

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**Eighteenth Congress**  
First Regular Session

**HOUSE BILL NO. 6508**



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**Introduced by Hon. Deogracias Victor "DV" B. Savellano**

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**AN ACT**  
**AMENDING SECTIONS 129, 164 AND 225 OF REPUBLIC ACT NO. 8424,**  
**AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE**  
**CODE OF 1997, AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

Illicit trade on tobacco products remain to be one problematic area for the Philippine government. While there have been several increases in the excise tax on tobacco products, particularly cigarettes, which resulted to billions of pesos in government coffers such increases have also resulted to the proliferation of illicit trade on tobacco.

In a 2019 report of the Intellectual Property Office of the Philippines, through the National Committee on IP Rights, it noted that the value of counterfeit items seized in 2018 reached a record high of P23.6 billion, the highest since the group's creation in 2008 and represents 188% more than the P8.2 billion seized in 2017. Among the goods most counterfeited, cigarettes accounted for P20.3 billion.

The achievements of the excise tax reforms on tobacco products that reduced the smoking incidence from 28.3% in 2009 to 22.7% in 2015 may be defeated by the continued proliferation of fake/illicit tobacco products. Further, the government is losing billions in foregone revenues that could augment further the funding requirements for the full implementation of the Universal Health Care. It is imperative that the government put a special focus on the illicit trade of tobacco products to better protect public health interests and ensure the proper collection of taxes.

In view of the foregoing, the passage of bill is earnestly sought.

**HON. DEOGRACIAS VICTOR "DV" B. SAVELLANO**



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

**SECTION 1.** Section 129 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

**"SEC.129. Goods subject to Excise Taxes.** - Excise taxes apply to goods manufactured or produced in the Philippines for domestic sales or consumption or for any other disposition and to things imported. The excise tax imposed herein shall be in addition to the value-added tax imposed under Title IV.

For purposes of this Title, excise taxes herein imposed and based on weight or volume capacity or any other physical unit of measurement shall be referred to as '*specific tax*' and an excise tax herein imposed and based on selling price or other specified value of the good shall be referred to as '*ad valorem tax*.'

**THE BUREAU SHALL EXERCISE REGULATORY AUTHORITY OVER ALL ARTICLES SUBJECT TO EXCISE TAX INCLUDING THOSE PRODUCED OR KEPT IN AREAS DEEMED OR MANAGED AS SEPARATE CUSTOMS TERRITORIES SUCH AS BUT NOT LIMITED TO SPECIAL ECONOMIC ZONES, ECONOMIC ZONES AND FREEPORTS. PENDING INVESTIGATION OF VIOLATIONS OF THIS TITLE, THE LICENSES OF LOCATORS OPERATING INSIDE SUCH SPECIAL ECONOMIC ZONES, ECONOMIC ZONES AND FREEPORTS, SHALL BE SUSPENDED AND THEREAFTER REVOKED AFTER THE COMMISSION OF THE OFFENSE IS ESTABLISHED BY THE BUREAU."**



**SECTION 2.** Section 164 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

**SEC. 164. Information to be Given by Manufacturers, Importers, Indentors, and Wholesalers of any Apparatus or Mechanical Contrivance Specially for the Manufacture of Articles Subject to Excise Tax and Importers, Indentors, Manufacturers or Sellers of Cigarette Paper in Bobbins, Cigarette Tipping Paper or Cigarette Filter Tips.** - Manufacturers, indentors, wholesalers and importers of any apparatus or mechanical contrivance specially for the manufacture of articles subject to tax shall, before any such apparatus or mechanical contrivance is removed from the place of manufacture or from the customs house, give written information to the Commissioner as to the nature and capacity of the same, the time when it is to be removed, and the place for which it is destined, as well as the name of the person by whom it is to be used; and such apparatus or mechanical contrivance shall not be set up nor dismantled or transferred without a permit in writing from the Commissioner.

A written permit from the Commissioner for importing, manufacturing or selling of cigarette paper in bobbins or rolls, cigarette tipping paper or cigarette filter tips is required before any person shall engage in the importation, manufacture or sale of the said articles. No permit to sell said articles shall be granted unless the name and address of the prospective buyer is first submitted to the Commissioner and approved by him. Records, showing the stock of the said articles and the disposal thereof by sale of persons with their respective addresses as approved by the Commissioner, shall be kept by the seller, and records, showing stock of said articles and consumption thereof, shall be kept by the buyer, subject to inspection by internal revenue officers.

**“THE MERE POSSESSION OF (1) ANY APPARATUS OR MECHANICAL CONTRIVANCE FOR THE MANUFACTURE OF CIGARETTES, CIGARETTE PAPER, CIGARETTE FILTER TIPS, OR CIGARETTE TIPPING PAPER; AND (2) COUNTERFEIT OR RECYCLED TAX STAMPS IN SUCH AGGREGATE QUANTITY EQUIVALENT TO AN EXCISE TAX VALUE OF FIFTY MILLION PESOS (P50,000,000.00), WHETHER THE STAMPS ARE LOOSE AND/ OR AFFIXED ON CIGARETTE PACKS, BY A MANUFACTURER, DISTRIBUTOR, IMPORTER, INDENTOR OF CIGARETTES, CIGARETTE PAPER, CIGARETTE TIPPING PAPER, OR CIGARETTE FILTER TIPS, WHO ARE NOT DULY REGISTERED WITH OR AUTHORIZED BY THE BIR, SHALL BE A VIOLATION OF THIS SECTION. THE OFFENSE UNDER THIS PARAGRAPH SHALL BE NON-BAILABLE AND PUNISHABLE WITH IMPRISONMENT OF RECLUSION PERPETUA, AND WITH A FINE OF NOT LESS THAN**

ONE HUNDRED MILLION PESOS (P100,000,000.00) OR UP TO TEN TIMES THE EXCISE TAX VALUE OF THE TAX STAMPS HAD THESE BEEN LEGAL FOR USE.

IN THE CASE OF ASSOCIATIONS, PARTNERSHIPS OR CORPORATIONS, THE PENALTY SHALL BE IMPOSED ON THE PARTNER, PRESIDENT, GENERAL MANAGER, BRANCH MANAGER, TREASURER, AND OFFICER-IN-CHARGE.

ANY PERSON, NATURAL OR JURIDICAL, FOUND GUILTY UNDER THIS ACT SHALL ALSO SUFFER THE PENALTY OF PERPETUAL ABSOLUTE DISQUALIFICATION TO ENGAGE IN ANY BUSINESS INVOLVING THE MANUFACTURE OR IMPORTATION OF TOBACCO PRODUCTS.

IN APPLYING THE ABOVEMENTIONED PENALTIES, IF THE OFFENDER IS A FOREIGN NATIONAL, HE/SHE SHALL BE DETAINED WITHOUT BAIL FROM THE TIME OF ARREST OR VOLUNTARY SURRENDER UNTIL THE TERMINATION OF THE CRIMINAL PROCEEDINGS FOR THE VIOLATION OF THIS SECTION. MOREOVER, HE/SHE SHALL NOT BE DEPORTED UNTIL AFTER HE/SHE IS ACQUITTED OF THE OFFENSE OR AFTER HE/SHE HAD SERVED THE SENTENCE.

**SECTION 3.** Section 225 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

**SEC. 225. When Property to be Sold or Destroyed.** - Sales of forfeited chattels and removable fixtures shall be effected, so far as practicable, in the same manner and under the same conditions as the public notice and the time and manner of sale as are prescribed for sales of personal property distrained for the non-payment of taxes.

Distilled spirits, liquors, cigars, cigarettes, other manufactured products of tobacco, and all apparatus used in or about the illicit production of such articles ~~[may]~~ **SHALL**, upon forfeiture, be destroyed by order of the Commissioner, when the sale of the same for consumption or use would be injurious to public health or prejudicial to the enforcement of the law.

All other articles subject to excise tax, which have been manufactured or removed in violation of this Code, as well as dies for the printing or making of internal revenue stamps and labels which are in imitation of or purport to be lawful stamps, or labels ~~[may]~~ **SHALL**, upon forfeiture, be sold or destroyed in the discretion of the Commissioner.



Forfeited property shall not be destroyed until at least twenty (20) days after seizure.”

**SECTION 4. *Repealing Clause.*** All laws, executive orders, presidential decrees, rules and regulations and other issuances contrary to or inconsistent with this Act shall be deemed repealed or modified accordingly.

**SECTION 5. *Separability Clause.*** — If any provision of this Act is subsequently declared invalid or unconstitutional, the other provisions hereof which are not affected thereby shall remain in full force and effect.

**SECTION 6. *Effectivity.*** This Act shall take effect fifteen (15) days from the date of publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,