

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

**Eighteenth Congress**  
First Regular Session

**6507**  
**HOUSE BILL NO. \_\_\_\_\_**



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

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**AN ACT**  
**INSTITUTIONALIZING THE TASK FORCE AGAINST ILLICIT TRADE OF**  
**TOBACCO PRODUCTS, APPROPRIATING FUNDS THEREFOR, AMENDING FOR**  
**THE PURPOSE SECTION 288-A OF REPUBLIC ACT NO. 8424, AS AMENDED,**  
**OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997,**  
**AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

In 2017, the Department of Finance (DOF) made history by collecting from cigarette manufacturer Mighty Corporation a total of P30 billion, the biggest sum on record raised by the government from a tax settlement. This was the result of a heightened joint campaign by the Bureaus of Internal Revenue (BIR) and of Customs (BOC) against tax cheats.

However, it is observed, that from 2017, the illicit trade landscape has evolved. Rather than illicit products mainly coming from one source, there are now several small to medium-sized illicit factories operating in various parts of the Philippines. During raids conducted by both the Bureau of Internal Revenue and Bureau of Customs, it has been observed that several of these smaller factories are principally operated by foreign nationals. Based on available data shared with the House Committee on Ways and Means, the number of illegal factories manufacturing cigarettes are increasing. From two (2) illegal factories raided in 2016 and 2017, there were seven (7) factories raided in 2018 and an alarming twelve (12) factories in 2019. Based on conservative estimates, one line of cigarette maker and packer can produce more than 3.6 million sticks of cigarettes per day or about 43.68 million packs per year. At the current excise tax rate of P45 per pack, the government is losing around P1.965 billion per line one line of cigarette maker and packer.

Following the recent increases in the excise taxes on cigarettes, DOF Secretary Carlos G. Dominguez ordered the BIR and the BOC to intensify its efforts against illicit trade of cigarettes given that higher excise tax rates plausibly leads to increased instances of smuggling. While the

efforts and accomplishments of the current Strike Force of the BIR is to be lauded, there is a need to strengthen and consolidate the government's efforts against illicit trade.

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

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

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**AN ACT**

**INSTITUTIONALIZING THE TASK FORCE AGAINST ILLICIT TRADE OF TOBACCO PRODUCTS, APPROPRIATING FUNDS THEREFOR, AMENDING FOR THE PURPOSE SECTION 288-A OF REPUBLIC ACT NO. 8424, AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AND FOR OTHER PURPOSES**

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

**SECTION 1.** Section 288-A of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

**SEC. 288-A. Disposition of Revenues from Excise Tax on Sweetened Beverages, Alcohol, Tobacco Products, Heated Tobacco Products, and Vapor Products. -**

**(A) Revenues from Excise Tax on Sweetened Beverages from Republic Act No. 10963. - xxx**

**(B) xxx**

**(C) Revenues from Excise Tax on Tobacco Products. -** The provision of existing laws to the contrary notwithstanding, the total revenues collected from the excise tax on tobacco products shall be distributed in the following manner:

**(1) xxx;**

**(2) xxx;**

**(3) TO FURTHER CURTAIL THE PROLIFERATION OF ILLICIT TRADE OF TOBACCO PRODUCTS, THE BUREAU OF INTERNAL REVENUE SHALL INSTITUTIONALIZE THE STRIKE TEAM ON ILLICIT TRADE OF TOBACCO PRODUCTS.**



**THE STRIKE TEAM SHALL ACT AS THE LEAD AND POINT COORDINATOR OF ALL OF THE BUREAU'S ENFORCEMENT ACTIVITIES AGAINST LOCALLY MANUFACTURED COUNTERFEIT TOBACCO PRODUCTS.**

**AN AMOUNT OF NOT LESS THAN TWO HUNDRED MILLION PESOS (P200,000,000.00) ANNUALLY SHALL BE EARMARKED FOR THE TASK FORCE. THE STRIKE TEAM SHALL BE COMPOSED OF BUREAU OFFICIALS AND EMPLOYEES HOLDING PERMANENT POSITIONS. THE FUNDS ALLOTTED SHALL BE USED PRIMARILY ON THE FOLLOWING:**

- a) SALARIES OR ADDITIONAL PAY FOR MEMBERS OF ENFORCEMENT TEAMS;**
- b) PURCHASE OF PROTECTIVE GEAR DURING ENFORCEMENT ACTIONS;**
- c) TRANSPORT, HAULING, WAREHOUSE AND DESTRUCTION EXPENSES OF SEIZED ILLICIT FINISHED GOODS, RAW MATERIALS AND MACHINES, INCLUDING THE HIRING OF THIRD PARTY SECURITY SERVICE PROVIDERS FOR THE STORAGE FACILITIES;**
- d) FUNDS FOR INTELLIGENCE GATHERING AND SURVEILLANCE OPERATIONS;**
- e) VEHICLES, FUEL AND MEAL ALLOWANCES DURING ENFORCEMENT ACTIONS;**
- f) TRAINING FUNDS FOR INTELLIGENCE GATHERING AND SURVEILLANCE OPERATIONS.**

**THE TASK FORCE SHALL SUBMIT AN ANNUAL REPORT TO THE COMMISSIONER OF INTERNAL REVENUE AS WELL AS TO THE SECRETARY OF FINANCE. SUCH REPORT SHALL ALSO BE SUBMITTED TO THE JOINT CONGRESSIONAL OVERSIGHT COMMITTEE ON ILLICIT TRADE ON EXCISABLE PRODUCTS CREATED UNDER SECTION 290-A OF THE NIRC, AS AMENDED.**

(D) xxx

(E) xxx

xxx.

**SECTION 2. *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 3. *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 4. *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,