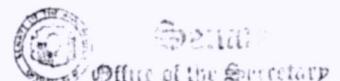


SEVENTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
Third Regular Session



19 JAN 30 P 3 :35

SENATE

S.B. No. 2197

RECEIVED

J

INTRODUCED BY: SENATOR EMMANUEL D. PACQUIAO

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"

EXPLANATORY NOTE

Republic Act (RA) 10351 or the Sin Tax Reform was signed into law in December 2012. The law was primarily a good governance measure with positive impact on both fiscal and public health. RA 10351 corrected the long-standing weaknesses of the tobacco and alcohol excise tax system and increased the rates to reduce the demand for alcohol and tobacco products. It also raised much needed revenues to fund the Universal Health Care (UHC) program of the government.

The Sin Tax Law has been an unqualified success in its revenue objectives. Since its implementation in 2013, the government collected P242.0 billion pesos in incremental revenues (CY 2013-2016). This resulted in an unprecedented increase in the budget of the Department of Health (DOH) as the incremental revenues derived from the R.A. 10351 were largely earmarked for UHC. The DOH budget almost tripled from P53.23 billion in 2013 to P148.5 billion in 2017 or a growth of 179.0%. A large amount of the incremental revenues earmarked for health is allocated for premium subsidies for the health insurance of indigents and senior citizens not covered by the National Health Insurance Program. As a result, PhilHealth almost tripled the coverage of the poor and the near poor from 5.2 million in 2013 to 14.6 million indigents by the end of 2016. Because of this increase in coverage, the indigent sector, composed of the members and their dependents, is now 47% of the 93.4 million Filipino beneficiaries of PhilHealth.

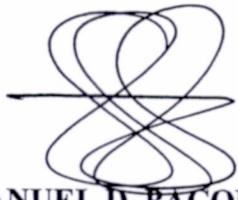
Excise tax on alcohol products only account for an average of 33 percent of the total alcohol and tobacco excise tax collections while excise tax on tobacco products account for the remaining 67 percent from 2013-2016. However, data from the Family Income and Expenditure Survey (FIES) in 2012 prior to the implementation of the sin tax law, shows that of the total alcohol and tobacco expenditure, alcohol accounts for 40% while tobacco accounts for 60%. This bill seeks to increase the tax on alcohol products to approximate the 40-60% sharing of alcohol and tobacco expenditure. Moreover, excise tax collections and the volume of removals of alcohol products continued to increase even after the implementation

of RA 10351. This is an indication that the increase in the rates for alcohol products implemented in 2013 were not enough to reduce the consumption of alcohol.

This bill seeks to increase the excise tax rates on alcohol products and the indexation rate to 10 percent to account for inflation and income. Moreover, it also seeks to remove the distinction on whether fermented liquors are brewed and sold in microbreweries and pubs or in factories for simpler administration. The incremental revenues that will be generated will fund social services and infrastructure program of the government.

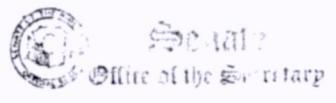
Alcohol drinking leads to behaviors like drunk driving and domestic violence. According to the Online National Electronic Injury Surveillance System of the Department of Health, there were 2,048 vehicular accidents due to alcohol intoxication or 9.2 percent of the 22,080 transport or vehicular crash-related injury cases in 2015. This increased from 1,295 alcohol-related accidents in 2013 and 1,272 alcohol-related accidents in 2014. Moreover, excessive alcohol drinking also leads to diseases like cirrhosis or liver damage and pancreatitis among others. Given its harmful effects, excise tax on alcohol should be increased to discourage consumption and to make the consumers of alcohol bear the cost of the negative effect on other people not consuming the product.

In view of the foregoing, the approval of this bill is earnestly sought.



EMMANUEL D. PACQUIAO

SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)



SENATE

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INTRODUCED BY: SENATOR EMMANUEL D. PACQUIAO

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"

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

1 **SECTION 1.** Chapter III of the National Internal Revenue Code of 1997 (NIRC), as
2 amended, is hereby amended, which shall read as follows:

3

4 CHAPTER III – EXCISE TAX ON ALCOHOL PRODUCTS

5

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

9

10 [(a) Effective on January 1, 2013

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

13

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

16

17 (b) Effective on January 1, 2015

18 (1) An *ad valorem* tax equivalent to twenty percent (20%) of the net retail price
19 (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, 2019

(1) AN AD VALOREM TAX EQUIVALENT TO TWENTY-FIVE PERCENT (25%) 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 FORTY PESOS (P40.00) PER PROOF LITER.

(B) EFFECTIVE ON JANUARY 1, 2020

(1) AN AD VALOREM TAX EQUIVALENT TO TWENTY-FIVE PERCENT (25%) 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 FORTY-FIVE (P45.00) PER PROOF LITER.

(C) EFFECTIVE ON JANUARY 1, 2021

(1) AN AD VALOREM TAX EQUIVALENT TO TWENTY-FIVE PERCENT (25%) 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 FIFTY PESOS (P50.00) PER PROOF LITER.

(D) EFFECTIVE ON JANUARY 1, 2022

(1) AN AD VALOREM TAX EQUIVALENT TO TWENTY-FIVE PERCENT (25%) OF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE VALUE-ADDED TAX) PER PROOF; AND

1 **(2) IN ADDITION TO THE AD VALOREM TAX HEREIN IMPOSED, A**
2 **SPECIFIC TAX OF FIFTY-FIVE PESOS (P55.00) PER PROOF LITER.**

4 **(E) IN ADDITION TO THE AD VALOREM TAX HEREIN IMPOSED, THE**
5 **SPECIFIC TAX IMPOSED UNDER THIS SECTION SHALL BE INCREASED BY**
6 **TEN PERCENT (10%) EVERY YEAR THEREAFTER EFFECTIVE ON JANUARY**
7 **1, 2023, THROUGH REVENUE REGULATIONS ISSUED BY THE SECRETARY OF**
8 **FINANCE.**

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

14 This tax shall be proportionally increased for any strength of the spirits taxed over proof
15 spirits, and the tax shall attach to this substance as soon as it is in existence as such, whether
16 it be subsequently separated as pure or impure spirits, or transformed into any other substance
17 either in the process of original production or by any subsequent process.

19 ‘Spirits or distilled spirits’ is the substance known as ethyl alcohol, ethanol or spirits of wine,
20 including all dilutions, purifications and mixtures thereof, from whatever source, by whatever
21 process produced, and shall include whisky, brandy, rum, gin and vodka, and other similar
22 products or mixtures.

24 ‘Proof spirits’ is liquor containing one-half (1/2) of its volume of alcohol of a specific gravity
25 of seven thousand nine hundred and thirty-nine ten thousandths (0.7939) at fifteen degrees
26 centigrade (15C). A ‘proof liter’ means a liter of proof spirits.

28 ‘Net retail price’ shall mean the price at which the distilled spirits is sold on retail in at least
29 five (5) major supermarkets in Metro Manila, excluding the amount intended to cover the
30 applicable excise tax and the value-added tax. For distilled spirits which are marketed outside
31 Metro Manila, the ‘net retail price’ shall mean the price at which the distilled spirits is sold in
32 at least five (5) major supermarkets in the region excluding the amount intended to cover the
33 applicable excise tax and the value-added tax. **THIS SHALL INITIALLY BE PROVIDED**
34 **BY THE MANUFACTURER THROUGH A SWORN STATEMENT AND SHALL BE**

1 **VALIDATED BY THE BUREAU OF INTERNAL REVENUE THROUGH A PRICE**
2 **SURVEY.**

3

4 Major supermarkets, as contemplated under this Act, shall be those with the highest annual
5 gross sales in Metro Manila or the region, as the case may be, as determined by the
6 **BUREAU OF INTERNAL REVENUE (BIR)** [National Statistics Office], and shall
7 exclude retail outlets or kiosks, convenience or sari-sari stores, and others of a similar nature:

8 *Provided*, That no two (2) supermarkets in the list to be surveyed are affiliated and/or
9 branches of each other: *Provided, finally*, That in case a particular distilled spirit is not sold in
10 major supermarkets, the price survey can be conducted in retail outlets where said distilled
11 spirit is sold in Metro Manila or the region, as the case may be, upon the determination of the
12 Commissioner of Internal Revenue.

13

14 The net retail price shall be determined by the Bureau of Internal Revenue (BIR) through a
15 **BIANNUAL** price survey under oath.

16

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

20

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

25

26 Distilled spirits introduced in the domestic market after the effectivity of this Act shall be
27 initially taxed according to their suggested net retail prices.

28

29 ‘Suggested net retail price’ shall mean the price (excluding the value-added tax and the
30 excise tax) at which locally manufactured or imported distilled spirits are intended by the
31 manufacturer or importer to be sold on retail in major supermarkets or retail outlets in Metro
32 Manila for those marketed nationwide, and in other regions, for those with regional markets.

33 At the end of three (3) months from the product launch, the Bureau of Internal Revenue shall
34 validate the suggested net retail price of the new brand against the net retail price as defined

1 herein and initially determine the correct tax on a newly introduced distilled spirits. After the
2 end of nine (9) months from such validation, the Bureau of Internal Revenue shall revalidate
3 the initially validated net retail price against the net retail price as of the time of revalidation
4 in order to finally determine the correct tax on a newly introduced distilled spirits.

5

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

9

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

13

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

19

20 Any manufacturer or importer who, in violation of this Section, misdeclares or misrepresents
21 in his or its sworn statement herein required any pertinent data or information shall, upon
22 final findings by the Commissioner that the violation was committed, be penalized by a
23 summary cancellation or withdrawal of his or its permit to engage in business as
24 manufacturer or importer of distilled spirits.

25

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

29

30 Any person liable for any of the acts or omissions prohibited under this Section shall be
31 criminally liable and penalized under Section 254 of this Code. Any person who willfully
32 aids or abets in the commission of any such act or omission shall be criminally liable in the
33 same manner as the principal.

34

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

3

4 SEC. 142. *Wines.* – On wines, there shall be collected per liter of volume capacity effective
5 on [January 1, 2013] **JANUARY 1, 2019**, the following excise taxes:

6

7 (a) Sparkling wines/champagnes regardless of proof, if the net retail price per bottle
8 of seven hundred fifty milliliter (750 ml.) volume capacity (excluding the excise tax
9 and value-added tax) is:

10

11 (1) Five hundred pesos (P500.00) or less – [Two hundred fifty pesos
12 (P250.00)] **THREE HUNDRED THIRTY-FIVE PESOS (P335.00)**; and

13

14 (2) More than Five hundred pesos (P500.00) – [Seven hundred pesos
15 (P700.00)] **NINE HUNDRED THIRTY-SEVEN PESOS (P937.00)**.

16

17 (b) Still wines and carbonated wines containing fourteen percent (14%) of alcohol by
18 volume or less, [Thirty pesos (P30.00)] **FORTY PESOS (P40.00)**; and

19

20 (c) Still wines and carbonated wines containing more than fourteen percent (14%) but
21 not more than twenty-five percent (25%) of alcohol by volume, [Sixty pesos
22 (P60.00)] **EIGHTY PESOS (P80.00)**.

23

24 The rates of tax imposed under this Section shall be increased by [four percent (4%)] **TEN**
25 **PERCENT (10%)** every year thereafter effective on January 1, [2014] 2020, through
26 revenue regulations issued by the Secretary of Finance.

27

28 Fortified wines containing more than twenty-five percent (25%) of alcohol by volume shall
29 be taxed as distilled spirits. ‘Fortified wines’ shall mean natural wines to which distilled
30 spirits are added to increase their alcohol strength.

31

32 ‘Net retail price’ shall mean the price at which sparkling wine/champagne is sold on retail in
33 at least five (5) major supermarkets in Metro Manila, excluding the amount intended to cover
34 the applicable excise tax and the value-added tax. For sparkling wines/champagnes which are

1 marketed outside Metro Manila, the ‘net retail price’ shall mean the price at which the wine is
2 sold in at least five (5) major supermarkets in the region excluding the amount intended to
3 cover the applicable excise tax and the value-added tax. **THIS SHALL INITIALLY BE**
4 **PROVIDED BY THE MANUFACTURER THROUGH A SWORN STATEMENT**
5 **AND SHALL BE VALIDATED BY THE BUREAU OF INTERNAL REVENUE**
6 **THROUGH A PRICE SURVEY.**

7

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

17

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

20

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

24

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

29

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

32

33 ‘Suggested net retail price’ shall mean the price (excluding VAT and excise tax) at which
34 locally manufactured or imported sparkling wines/champagnes are intended by the

1 manufacturer or importer to be sold on retail in major supermarkets or retail outlets in Metro
2 Manila for those marketed nationwide, and in other regions, for those with regional markets.
3 At the end of three (3) months from the product launch, the Bureau of Internal Revenue shall
4 validate the suggested net retail price of the sparkling wine/champagne against the net retail
5 price as defined herein and initially determine the correct tax bracket to which a newly
6 introduced sparkling wine/champagne shall be classified. After the end of nine (9) months
7 from such validation, the Bureau of Internal Revenue shall revalidate the initially validated
8 net retail price against the net retail price as of the time of revalidation in order to finally
9 determine the correct tax bracket to which a newly introduced sparkling wine/champagne
10 shall be classified.

11

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

15

16 [All sparkling wines/champagnes existing in the market at the time of the effectivity of this
17 Act shall be taxed according to the net retail prices and the tax rates provided above based on
18 the latest price survey of the sparkling wines/champagnes conducted by the Bureau of
19 Internal Revenue.]

20

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

24

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

30

31 Any manufacturer or importer who, in violation of this Section, misdeclares or misrepresents
32 in his or its sworn statement herein required any pertinent data or information shall, upon
33 final findings by the Commissioner that the violation was committed be penalized by a

1 summary cancellation or withdrawal of his or its permit to engage in business as
2 manufacturer or importer of wines.

3

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

7

8 Any person liable for any of the acts or omissions prohibited under this Section shall be
9 criminally liable and penalized under Section 254 of this Code. Any person who willfully
10 aids or abets in the commission of any such act or omission shall be criminally liable in the
11 same manner as the principal. If the offender is not a citizen of the Philippines, he shall be
12 deported immediately after serving the sentence, without further proceedings for deportation.

13

14 SEC. 143. *Fermented Liquor.* – There shall be levied, assessed and collected an excise tax on
15 beer, lager beer, ale, porter and other fermented liquors except *tuba*, *basi*, *tapuy* and similar
16 domestic fermented liquors in accordance with the following schedule:

17

18 [Effective on January 1, 2013

19

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

23

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

27

28 Effective on January 1, 2014

29

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

33

(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, 2019, THE TAX ON ALL FERMENTED LIQUORS REGARDLESS IF MANUFACTURED IN FACTORIES OR SOLD AND BREWED AT MICRO-BREWERIES OR SMALL ESTABLISHMENTS SUCH AS PUBS AND RESTAURANTS SHALL BE FORTY PESOS (P40.00) PER LITER.

**EFFECTIVE ON JANUARY 1, 2020, THE TAX ON ALL FERMENTED LIQUORS
REGARDLESS IF MANUFACTURED IN FACTORIES OR SOLD AND BREWED**

1 **AT MICRO-BREWERIES OR SMALL ESTABLISHMENTS SUCH AS PUBS AND**
2 **RESTAURANTS SHALL BE FORTY-FIVE PESOS (P45.00) PER LITER.**

3
4 **EFFECTIVE ON JANUARY 1, 2021, THE TAX ON ALL FERMENTED LIQUORS**
5 **REGARDLESS IF MANUFACTURED IN FACTORIES OR SOLD AND BREWED**
6 **AT MICRO-BREWERIES OR SMALL ESTABLISHMENTS SUCH AS PUBS AND**
7 **RESTAURANTS SHALL BE FIFTY PESOS (P50.00) PER LITER.**

8
9 **EFFECTIVE ON JANUARY 1, 2022, THE TAX ON ALL FERMENTED LIQUORS**
10 **REGARDLESS IF MANUFACTURED IN FACTORIES OR SOLD AND BREWED**
11 **AT MICRO-BREWERIES OR SMALL ESTABLISHMENTS SUCH AS PUBS AND**
12 **RESTAURANTS SHALL BE FIFTY-FIVE PESOS (P55.00) PER LITER.**

13
14 The rates of tax imposed under this Section shall be increased by [four percent (4%)] **TEN**
15 **PERCENT (10%)** every year thereafter effective on January 1, [2018] **2023**, through
16 revenue regulations issued by the Secretary of Finance. [However, in case of fermented
17 liquors affected by the ‘no downward reclassification’ provision prescribed under this
18 Section, the four percent (4%) increase shall apply to their respective applicable tax rates.]

19
20 [Fermented liquors which are brewed and sold at micro-breweries or small establishments
21 such as pubs and restaurants shall be subject to the rate of Twenty-eight pesos (P28.00) per
22 liter effective on January 1, 2013: Provided, That this rate shall be increased by four percent
23 (4%) every year thereafter effective on January 1, 2014, through revenue regulations issued
24 by the Secretary of Finance.

25
26 Fermented liquors introduced in the domestic market after the effectivity of this Act shall be
27 initially tax classified according to their suggested net retail prices.

28
29 ‘Suggested net retail price’ shall mean the net retail price at which locally manufactured or
30 imported fermented liquor are intended by the manufacturer or importer to be sold on retail in
31 major supermarkets or retail outlets in Metro Manila for those marketed nationwide, and in
32 other regions, for those with regional markets. At the end of three (3) months from the
33 product launch, the Bureau of Internal Revenue shall validate the suggested net retail price of
34 the newly introduced fermented liquor against the net retail price as defined herein and

1 initially determine the correct tax bracket to which a newly introduced fermented liquor, as
2 defined above, shall be classified. After the end of nine (9) months from such validation, the
3 Bureau of Internal Revenue shall revalidate the initially validated net retail price against the
4 net retail price as of the time of revalidation in order to finally determine the correct tax
5 bracket to which a newly introduced fermented liquor shall be classified.

6

7 ‘Net retail price’ shall mean the price at which the fermented liquor is sold on retail in at least
8 five (5) major supermarkets in Metro Manila (for brands of fermented liquor marketed
9 nationally), excluding the amount intended to cover the applicable excise tax and the value-
10 added tax. For brands which are marketed outside Metro Manila, the ‘net retail price’ shall
11 mean the price at which the fermented liquor is sold in at least five (5) major supermarkets in
12 the region excluding the amount intended to cover the applicable excise tax and the value-
13 added tax.

14

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

23

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

26

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

30

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

1
2 Any downward reclassification of present categories, for tax purposes, of fermented liquors
3 duly registered at the time of the effectivity of this Act which will reduce the tax imposed
4 herein, or the payment thereof, shall be prohibited.

5
6 The proper tax classification of fermented liquors, whether registered before or after the
7 effectivity of this Act, shall be determined every two (2) years from the date of the effectivity
8 of this Act.

9
10 All fermented liquors existing in the market at the time of the effectivity of this Act shall be
11 classified according to the net retail prices and the tax rates provided above based on the
12 latest price survey of the fermented liquors conducted by the Bureau of Internal Revenue.

13
14 The methodology and all pertinent documents used in the conduct of the latest price survey
15 shall be submitted to the Congressional Oversight Committee on the Comprehensive Tax
16 Reform Program created under Republic Act No. 8240.]

17
18 Every brewer or importer of fermented liquor shall, within thirty (30) days from the
19 effectivity of this Act, and within the first five (5) days of every month thereafter, submit to
20 the Commissioner a sworn statement of the volume of sales **AND REMOVALS** for each
21 particular brand of fermented liquor sold at his establishment for the three-month period
22 immediately preceding.

23
24 Any brewer or importer who, in violation of this Section, misdeclares or misrepresents in his
25 or its sworn statement herein required any pertinent data or information shall, upon final
26 findings by the Commissioner that the violation was committed, be penalized by a summary
27 cancellation or withdrawal of his or its permit to engage in business as brewer or importer of
28 fermented liquor.

29
30 Any corporation, association or partnership liable for any of the acts or omissions in violation
31 of this Section shall be fined treble the amount of deficiency taxes, surcharges and interest
32 which may be assessed pursuant to this Section.

33

1 Any person liable for any of the acts or omissions prohibited under this Section shall be
2 criminally liable and penalized under Section 254 of this Code. Any person who willfully
3 aids or abets in the commission of any such act or omission shall be criminally liable in the
4 same manner as the principal.

5

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

8

9 **SEC. 2.** *Implementing Rules and Regulations.* – The Secretary of Finance shall, upon the
10 recommendation of the Commissioner of **THE BUREAU OF** Internal Revenue, promulgate
11 the necessary rules and regulations for the effective implementation of this Act.

12

13 **SEC. 3.** *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations or
14 parts thereof which are contrary to or inconsistent with this Act are hereby repealed, amended
15 or modified accordingly.

16

17 **SEC. 4.** *Effectivity.* – This Act shall take effect upon its publication either in the Official
18 Gazette or in a newspaper of general circulation.

19

20

21 Approved,