EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

Senate
Office of the Secretary

'19 SEP 25 A11 :30

SENATE

COMMITTEE REPORT No. 6 RECEIVED BY:

Submitted by the Committee on Ways and Means on SEP 25 2019

Re: Senate Bill No. 1074

Recommending its approval in substitution of Senate Bill Nos. 383 and 987 taking into consideration House Bill No. 1026.

Sponsor: Sen. Pia S. Cayetano

MR. PRESIDENT:

The Committee on Ways and Means to which were referred Senate Bill No. 383, introduced by Senator Pacquiao, entitled:

AN ACT
AMENDING SECTIONS 141, 142 AND 143 OF REPUBLIC ACT NO. 8424, AS AMENDED, OTHERWISE KNOWN AS THE 'NATIONAL INTERNAL REVENUE CODE OF 1997'

S.B. No. 987, introduced by Senator Pacquiao, entitled:

AN ACT
INCREASING THE EXCISE TAX ON HEATED TOBACCO PRODUCTS AND VAPOR PRODUCTS, AMENDING FOR THIS PURPOSE SECTIONS 144 (B), 144 (C), 147 AND 150 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

and House Bill No. 1026, introduced by Representatives Salceda, Suansing, H., Suansing, E., Villafuerte, *et al.*, entitled:

AN ACT
AMENDING SECTIONS 141, 142, 143, 144, 147, 150, 152, 263, 265, AND 288-A, AND ADDING A NEW SECTION 290-A TO REPUBLIC ACT NO. 8424, AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997

has considered the same and has the honor to report these back to the Senate with the recommendation that the attached bill, Senate Bill No. 1074, prepared by the Committee, entitled:

AN ACT
INCREASING THE EXCISE TAX ON ALCOHOL PRODUCTS, HEATED TOBACCO PRODUCTS AND VAPOR PRODUCTS, AMENDING FOR THIS PURPOSE SECTIONS 141, 142, 143, 144, 147, 150, AND 288, OF REPUBLIC ACT NO. 8424, AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

be approved in substitution of Senate Bill Nos. 383 and 987 taking into consideration House Bill No. 1026 with Senators Pacquiao and Cayetano as authors.

Respectfully Submitted:

PIA S. CAYETANO
Chairperson

SONNY ANGARA
Vice Chairperson

Members

CHRISTOPHER LAWRENCE T. GO

PANFILO M. LACSON

RICHARD J. GORDON

WIN GATCHALIAN

MANUEL *"LITO"* M. LAPID

RONALD *"BATO"* DELA ROSA

Will interpellate/ propose amendments

EMMANUEL *"MANNY"* D. PACQUIAO

GRACE POE may amend

RAMON BONG REVILLA, JR.

IMEE R. MARCOS with reservations re electronic tobacco products and other provisions

FRANCIS *"KIKO"* PANGILINAN

RISA HONTIVEROS

Will interpellate / propose amendments.

LEILA M. DE LIMA

Ex-Officio Members

With reservations; will be interpellated/amend

JUAN MIGUEL "MIGZ" F. ZUBIRI
Majority Leader

FRANKLIN M. DRILON
Minority Leader

my amend

RALPH G. RECTO
Senate President Pro-Tempore

my amend

VICENTE C. SOTTO III
President
Senate of the Philippines
Pasay City

Senate
Office of the Secretary

EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

'19 SEP 25 A11 :30

RECEIVED BY:

SENATE

S.B. No. 1074

(In substitution of S.B. Nos. 383 and 987 taking into consideration H.B. No. 1026)

Prepared by the Committee on Ways and Means with Senators Pacquiao and Cayetano as authors

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AN ACT
INCREASING THE EXCISE TAX ON ALCOHOL PRODUCTS, HEATED TOBACCO PRODUCTS AND VAPOR PRODUCTS, AMENDING FOR THIS PURPOSE SECTIONS 141, 142, 143, 144, 147, 150, AND 288, OF REPUBLIC ACT NO. 8424, AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

SECTION 1. Title VI, Chapter III, Excise Tax on Alcohol Products, of the National Internal Revenue Code of 1997 (NIRC), as amended, is hereby further amended to read as follows:

"CHAPTER III

"EXCISE TAX ON ALCOHOL PRODUCTS

"SEC. 141. *Distilled Spirits.* – On distilled spirits, subject to the provisions of Section 133 of this Code, an excise tax shall be levied, assessed and collected based on the following schedules:

"**[** (a) Effective on January 1, 2013

"(1) An *ad valorem* tax equivalent to fifteen percent (15%) of the net retail price (excluding the excise tax and the value-added tax) per proof; and

"(2) In addition to the *ad valorem* tax herein imposed, a specific tax of Twenty pesos (P20.00) per proof liter.

"(b) Effective on January 1, 2015

"(1) An *ad valorem* tax equivalent to twenty percent (20%) of the net retail price (excluding the excise tax and the value-added tax) per proof; and

"(2) In addition to the *ad valorem* tax herein imposed, a specific tax rate of Twenty pesos (P20.00) per proof liter.

"(c) In addition to the *ad valorem* tax herein imposed, the specific tax rate of Twenty pesos (P20.00) per proof liter imposed under this Section shall be increased by four percent (4%) every year thereafter effective on January 1, 2016, through revenue regulations issued by the Secretary of Finance.]

"(A) EFFECTIVE ON JANUARY 1, 2020

"(1) AN *AD VALOREM* TAX EQUIVALENT TO TWENTY PERCENT (20%) OF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) PER PROOF; AND

"(2) IN ADDITION TO THE *AD VALOREM* TAX HEREIN IMPOSED, A SPECIFIC TAX OF NINETY PESOS (P90.00) PER PROOF LITER.

"(B) EFFECTIVE ON JANUARY 1, 2021

"(1) AN *AD VALOREM* TAX EQUIVALENT TO TWENTY PERCENT (20%) OF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) PER PROOF; AND

"(2) IN ADDITION TO THE *AD VALOREM* TAX HEREIN IMPOSED, A SPECIFIC TAX OF ONE HUNDRED PESOS (P100.00) PER PROOF LITER.

"(C) EFFECTIVE ON JANUARY 1, 2022

"(1) AN *AD VALOREM* TAX EQUIVALENT TO TWENTY PERCENT (20%) OF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) PER PROOF; AND

"(2) IN ADDITION TO THE *AD VALOREM* TAX HEREIN IMPOSED, A SPECIFIC TAX OF ONE HUNDRED TEN PESOS (P110.00) PER PROOF LITER.

"(D) EFFECTIVE ON JANUARY 1, 2023

"**(1) AN *AD VALOREM* TAX EQUIVALENT TO TWENTY PERCENT (20%) OF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) PER PROOF; AND**

"**(2) IN ADDITION TO THE *AD VALOREM* TAX HEREIN IMPOSED, A SPECIFIC TAX OF ONE HUNDRED TWENTY PESOS (P120.00) PER PROOF LITER.**

"**(E) IN ADDITION TO THE *AD VALOREM* TAX HEREIN IMPOSED, THE SPECIFIC TAX IMPOSED UNDER THIS SECTION SHALL BE INCREASED BY TEN PERCENT (10%) EVERY YEAR THEREAFTER, EFFECTIVE JANUARY 1, 2024, THROUGH REVENUE REGULATIONS TO BE ISSUED BY THE SECRETARY OF FINANCE.**

"Medicinal preparations, flavoring extracts, and all other preparations, except toilet preparations, of which, excluding water, distilled spirits from the chief ingredient, shall be subject to the same tax as such chief ingredient.

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"'*Net retail price*' shall mean the price at which the distilled spirits is sold on retail in at least five (5) major supermarkets in Metro Manila, excluding the amount intended to cover the applicable excise tax and the value-added tax. For distilled spirits which are marketed outside Metro Manila, the 'net retail price' shall mean the price at which the distilled spirits is sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax: ***PROVIDED,* THAT THE NET RETAIL PRICE SHALL BE INITIALLY PROVIDED BY THE MANUFACTURER THROUGH A SWORN STATEMENT AND SHALL BE VALIDATED BY THE BUREAU OF INTERNAL REVENUE THROUGH A PRICE SURVEY**.

"Major supermarkets, as contemplated under this Act, shall be those with the highest annual gross sales in Metro Manila or the region, as the case may be, as determined by the **BUREAU OF INTERNAL REVENUE [** National Statistics Office **]**, and shall exclude retail outlets or kiosks, convenience or sari-sari stores, and others of a similar nature: *Provided,* That no two (2) supermarkets in the list to be surveyed are affiliated and/or branches of each other: *Provided, finally,* That

in case a particular distilled spirit is not sold in major supermarkets, the price survey can be conducted in retail outlets where said distilled spirit is sold in Metro Manila or the region, as the case may be, upon the determination of the Commissioner of Internal Revenue.

"The net retail price shall be determined by the Bureau of Internal Revenue through **[** a **]** **BIANNUAL** price survey under oath.

" xxx xxx xxx

"**[** All distilled spirits existing in the market at the time of the effectivity of this Act shall be taxed according to the tax rates provided above based on the latest price survey of the distilled spirits conducted by the Bureau of Internal Revenue.**]**

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

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"SEC. 142. *Wines.* – On wines, there shall be collected, **[** per liter of volume capacity **]** effective **JANUARY 1, 2020** **[** January 1, 2013 **]** , the following excise taxes:

"(a) **ALL SPARKLING WINES REGARDLESS OF PROOF AND NET RETAIL PRICE SHALL BE IMPOSED A SPECIFIC TAX OF SIX HUNDRED PESOS (P600.00) PER LITER; AND** **[** Sparkling wines/champagnes regardless of proof, if the net retail price per bottle of seven hundred fifty milliliter (750 ml.) volume capacity (excluding the excise tax and value-added tax) is:

"**(**1) Five hundred pesos (P500.00) or less – Two hundred fifty pesos (P250.00) **)**; and

"(2) More than Five hundred pesos (P500.00) – Seven hundred pesos (P700.00).**]**

"(b) **ALL STILL WINES AND CARBONATED WINES REGARDLESS OF ALCOHOL VOLUME SHALL BE IMPOSED A SPECIFIC TAX OF FORTY-**

THREE PESOS (P43.00) PER LITER. **[** Still wines containing and carbonated wines containing fourteen percent (14%) of alcohol by volume or less, Thirty pesos (P30.00); and **]**

"**[** (c) Still wines and carbonated wines containing more than fourteen percent (14%) but not more than twenty-five percent (25%) of alcohol by volume, Sixty pesos (P60.00). **]**

"The rates of tax imposed under this Section shall be increased by **[** four percent (4%) **]** **TEN PERCENT (10%)** every year thereafter effective **[** January 1, 2014 **]** **JANUARY 1, 2021**, through revenue regulations issued by the Secretary of Finance.

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

"**[** '*Net retail price*' shall mean the price at which sparkling wine/champagne is sold on retail in at least five (5) major supermarkets in Metro Manila, excluding the amount intended to cover the applicable excise tax and the value-added tax. For sparkling wines/champagnes which are marketed outside Metro Manila, the 'net retail price' shall mean the price at which the wine is sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax.**]**

"**[** Major supermarkets, as contemplated under this Act, shall be those with the highest annual gross sales in Metro Manila or the region, as the case may be, as determined by the National Statistics Office, and shall exclude retail outlets or kiosks, convenience or sari-sari stores, and others of a similar nature: *Provided,* That no two (2) supermarkets in the list to be surveyed are affiliated and/or branches of each other: *Provided, finally,* That in case a particular sparkling wine/champagne is not sold in major supermarkets, the price survey can be conducted in retail outlets where said sparkling wine/champagne is sold in Metro Manila or the region, as the case may be, upon the determination of the Commissioner of Internal Revenue. **]**

"[The net retail price shall be determined by the Bureau of Internal Revenue through a price survey under oath.]

"[The methodology and all pertinent documents used in the conduct of the latest price survey shall be submitted to the Congressional Oversight Committee on the Comprehensive Tax Reform Program (COCCTRP) created under Republic Act No. 8240.]

"[Understatement of the suggested net retail price by as much as fifteen percent (15%) of the actual net retail price shall render the manufacturer or importer liable for additional excise tax equivalent to the tax due and difference between the understated suggested net retail price and the actual net retail price.]

"[Sparkling wines/champagnes introduced in the domestic market after the effectivity of this Act shall be initially tax classified according to their suggested net retail prices.]

"['Suggested net retail price' shall mean the price (excluding VAT and excise tax) at which locally manufactured or imported sparkling wines/champagnes are intended by the manufacturer or importer to be sold on retail in major supermarkets or retail outlets in Metro Manila for those marketed nationwide, and in other regions, for those with regional markets. At the end of three (3) months from the product launch, the Bureau of Internal Revenue shall validate the suggested net retail price of the sparkling wine/champagne against the net retail price as defined herein and initially determine the correct tax bracket to which a newly introduced sparkling wine/champagne shall be classified. After the end of nine (9) months from such validation, the Bureau of Internal Revenue shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax bracket to which a newly introduced sparkling wine/champagne shall be classified.

"[The proper tax classification of sparkling wines/champagnes, whether registered before or after the effectivity of this Act, shall be determined every two (2) years from the date of effectivity of this Act.]

"[All sparkling wines/champagnes existing in the market at the time of the effectivity of this Act shall be taxed according to the net retail prices and the tax

rates provided above based on the latest price survey of the sparkling wines/champagnes conducted by the Bureau of Internal Revenue.**]**

"**[** The methodology and all pertinent documents used in the conduct of the latest price survey shall be submitted to the Congressional Oversight Committee on the Comprehensive Tax Reform Program created under Republic Act No. 8240.**]**

"Manufacturers and importers of wines shall, within thirty (30) days from the effectivity of this Act, and within the first five (5) days of every month thereafter, submit to the Commissioner a sworn statement of the volume of sales **AND REMOVALS** for each particular brand of wine**[** s **]** sold at **[** his **]** **THEIR** establishment for the three-month period immediately preceding.

" xxx xxx xxx

"SEC. 143. **ALCOPOPS AND** *Fermented Liquor.* – There shall be levied, assessed and collected an excise tax on **ALCOPOPS**, beer, lager beer, ale, porter and other fermented liquors **REGARDLESS IF MANUFACTURED IN FACTORIES OR SOLD AND BREWED AT MICRO-BREWERIES OR SMALL ESTABLISHMENTS SUCH AS PUBS AND RESTAURANTS,** except *tuba*, *basi*, *tapuy* and similar domestic fermented liquors, in accordance with the following schedule:

"**[**Effective on January 1, 2013

"(a) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is Fifty pesos and sixty centavos (P50.60) or less, the tax shall be Fifteen pesos (P15.00) per liter; and

"(b) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is more than Fifty pesos and sixty centavos (P50.60), the tax shall be Twenty pesos (P20.00) per liter.

"Effective on January 1, 2014

"(a) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is Fifty pesos and sixty centavos (P50.60) or less, the tax shall be Seventeen pesos (P17.00) per liter; and

"(b) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is more than Fifty pesos and sixty centavos (P50.60), the tax shall be Twenty-one pesos (P21.00) per liter.

"Effective on January 1, 2015

"(a) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is Fifty pesos and sixty centavos (P50.60) or less, the tax shall be Nineteen pesos (P19.00) per liter; and

"(b) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is more than Fifty pesos and sixty centavos (P50.60), the tax shall be Twenty-two pesos (P22.00) per liter.

"Effective on January 1, 2016

"(a) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is Fifty pesos and sixty centavos (P50.60) or less, the tax shall be Twenty-one pesos (P21.00) per liter; and

"(b) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is more than Fifty pesos and sixty centavos (P50.60), the tax shall be Twenty-three pesos (P23.00) per liter.

"Effective on January 1, 2017, the tax on all fermented liquors shall be Twenty-three pesos and fifty centavos (P23.50) per liter.]

"**EFFECTIVE ON JANUARY 1, 2020, THE TAX SHALL BE FORTY FIVE PESOS (P45.00) PER LITER**;

"**EFFECTIVE ON JANUARY 1, 2021, THE TAX SHALL BE FIFTY FIVE PESOS (P55.00) PER LITER;**

"**EFFECTIVE ON JANUARY 1, 2022, THE TAX SHALL BE SHALL BE SIXTY FIVE PESOS (P65.00) PER LITER; AND**

"**EFFECTIVE ON JANUARY 1, 2023, THE TAX SHALL BE SHALL BE SEVENTY FIVE PESOS (P75.00) PER LITER.**

"The rates of tax imposed under this Section shall be increased by [four percent (4%)] **TEN PERCENT (10%)** every year thereafter effective **JANUARY 1, 2024** [January 1, 2018] , through revenue regulations issued by the Secretary of Finance. [However, in case of fermented liquors affected by the 'no downward

reclassification' provision prescribed under this Section, the four percent (4%) increase shall apply to their respective applicable tax rates.]

"'**ALCOPOPS' SHALL MEAN PRE-MIXED ALCOHOLIC BEVERAGES WITH ALCOHOL CONTENT OF LESS THAN 10% ALCOHOL BY VOLUME AND WHICH ALCOHOL IS FROM MALT OR WINES OR A DISTILLATION PROCESS.**

"[Fermented liquors which are brewed and sold at micro-breweries or small establishments such as pubs and restaurants shall be subject to the rate of Twenty-eight pesos (P28.00) per liter effective on January 1, 2013: Provided, That this rate shall be increased by four percent (4%) every year thereafter effective on January 1, 2014, through revenue regulations issued by the Secretary of Finance.]

"[Fermented liquors introduced in the domestic market after the effectivity of this Act shall be initially tax classified according to their suggested net retail prices.]

"['Suggested net retail price' shall mean the net retail price at which locally manufactured or imported fermented liquor are intended by the manufacturer or importer to be sold on retail in major supermarkets or retail outlets in Metro Manila for those marketed nationwide, and in other regions, for those with regional markets. At the end of three (3) months from the product launch, the Bureau of Internal Revenue shall validate the suggested net retail price of the newly introduced fermented liquor against the net retail price as defined herein and initially determine the correct tax bracket to which a newly introduced fermented liquor, as defined above, shall be classified. After the end of nine (9) months from such validation, the Bureau of Internal Revenue shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax bracket to which a newly introduced fermented liquor shall be classified.]

"['Net retail price' shall mean the price at which the fermented liquor is sold on retail in at least five (5) major supermarkets in Metro Manila (for brands of fermented liquor marketed nationally), excluding the amount intended to cover the applicable excise tax and the value-added tax. For brands which are marketed

outside Metro Manila, the 'net retail price' shall mean the price at which the fermented liquor is sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax .]

"[Major supermarkets, as contemplated under this Act, shall be those with the highest annual gross sales in Metro Manila or the region, as the case may be, as determined by the National Statistics Office, and shall exclude retail outlets or kiosks, convenience or sari-sari stores, and others of a similar nature: *Provided,* That no two (2) supermarkets in the list to be surveyed are affiliated and/or branches of each other: *Provided, finally,* That in case a particular fermented liquor is not sold in major supermarkets, the price survey can be conducted in retail outlets where said fermented liquor is sold in Metro Manila or the region, as the case may be, upon the determination of the Commissioner of Internal Revenue.]

"[The net retail price shall be determined by the Bureau of Internal Revenue (BIR) through a price survey under oath.]

"[The methodology and all pertinent documents used in the conduct of the latest price survey shall be submitted to the Congressional Oversight Committee on the Comprehensive Tax Reform Program created under Republic Act No. 8240.]

"[Understatement of the suggested net retail price by as much as fifteen percent (15%) of the actual net retail price shall render the manufacturer or importer liable for additional excise tax equivalent to the tax due and difference between the understated suggested net retail price and the actual net retail price.]

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

"[The proper tax classification of fermented liquors, whether registered before or after the effectivity of this Act, shall be determined every two (2) years from the date of the effectivity of this Act.]

"[All fermented liquors existing in the market at the time of the effectivity of this Act shall be classified according to the net retail prices and the tax rates

provided above based on the latest price survey of the fermented liquors conducted by the Bureau of Internal Revenue.]

"[The methodology and all pertinent documents used in the conduct of the latest price survey shall be submitted to the Congressional Oversight Committee on the Comprehensive Tax Reform Program created under Republic Act No. 8240.]

"Every brewer, **MANUFACTURER** or importer of **ALCOPOPS AND/OR** fermented liquor shall, within thirty (30) days from the effectivity of this Act, and within the first five (5) days of every month thereafter, submit to the Commissioner a sworn statement of the volume of sales **AND REMOVALS** for each particular brand of **ALCOPOPS AND/OR** fermented liquor sold at his establishment for the three-month period immediately preceding.

"Any brewer, **MANUFACTURER** or importer who, in violation of this Section, misdeclares or misrepresents in his or its sworn statement herein required any pertinent data or information shall, upon final findings by the Commissioner that the violation was committed, be penalized by a summary cancellation or withdrawal of his or its permit to engage in business as brewer, **MANUFACTURER** or importer of **ALCOPOPS AND/OR** fermented liquor.

"xxx xxx xxx "

SEC. 2. Section 144 (B) and 144 (C) of the National Internal Revenue Code of 1997, as amended, are hereby further amended to read as follows:

"SEC. 144. (A) *Tobacco Products.* – xxx

"xxx xxx xxx

"(B) *Heated Tobacco Products.* – There shall be levied, assessed, and collected on heated tobacco products an excise tax at the rate prescribed below:

"(1) **EFFECTIVE JANUARY 1, 2020, FORTY-FIVE PESOS (P45.00) [**Ten pesos (P10.00) per pack of twenty (20) units or packaging combinations of not more than twenty (20) units effective on January 1, 2020 **]**;

"**(2) EFFECTIVE JANUARY 1, 2021, FIFTY PESOS (P50.00);**

"**(3) EFFECTIVE JANUARY 1, 2022, FIFTY-FIVE PESOS (P55.00); AND**

"**(4) EFFECTIVE JANUARY 1, 2023, SIXTY PESOS (P60.00).**

"**[** (2) **]** ***PROVIDED*** **THAT** t**[**T**]**he rate**s** of tax imposed under this Subsection shall be increased by five percent (5%) every year effective on **JANUARY 1, 2024** **[** January 1, 2021 **]**, through revenue regulations issued by the Secretary of Finance.

"xxx xxx xxx

"Manufacturers, distributors, and importers of heated tobacco products shall, within thirty (30) days from the effectivity of this Act, and within the first five (5) days of every month thereafter, submit to the Commissioner a sworn statement of the volume of sales **AND REMOVALS** for each particular brand of heated tobacco products sold for the three-month period immediately preceding.

"xxx xxx xxx

"**SELLING OF HEATED TOBACCO PRODUCTS AT A PRICE LOWER THAN THE COMBINED EXCISE AND VALUE-ADDED TAXES IMPOSED UNDER THIS ACT SHALL BE PROHIBITED. THE SELLER OF SUCH PRODUCTS SHALL BE PUNISHED WITH A FINE OF NOT LESS THAN TEN (10) TIMES THE AMOUNT OF EXCISE PLUS VALUE-ADDED TAXES DUE BUT NOT LESS THAN TWO HUNDRED THOUSAND PESOS (P200,000.00) NOR MORE THAN FIVE HUNDRED THOUSAND PESOS (500,000.00), AND IMPRISONMENT OF NOT LESS THAN FOUR (4) YEARS BUT NOT MORE THAN SIX (6) YEARS.**

"**THE BUREAU OF INTERNAL REVENUE (BIR) IS MANDATED TO ISSUE A REVENUE REGULATION PRESCRIBING THE FLOOR PRICE OR THE MINIMUM PRICE OF HEATED TOBACCO PRODUCT TAKING INTO ACCOUNT THE SUM OF THE EXCISE AND VALUE-ADDED TAXES AS PROVIDED HEREIN.**

"xxx xxx xxx

"(C) *Vapor Products.* – There shall be levied, assessed and collected on vapor products, excise tax at the rates prescribed below:

"[(1) Effective on January 1, 2020, individual cartridge, refill, pod, or container of vapor products containing liquid solutions or gel sold in the following quantities:

QUANTITY	EXCISE TAX
0.00 ml to 10.00 ml	Ten pesos (P10.00)
10.01 ml to 20.00 ml	Twenty pesos (P20.00)
20.01 ml to 30.00 ml	Thirty pesos (P30.00)
30.01 ml to 40.00 ml	Forty pesos (P40.00)
40.01 ml to 50.00 ml	Fifty pesos (P50.00)
More than 50.00 ml	Fifty pesos (P50.00) plus Ten pesos (P10.00) for every additional 10.00 ml

]

"(1) NICOTINE SALT OR SALT NICOTINE. – THERE SHALL BE LEVIED, ASSESSED, AND COLLECTED ON ANY LIQUID SUBSTANCE REGARDLESS OF NICOTINE CONTENT, INCLUDING NICOTINE-FREE LIQUIDS OR ANY SIMILAR PRODUCT USED IN ANY OF THE DEVICES LISTED IN SUBSECTION 150 (D) OF THIS ACT, FURTHER CLASSIFIED AS NICOTINE SALT OR SALT NICOTINE AN EXCISE TAX BASED ON THE FOLLOWING SCHEDULES:

"EFFECTIVE ON JANUARY 1, 2020, FORTY-FIVE PESOS (P45.00) PER MILLILITER OR A FRACTION THEREOF;

"EFFECTIVE ON JANUARY 1, 2021, FIFTY PESOS (P50.00) PER MILLILITER OR A FRACTION THEREOF;

"EFFECTIVE ON JANUARY 1, 2022, FIFTY-FIVE PESOS (P55.00) PER MILLILITER OR A FRACTION THEREOF; AND

"EFFECTIVE ON JANUARY 1, 2023, SIXTY PESOS (P60.00) PER MILLILITER OR A FRACTION THEREOF.

"**[** (2) **]** **PROVIDED THAT** t**[**T**]**he rates of tax imposed under this Subsection shall be increased by five percent (5%) every year effective on **JANUARY 1, 2024** **[** January 1, 2021 **]** , through revenue regulations issued by the Secretary of Finance.

"(2) CONVENTIONAL 'FREEBASE' OR 'CLASSIC' NICOTINE. – THERE SHALL BE LEVIED, ASSESSED, AND COLLECTED ON ANY LIQUID SUBSTANCE, REGARDLESS OF NICOTINE CONTENT, INCLUDING NICOTINE-FREE LIQUID OR ANY SIMILAR PRODUCT USED IN ANY OF THE DEVICES LISTED UNDER SUBSECTION 150(D) OF THIS ACT, FURTHER CLASSIFIED AS CONVENTIONAL 'FREEBASE' OR 'CLASSIC' NICOTINE AN EXCISE TAX BASED ON THE FOLLOWING SCHEDULES:

"EFFECTIVE ON JANUARY 1, 2020, FORTY-FIVE PESOS (P45.00) PER TEN (10) MILLILITERS OR A FRACTION THEREOF;

"EFFECTIVE ON JANUARY 1, 2021, FIFTY PESOS (P50.00) PER TEN (10) MILLILITERS OR A FRACTION THEREOF;

"EFFECTIVE ON JANUARY 1, 2022, FIFTY-FIVE PESOS (P55.00) PER TEN (10) MILLILITERS OR A FRACTION THEREOF; AND

"EFFECTIVE ON JANUARY 1, 2023, SIXTY PESOS (P60.00) PER TEN (10) MILLILITERS OR A FRACTION THEREOF.

"PROVIDED THAT THE RATES OF TAX IMPOSED UNDER THIS SUBSECTION SHALL BE INCREASED BY FIVE PERCENT (5%) EVERY YEAR EFFECTIVE JANUARY 1, 2024, THROUGH REVENUE REGULATIONS TO BE ISSUED BY THE SECRETARY OF FINANCE.

"THE FOOD AND DRUG ADMINISTRATION (FDA) SHALL DETERMINE AND REGULATE THE MANUFACTURE, IMPORTATION, SALE AND DISTRIBUTION OF VAPOR PRODUCTS, INCLUDING THE DIFFERENT FLAVORINGS AND VARIANTS.

"xxx xxx xxx

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

"**SELLING OF VAPOR PRODUCTS AT A PRICE LOWER THAN THE COMBINED EXCISE AND VALUE-ADDED TAXES IMPOSED UNDER THIS ACT SHALL BE PROHIBITED. THE SELLER OF SUCH PRODUCTS SHALL BE PUNISHED WITH A FINE OF NOT LESS THAN TEN (10) TIMES THE AMOUNT OF EXCISE TAX PLUS VALUE-ADDED TAXES DUE BUT NOT LESS THAN TWO HUNDRED THOUSAND PESOS (P200,000.00) NOR MORE THAN FIVE HUNDRED THOUSAND PESOS (P500,000.00), AND IMPRISONMENT OF NOT LESS THAN FOUR (4) YEARS BUT NOT MORE THAN SIX (6) YEARS.**

"**THE BIR IS MANDATED TO ISSUE A REVENUE REGULATION PRESCRIBING THE FLOOR PRICE OR THE MINIMUM PRICE OF VAPOR PRODUCTS TAKING INTO ACCOUNT THE SUM OF THE EXCISE TAX AND VALUE-ADDED TAXES AS PROVIDED HEREIN.**"

"xxx xxx xxx "

SEC. 3. Section 147 of the National Internal Revenue Code of 1997, as amended by Republic Act 11346 is hereby further amended to read as follows:

"SEC. 147. *Definition of Terms.* – x x x.

"(a) xxx

"xxx xxx xxx

"(f) '*Vapor products*' shall mean any liquid solution or gel which contains nicotine that transforms into an aerosol without combustion through the employment of a mechanical heating element, battery or circuit that can be used to heat such solution or gel, and includes **[** but is not limited to, a cartridge, a tank, and the device without a cartridge or tank. It is commonly known as 'e-liquids' for 'e-cigarettes.' **]** **NICOTINE SALT/SALT NICOTINE, AND CONVENTIONAL "FREEBASE" OR "CLASSIC" NICOTINE, AND OTHER SIMILAR PRODUCTS.** **[** It also includes electronic nicotine and non-nicotine delivery systems (ENDS/ENNDS) which are combinations of non-tobacco containing e-liquids or refills which contain up to sixty-five milligrams per milliliter (65mg/ml) of nicotine in the e-liquid or refill and an electronic delivery device to produce an aerosol, mist or vapor that users inhale by mimicking the act of smoking. **]** "

SEC. 4. Section 150 of the NIRC, as amended, is hereby amended to read as follows:

"SEC. 150. *Non-essential Goods.* – There shall be levied, assessed and collected a tax equivalent to twenty-percent (20%) based on the wholesale price or the value of importation used by the Bureau of Customs in determining tariff and customs duties, net of excise tax and value-added tax, of the following goods:

"(a) xxx

"xxx xxx xxx

"(c) Yachts and other vessels intended for pleasure or sports; **AND [.]**

"(D) TOBACCO HEATING SYSTEMS AND ELECTRONIC OR MECHANICAL CIGARETTE DEVICES, WHICH INCLUDE, BUT ARE NOT LIMITED, TO ELECTRONIC AND/OR NON-ELECTRONIC NICOTINE DELIVERY SYSTEMS, E-CIGARETTES, VAPES, VAPORIZERS, VAPING SYSTEMS, TANK SYSTEM, MODS, AND E-HOOKAHS, OR ANY SIMILAR PRODUCT, AS MAY BE DETERMINED BY REVENUE REGULATION, AND ANY MANDATORY COMPONENT THEREOF EXCLUDING BATTERIES, CHARGERS, AND CHARGING CABLES WHEN SOLD SEPARATELY. HOWEVER, IF BATTERIES, CHARGERS, CHARGING CORDS, AND OTHER ACCESSORIES ARE SOLD OR PACKAGED TOGETHER WITH A TOBACCO HEATING OR ELECTRONIC OR MECHANICAL CIGARETTE DEVICE AS ONE SALEABLE ITEM, THE VALUE THEREOF SHALL FORM PART OF THE WHOLESALE PRICE OR THE VALUE OF IMPORTATION."

SEC 5. Section. 288-A of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

"Sec. 288-A. Disposition of Revenues from Excise Tax on Sugar-Sweetened Beverages, Alcohol, Tobacco Products, Heated Tobacco Products, and Vapor Products. –

"(B) Revenues from Excise Tax on Alcohol Products. - The provisions of existing laws to the contrary notwithstanding, **[**fifty percent (50%)**]** **ONE HUNDRED**

PERCENT (100%) of the total revenues collected from the excise tax on alcohol products shall be allocated and used exclusively in the following manner:

"(1) Eighty percent (80%) **[**to PhilHealth**]** for the implementation of Republic Act No. 11223, otherwise known as the Universal Health Care Act of 2019; and;

[(2) Twenty percent (20%) shall be allocated nationwide, based on political and district subdivisions, for medical assistance and the Health Facilities Enhancement Program (HFEP), the annual requirements of which shall be determined by the DOH;**]**

"(2) TWENTY PERCENT (20%) SHALL BE ALLOCATED FOR THE ATTAINMENT OF THE SUSTAINABLE DEVELOPMENT GOALS (SDGS); *PROVIDED*, THAT THE SPECIFIC SDG TARGETS SHALL BE DETERMINED BY THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA). "

" xxx xxx xxx

(D) *Revenues from Excise Tax on Heated Tobacco Products and Vapor Products.* -The provisions of existing laws to the contrary notwithstanding, **ONE HUNDRED PERCENT (100%)** of the total revenues collected from the excise tax on heated tobacco products and vapor products shall be allocated and used exclusively in the following manner:

"(1) Eighty percent (80%) **[**to PhilHealth**]** for the implementation of Republic Act No. 11223, otherwise known as the Universal Health Care Act of 2019; and;

[(2) Twenty percent (20%) shall be allocated nationwide, based on political and district subdivisions, for medical assistance and the Health Facilities Enhancement Program (HFEP), the annual requirements of which shall be determined by the DOH;**]**

"(2) TWENTY PERCENT (20%) SHALL BE ALLOCATED FOR THE ATTAINMENT OF THE SUSTAINABLE DEVELOPMENT GOALS (SDGS); *PROVIDED*, THAT THE SPECIFIC SDG TARGETS SHALL BE DETERMINED BY THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA). "

" xxx xxx xxx

Sec. 6. *Annual Report.* – Government agencies and offices involved in the implementation of the UHC and the SDGs shall each submit to the Congressional Oversight Committee created under Republic Act No. 10351, a detailed report on the expenditure of the amounts earmarked in this Act on the first week of August every year. The reports shall be simultaneously published in the Official Gazette and in the agencies' websites.

SEC. 7. *Implementing Rules and Regulations.* – The Secretary of Finance shall, upon the recommendation of the Commissioner of the Bureau of Internal Revenue, promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 8. *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations or parts thereof which are contrary to or inconsistent with this Act are hereby repealed, amended or modified accordingly.

SEC. 9. *Effectivity.* – This Act shall take effect upon its publication either in the Official Gazette or in a newspaper of general circulation.

Approved,