

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

17th Congress
First Regular Session

HOUSE BILL NO. 4005



Introduced by: HON. JOSE ANTONIO R. SY-ALVARADO

EXPLANATORY NOTE

According to the International Diabetes Federation, the Philippines is one of world's emerging diabetes hotspots. Ranked in the top 15 in the world for diabetes prevalence, Philippines is home to more than 4 million people diagnosed with the disease and a worrying large unknown number who are unaware they have diabetes. Moreover, the National Nutrition Council warned in 2016 that three out of ten Filipino adults are now obese.

Globally, fiscal measures such as taxes are increasingly recognized as effective complementary tools to help tackle the aforementioned health concerns. Taxes can play a key role in correcting for market failures and act as a price signal that could influence purchasing decisions of consumers.

Following on the said premises, and in accordance with the current administration's 10-point economic agenda, is the cornerstone for this bill to impose excise tax on sugar-sweetened beverages (SSB), to dedicate the revenues from such tax to the prevention, treatment and research of diabetes and other diet-related health conditions, and for other purposes.

The most accurate baseline for the harm caused by SSBs is its added sugar content. Hence, this bill adopts the tax base of sugar content to impose the excise tax for the perceived advantage of better targeted and the tax is in direct proportion to the level of added sugar in SSB.

A study of Public Health England suggests that a twenty-percent (20%) price increase of SSBs may be required to have a significant impact on purchases, consumption, and ultimately on obesity and population health. Hence, it is proposed a tax rate of nine centavos (P0.09) per gram of sugar be implemented that roughly equates to a twenty-percent (20%) tax incidence based on one of the most popular soft drink.

This bill seeks to support the new administration's policies to pursue reforms in income tax rates; therefore the approval of this bill is earnestly sought.

JOSE ANTONIO R. SY-ALVARADO

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**AN ACT IMPOSING EXCISE TAX ON SUGAR-SWEETENED BEVERAGES (SSBs) BY
INSERTING A NEW SECTION 150-A IN THE NATIONAL INTERNAL REVENUE CODE
OF 1997, AS AMENDED**

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

SECTION 1. A new section designated as Section 150-A under Chapter VI Title VI of the
National Internal Revenue Code (NIRC) of 1997, as amended is inserted to read as follows:

"SEC. 150-A/ SUGAR-SWEETENED BEVERAGES (SSBs). –

(A) **Rate and Base of Tax.** – There shall be levied, assessed, and collected on
sugar-sweetened beverages an excise tax of 9 centavos (Php 0.09) per gram of
sugar or any caloric sweetener contained in such specified sugar-sweetened
beverage product. The manufacturer, producer, or importer shall be liable for the tax
imposed on the sale or transfer of any specified sugar-sweetened beverage product.

(B) **Definitions –**

1. **Sugar-sweetened beverage (SSB) products means -**

- a. Any liquid intended for human consumption which contains sugar or caloric
sweetener; and
- b. Any liquid, or solid mixture of ingredients, which contains sugar or caloric
sweetener and is intended for use as an ingredient in a liquid described in sub-
paragraph (a).

2. **Caloric Sweetener** - For purposes of this part, the term 'caloric sweetener' means
monosaccharides, disaccharides, and high-fructose corn syrup.

(C) **Exceptions –** the following shall not be included from the scope of this act.

- a. Any liquid the primary ingredients of which are milk or soy, rice, or similar plant-
based milk substitute.
- b. Any liquid composed entirely of one or more of the following:
 - i. The original liquid resulting from the pressing of fruit or vegetables.
 - ii. The liquid resulting from the reconstitution of fruit or vegetable juice
concentrate.
 - iii. The liquid resulting from the restoration of water to dehydrated fruit or
vegetable juice.

- c. Infant formula
- d. Any liquid products manufactured for use as—
 - i. an oral nutritional therapy for persons who cannot absorb or metabolize dietary nutrients from food or beverages,
 - ii. a source of necessary nutrition used due to a medical condition, or
 - iii. an oral electrolyte solution for infants and children formulated to prevent dehydration due to illness.

(D) Reportorial Requirement and Penalty.

- a. **Reportorial Requirement** – Manufacturers, producers, and Importers of SSBs 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 total contents of sugar or any caloric sweetener for each particular brand of SSB sold at their establishment for the three-month period immediately preceding.
- b. **Penalty** – Upon final findings by the Commissioner that any manufacturer, producers, or importer, in violation of this section, misdeclares or misrepresents in the sworn statement herein required, any pertinent data or information, the penalty of summary cancellation or withdrawal of the permit to engage in business as manufacturer, producers, or importer of SSBs, shall be imposed. 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. Any person liable for any of the acts or omissions prohibited under this section shall be criminally liable and penalized under section 254 of the National Internal Revenue of 1997, as amended. Any person who willfully aids or abets in the commission of any such act or omission shall be criminally liable in the same manner as the principal.

SECTION 2. Specific Responsibility of the Food and Drug Administration (FDA)

The FDA shall oblige all manufacturers, producers, and importers to state on the label that caloric or non-caloric sweetener is added to the SSBs.

The FDA shall validate the SSBs to determine the caloric and non-caloric sweetener content of the SSBs as specified on the label before these products are sold to the consumers. It shall also oblige all manufacturers, producers, and importers of SSBs in powder form to indicate on the label, the equivalent of each serving in grams contained in such specified SSB.

The FDA shall also conduct random inspection of the SSBs on display in supermarkets, groceries or retail stores to determine compliance with the requirement of this Act.

SECTION 3. Health Promotion Fund – The revenue to be collected under this Act shall be allocated for the following purposes

- a. Thirty percent (30%) of the tax collection shall accrue to the General Fund,
- b. Thirty percent (30%) shall accrue to the Department of Health for the provision of medicine and medical assistance for diabetes and other non-communicable diseases through Provincial or District Hospitals as well as for health and wellness promotion;
- c. Twenty percent (30%) shall be given to the Provincial or District Hospitals.
- d. Five Percent (5%) shall accrue to the Department of Agriculture to support those affected sugarcane farmers.
- e. Five Percent (5%) shall accrue to the establishment of the drug rehabilitation centers in the entire country.

SECTION 4. Prohibited Acts – It shall be unlawful for any person to mislabel, and falsely declare the caloric and non-caloric sweetener content of the SSBs handled or manufactured for sale, offered for sale, distributed in commerce, or imported into the Philippines.

SECTION 5. Penalty – Any person who shall violate Section 4 of this Act shall suffer the penalties provided under Section 38 of Republic Act No. 10611, otherwise known as the, "Food Safety Act of 2013."

SECTION 6. Implementing Rules and Regulations – Within ninety (90) days fro the approval of this Act, the Secretary of Finance, upon the consultation with the Secretary of Budget and Management, Commissioner of the Bureau of Internal Revenue and the Administrator of the Food and Drug Administration shall promulgate the necessary rules and regulations for the effective implementation of this Act: Provided that, the failure of the Secretary of Finance to promulgate the said rules and regulations shall not prevent the implementation of this Act upon its effectivity,

SECTION 7. Separability Clause – If any part of this Act shall be held unconstitutional or invalid, other parts nor otherwise affected thereby shall remain in force and effect,

SECTION 8. Repealing Clause – All laws, decrees, resolutions, orders, or ordinances or parts thereof inconsistent with this Act are hereby repealed amended or modified accordingly.

SECTION 9. Effectivity – The Act shall take effect fifteen (15) days after its publication in the Official Gazette or in one newspaper of general circulation.

Approved,

