) PER PACK;

5 EFFECTIVE ON 1 JANUARY 2013 –

6 (1) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX
7 AND THE VALUE-ADDED TAX) IS TEN PESOS (P10.00) AND BELOW
8 PER PACK, THE TAX SHALL BE TWENTY-TWO PESOS (P22.00) PER
9 PACK;

10 (2) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX
11 AND THE VALUE-ADDED TAX) IS MORE THAN TEN PESOS (P10.00)
12 PER PACK, THE TAX SHALL BE THIRTY PESOS (P30.00) PER PACK;

13 EFFECTIVE ON 1 JANUARY 2014, THE TAX SHALL BE THIRTY
14 PESOS (P30.00) PER PACK, REGARDLESS OF THEIR RETAIL PRICE.

15 *PROVIDED, THAT, ON 1 JANUARY 2015 AND EVERY YEAR*
16 THEREAFTER, THE EXCISE TAX RATE PRESCRIBED IN THIS ACT
17 SHALL BE ADJUSTED ANNUALLY TO ITS PRESENT VALUE USING
18 THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL
19 STATISTICS OFFICE.

20 ALL BRANDS OF CIGARETTES EXISTING IN THE MARKET
21 AT THE TIME OF THE EFFECTIVITY OF THIS ACT SHALL BE
22 CLASSIFIED ACCORDINGLY FOR THE PROPER DETERMINATION
23 OF THE TAX LIABILITY IN ACCORDANCE WITH THE SCHEDULE
24 PROVIDED ABOVE.

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

27 [Effective on January 1, 2005, Two pesos (P2.00) per pack;]

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

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

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

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

10 [Effective on January 1, 2005, Six pesos and thirty-five centavos (P6.35)
11 per pack;]

12 [Effective on January 1, 2007, Six pesos and seventy-four centavos
13 (P6.74) per pack;]

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

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

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

21 [Effective on January 1, 2005, Ten pesos and thirty-five centavos (P10.35)
22 per pack;]

23 [Effective on January 1, 2007, Ten pesos and eighty-eight centavos
24 (P10.88) per pack;]

25 [Effective on January 1, 2009, Eleven pesos and forty-three centavos
26 (P11.43) per pack; and]

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

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

3 [Effective on January 1, 2005, Twenty-five pesos (P25.00) per pack;]

4 [Effective on January 1, 2007, Twenty-six pesos and six centavos (P26.06)
5 per pack;]

6 [Effective on January 1, 2009, Twenty-seven pesos and sixteen centavos
7 (P27.16) per pack; and]

8 [Effective on January 1, 2011, Twenty-eight pesos and thirty centavos
9 (P28.30) per pack.]

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

15 A “variant of a brand” shall refer to a brand on which a modifier is refixed
16 and/or suffixed to the root name of the brand.

17 Duly registered or existing brands of cigarettes or new brands thereof
18 packed by machine shall only be packed in twenties. **ANY BRAND PACKED
19 BY LESS THAN TWENTIES SHALL BE TREATED AS IF IT IS PACKED
20 BY TWENTIES AND SUBJECTED TO THE TAX PROVIDED IN THIS
21 ACT, WITHOUT PREJUDICE TO OTHER ADMINISTRATIVE OR
22 CRIMINAL PENALTIES THAT MAY BE IMPOSED ON THE
23 MANUFACTURER, IMPORTER AND DISTRIBUTOR OF THE SAID
24 BRAND.**

25 Any downward reclassification of present categories, for tax purposes, of
26 existing brands of cigars and cigarettes duly registered at the time of the
27 effectivity of this Act which will reduce the tax imposed herein, or the payment
28 thereof, shall be prohibited.

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

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

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

23 Net retail price, as determined by the Bureau of Internal Revenue through
24 a price survey to be conducted by the Bureau of Internal Revenue itself, or by the
25 National Statistics Office when deputized for [the] this purpose by the Bureau of
26 Internal Revenue, shall mean the price at which at which the cigarette is sold on
27 retail in at least twenty (20) major supermarkets in Metro Manila (for brands of
28 cigarettes marketed nationally), excluding the amount intended to cover the

1 applicable excise tax and value-added tax. For brands which are marketed only
2 outside Metro Manila, the 'net retail price', shall mean the price at which the
3 cigarette is sold in at least five (5) major supermarkets in the region excluding the
4 amount intended to cover the applicable excise tax and the value-added tax. **THE**
5 **MAJOR SUPERMARKETS SHALL BE THOSE WITH THE HIGHEST**
6 **TOTAL GROSS SALES IN METRO MANILA OR THE REGION, AS THE**
7 **CASE MAY BE, AS DETERMINED BY NATIONAL STATISTICS**
8 **OFFICE.**

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

16 Manufacturers and importers of cigars and cigarettes shall, within thirty
17 (30) days from the effectivity of this Act, and within the first five (5) days of
18 every month thereafter, submit to the Commissioner a sworn statement of the
19 volume of sales for each particular brand of cigars and/or cigarettes sold [at his
20 establishment] for the three-month period immediately preceding. Any
21 manufacturer or importer who, in violation of this Section, knowingly misdeclares
22 or misrepresents in his or its sworn statement herein required any pertinent data or
23 information shall, upon discovery, be penalized by a summary cancellation or
24 withdrawal of his or its permit to engage in business as manufacturer or importer
25 of cigars or cigarettes.

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

1 deficiency taxes, surcharges 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 or
6 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 SECTION 3. Section 131, Subsection A of the National Internal Revenue Code of 1997,
11 as amended by Republic Act. No. 9334, is hereby further amended to read as follows:

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

13 (A) *Persons Liable.* - Excise taxes on imported articles shall be paid by the
14 owner or importer to the Customs Officers, conformably with the regulations of
15 the Department of Finance and before the release of such articles from the
16 customs house, or by the person who is found in possession of articles which are
17 exempt from excise taxes other than those legally entitled to exemption.

18 In the case of tax-free articles brought or imported into the Philippines by
19 persons, entities, or agencies exempt from tax which are subsequently sold,
20 transferred or exchanged in the Philippines to non-exempt persons or entities, the
21 purchasers or recipients shall be considered the importers thereof, and shall be
22 liable for the duty and internal revenue tax due on such importation.

23 The provision of any special or general law to the contrary
24 notwithstanding, the importation of cigars and cigarettes, distilled spirits,
25 fermented liquors and wines into the Philippines, even if destined for tax and
26 duty-free shops, shall be subject to all applicable taxes, duties, charges, including
27 excise taxes due thereon. This shall apply to cigars and cigarettes, distilled spirits,
28 fermented liquors and wines brought directly into the duly chartered or legislated

1 freeports of the Subic Special Economic and Freeport Zone, created under
2 Republic Act No. 7227; the Cagayan Special Economic Zone and Freeport,
3 created under Republic Act No. 7922; and the Zamboanga City Special Economic
4 Zone, created under Republic Act No. 7903, and such other freeports as may
5 hereafter be established or created by law: *Provided, further,* That
6 **NOTWITHSTANDING THE PROVISION OF REPUBLIC ACT 9593,**
7 **THE** importations of cigars and cigarettes, [distilled spirits, fermented liquors and
8 wines] made directly by a government-owned and operated duty-free shop, like
9 **ONE OPERATED BY** the Duty-Free Philippines [(DFP)] **CORPORATION,**
10 shall **NOT** be exempted from **THE EXCISE TAX** [all applicable duties only]:
11 *Provided, still further,* That such articles directly imported by a government-
12 owned and operated duty-free shop, [like the Duty-Free Philippines,] shall be
13 labeled 'duty-free' and 'not for resale': *Provided, finally,* That the removal and
14 transfer of tax and duty-free goods, products, machinery, equipment and other
15 similar articles other than cigars and cigarettes, distilled spirits, fermented liquors
16 and wines, from one freeport to another freeport, shall not be deemed an
17 introduction into the Philippine customs territory.

18 Cigars and cigarettes, distilled spirits and wines within the premises of all
19 duty-free shops which are not labeled as hereinabove required, as well as tax and
20 duty-free articles obtained from a duty-free shop and subsequently found in a non-
21 duty-free shop to be offered for resale shall be confiscated, and the perpetrator of
22 such non-labeling or re-selling shall be [punishable] penalized under the
23 applicable provisions of this Code.

24 Articles confiscated shall be **DESTROYED USING THE MOST**
25 **ENVIRONMENTALLY FRIENDLY METHOD AVAILABLE.** [disposed of
26 in accordance with the rules and regulations to be promulgated by the Secretary of
27 Finance, upon recommendation of the Commissioners of Customs and Internal

1 Revenue, upon consultation with the Secretary of Tourism and the General
2 Manager of the Philippine Tourism Authority.]

3 The tax due on any such goods, products, machinery, equipment or other
4 similar articles shall constitute a lien on the article itself, and such lien shall be
5 superior to all other charges or liens, irrespective of the possessor thereof.

6 (B) *Rate and Basis of the Excise Tax on Imported Articles.* - Unless
7 otherwise specified, imported articles shall be subject to the same rates and basis
8 of excise taxes applicable to locally manufactured articles.

9 SECTION 4. Section 288, subsections B and C of the National Internal Revenue Code of
10 1997, as amended by Republic Act. No. 9334, is hereby further amended to read as follows:

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

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

23 (2) **PROGRAMS THAT WILL PROVIDE FINANCIAL SUPPORT**
24 **TO TOBACCO FARMERS WHO ARE DISPLACED OR WHO CEASED**
25 **TO PRODUCE TOBACCO VOLUNTARILY.**

26 (3) **COOPERATIVE PROGRAMS TO ASSIST TOBACCO**
27 **FARMERS IN DEVELOPING ALTERNATIVE PLANTING SYSTEMS,**

1 **PLANTING ALTERNATIVE CROPS OR IMPLEMENTING OTHER**
2 **LIVELIHOOD PROJECTS.**

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

5 [(2) Livelihood projects, particularly the development of alternative
6 farming system to enhance farmer's income; and]

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

11 The Department of Budget and Management, in consultation with the
12 Oversight Committee created under said R.A. No. 8240, shall issue the
13 corresponding rules and regulations governing the allocation and disbursement of
14 this fund.

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

17 (1) **FIVE PERCENT (5%)** [Two and a half percent (2.5%)] of the
18 incremental revenue from the excise tax on alcohol and tobacco products starting
19 [January 2005] **1 JANUARY 2012** shall be remitted directly to the Philippine
20 Health Insurance Corporation (**PHIC**) for the purpose of meeting and sustaining
21 the goal of universal coverage of the National Health Insurance Program; and

22 (2) **FIVE PERCENT (5%)** [Two and a half percent (2.5%)] of the
23 incremental revenue from the excise tax on alcohol and tobacco products starting
24 [January 2005] **1 JANUARY 2012** shall be credited **AUTOMATICALLY** to the
25 account of the Department of Health and constituted as a trust fund for its [disease
26 prevention program] **HEALTH PROMOTION PROGRAMS.**

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

1 THE EARMARKS PROVIDED IN SUBSECTION C SHALL BE
2 OVER AND ABOVE THE ALLOCATIONS PROVIDED IN THE
3 GENERAL APPROPRIATIONS ACT.

4 THE EXPENDITURES MADE USING THE EARMARKS
5 PROVIDED IN SUBSECTIONS B AND C, SHALL BE REPORTED BY
6 THE DEPARTMENT OF BUDGET AND MANAGEMENT, PHIC, AND
7 THE DEPARTMENT OF HEALTH, AS THE CASE MAY BE, THROUGH
8 THE OFFICIAL GAZETTE AND THEIR RESPECTIVE WEBSITES. A
9 COPY OF THE SAID REPORTS SHALL ALSO BE SUBMITTED TO
10 CONGRESS. *PROVIDED*, THAT SUCH REPORT SHALL CONTAIN
11 ITEMIZED AND DETAILED DESCRIPTION OF THE SUCH
12 EXPENDITURES. CONGRESS SHALL MAKE A REVIEW OF THESE
13 EARMARKS EVERY 5 YEARS HEREAFTER.

14 SECTION 5. *Implementing Rules and Regulations.* – The Secretary of Finance shall,
15 upon the recommendation of the Commissioner of Internal Revenue, and in consultation with the
16 Secretary of Health, promulgate the necessary rules and regulations for the implementation of
17 this Act within sixty (60) days from effectivity of this Act.

18 SECTION 6. *Separability Clause.* – If any provision or part of this Act shall be declared
19 unconstitutional, any other provision not affected thereby shall remain in full force and effect.

20 SECTION 7. *Repealing Clause.* – All laws, decrees, orders, rules and regulations, or
21 parts thereof inconsistent with this Act are hereby repealed or amended accordingly.

22 SECTION 8. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication
23 in at least two (2) newspapers of general circulation.

Approved,