EXPLANATORY NOTE

This bill seeks to impose an excise tax of Ten pesos (Php 10.00) on sugar sweetened beverages, the rate of which shall be increased by four percent (4%) every year thereafter effective on January 1, 2017, by inserting a new section in the National Internal Revenue Code.

This measure is proposed to provide additional revenue collections for our country, which will then be allocated for the following purposes: (a) fifty percent (50%) to the General Fund; (b) twenty percent (20%) to the Department of Health for provision of medicines and medical assistance for diabetes and other non-communicable diseases through provincial and district hospitals as well as for health and wellness promotion; (c) twenty percent (20%) to the Department of Education to provide public schools and sports facilities access to potable water and health awareness programs; (d) three percent (3%) to the Department of Interior and Local Government under the Sagana at Ligtas Na Tubig Sa Lahat (SALINTUBIG) and Grassroots Participatory Planning and Budgeting (GPPE) Priority LGUs; (e) three percent (3%) to the Food and Drug Administration to support the implementation of its mandate to ensure the safety, efficacy or quality of health products; (f) two percent (2%) to the Food and Nutrition Research Institute, and (g) two percent (2%) shall accrue to the Bureau of Internal Revenue for tax administration.

This house bill is timely in its submission as one of the new administration’s policies is to pursue reforms in income tax rates. It is expected that there will be a setback in revenues as a result of such policy. This bill hopes to offset some of that setback.

This bill has been filed during the 16th Congress as House Bill No. 3365, with the final version approved by the Committee on Ways and Means.

1 Rappler.com, Transition team bares Duterte’s 8-point economic agenda, 12 May 2016
In view of the foregoing, immediate approval of this bill is earnestly sought.

HON. HORACIO P. SUANSONG, JR.
2nd District, Sultan Kudarat

HON. ESTRELLITA B. SUANSONG
1st District, Nueva Ecija
Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

SEVENTEENTH CONGRESS
First Regular Session.

House Bill No. 292

Introduced by Representatives
Horacio P. Suansing, Jr. and Estrellita B. Suansing

AN ACT
IMPOSING EXCISE TAX ON SUGAR SWEETENED BEVERAGES 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. -

A. RATE AND BASE OF TAX. - THERE SHALL BE LEVIED, ASSESSED AND COLLECTED ON SUGAR SWEETENED BEVERAGES PER LITER OF VOLUME CAPACITY, AN EXCISE TAX OF TEN PESOS (PhP 10.00).

THE RATE OF TAX IMPOSED UNDER THIS SECTION SHALL BE INCREASED BY FOUR PERCENT (4%) EVERY YEAR THEREAFTER EFFECTIVE ON JANUARY 1, 2017 THROUGH REVENUE REGULATIONS ISSUED BY THE SECRETARY OF FINANCE.

AS USED IN THIS ACT:
1. SUGAR SWEETENED BEVERAGE (SSB) REFERS TO A NON-ALCOHOLIC BEVERAGE THAT CONTAINS CALORIC SWEETENERS OR ADDED SUGAR OR ARTIFICIAL/NON-CALORIC SWEETENER. IT MAY BE IN LIQUID FORM, SYRUP OR CONCENTRATES OR A SOLID MIXTURE, THAT IS ADDED TO WATER OR OTHER LIQUIDS TO MAKE A DRINK, AND SHALL INCLUDE THE FOLLOWING:

a) SOFT DRINKS, SODA, POP, SODA POP: NON-ALCOHOLIC, FLAVORED, CARBONATED OR NON-CARBONATED BEVERAGES;

b) FRUIT DRINKS, PUNCHES OR ADES: SWEETENED BEVERAGES CONSISTING OF DILUTED FRUIT JUICE;

c) SPORTS DRINKS: BEVERAGES DESIGNED TO HELP ATHLETES REHYDRATE, AS WELL AS REPLENISH ELECTROLYTES, SUGAR AND OTHER NUTRIENTS;

d) SWEETENED TEA AND COFFEE DRINKS: TEAS AND COFFEES TO WHICH CALORIC AND NON CALORIC SWEETENERS HAVE BEEN ADDED;

e) ENERGY DRINKS: CARBONATED DRINKS THAT CONTAIN LARGE AMOUNTS OF CAFFEINE, SUGAR AND OTHER INGREDIENTS, SUCH AS VITAMINS, AMINO ACIDS AND HERBAL STIMULANTS; AND

f) ALL NON-ALCOHOLIC BEVERAGES THAT ARE READY-TO-DRINK AND IN POWDER FORM WITH ADDED NATURAL OR ARTIFICIAL SUGAR.
2. **CALORIC SWEETENER** REFERS TO A SUBSTANCE THAT IS SWEET AND INCLUDES SUCROSE, FRUCTOSE, INCLUDING HIGH FRUCTOSE CORN SWEETENER, GLUCOSE OR ANY ARTIFICIAL SUGAR SUBSTITUTE THAT PRODUCES A DESIRED SWEETNESS.

3. **ARTIFICIAL SWEETENER** REFERS TO A SUBSTANCE THAT IS USED IN PLACE OF SWEETENERS CONTAINING SUGAR OR SUGAR ALCOHOLS, THAT IS ALTERNATIVELY CALLED SUGAR SUBSTITUTE, NON-NUTRITIVE SWEETENER AND NON-CALORIC SWEETENER. IT PROVIDES SWEETNESS TO FOODS AND DRINKS BUT ARE NON-CALORIC. ARTIFICIAL SWEETENER IS A CHEMICALLY PROCESSED SUBSTANCE WHICH CAN BE DIRECTLY ADDED TO FOOD OR DURING ITS PREPARATION, SUCH AS, ASPARTAME, SUCRALOSE, SACCHARIN, STEVIA, ACESULFAME K, NEOTAME, MONK FRUIT AND CYCLAMATES.

**B. EXCLUSIONS.** - THE FOLLOWING ARE EXCLUDED FROM THE SCOPE OF THIS ACT:

1. **ONE HUNDRED PERCENT (100%) NATURAL FRUIT JUICES** - ORIGINAL LIQUID RESULTING FROM THE PRESSING OF FRUIT, THE LIQUID RESULTING FROM THE RECONSTITUTION OF NATURAL FRUIT JUICE CONCENTRATE, OR THE LIQUID RESULTING FROM THE RESTORATION OF WATER TO DEHYDRATED NATURAL FRUIT JUICE THAT DO NOT HAVE ADDED SUGAR OR CALORIC SWEETENER;

2. **ONE HUNDRED PERCENT (100%) NATURAL VEGETABLE JUICES** - ORIGINAL LIQUID RESULTING FROM THE
PRESSING OF VEGETABLES, THE LIQUID RESULTING FROM THE RECONSTITUTION OF NATURAL VEGETABLE JUICE CONCENTRATE, OR THE LIQUID RESULTING FROM THE RESTORATION OF WATER TO DEHYDRATED NATURAL VEGETABLE JUICE THAT DO NOT HAVE ADDED SUGAR OR CALORIC SWEETENER.

3. YOGURT AND FRUIT FLAVORED YOGURT BEVERAGES WITH PURE FRUIT AND VEGETABLE JUICE OR CONCENTRATE;

4. MEAL REPLACEMENT BEVERAGES (MEDICAL FOOD), AS WELL AS WEIGHT LOSS PRODUCT. ANY LIQUID OR POWDER DRINK/PRODUCT FOR ORAL NUTRITIONAL THERAPY FOR PERSONS WHO CANNOT ABSORB OR METABOLIZE DIETARY NUTRIENTS FROM FOOD OR BEVERAGES, OR AS A SOURCE OF NECESSARY NUTRITION USED DUE TO A MEDICAL CONDITION AND AN ORAL ELECTROLYTE SOLUTION FOR INFANTS AND CHILDREN FORMULATED TO PREVENT DEHYDRATION DUE TO ILLNESS; AND

5. ALL MILK PRODUCTS, INFANT FORMULA AND MILK ALTERNATIVES, SUCH AS SOY MILK OR ALMOND MILK, INCLUDING FLAVORED MILK, SUCH AS CHOCOLATE MILK.

C. REPORTORIAL REQUIREMENT AND PENALTY.

1. REPORTORIAL REQUIREMENT - MANUFACTURERS 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
VOLUME OF SALES FOR EACH PARTICULAR BRAND OF SSB
SOLD AT THEIR ESTABLISHMENT FOR THE THREE-MONTH
PERIOD IMMEDIATELY PRECEDING.

2. PENALTY. — UPON FINAL FINDINGS BY THE COMMISSIONER
THAT ANY MANUFACTURER 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 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 CODE 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.
IF NOT A CITIZEN OF THE PHILIPPINES, THE OFFENDER
SHALL BE DEPORTED IMMEDIATELY AFTER SERVING THE
SENTENCE WITHOUT FURTHER PROCEEDINGS FOR
DEPORTATION."

SEC. 2. Specific Responsibility of the Food and Drug
Administration (FDA). The FDA shall require all manufacturers and
importers to state on the label that caloric or non-caloric sweetener is added
to the SSBs.

The FDA shall examine the SSBs to determine the caloric and non
caloric sweetener content of the SSBs as specified on the label before these
products are sold in the market. It shall also require all manufacturers and
importers of SSBs in powder form to indicate on the label, the equivalent of
each serving (number of scoops, teaspoons or tablespoons) per liter of
volume capacity.

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

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

a. Fifty percent (50%) of the tax collection shall accrue to the General
   Fund and the remaining fifty (50%) shall be allocated as follows:
   b. Twenty percent (20%) 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 (20%) shall accrue to the Department of Education to provide public schools and sports facilities access to potable water and for the community-based prevention programs or campaigns against obesity, diabetes, dental caries and other diet-related health awareness programs using educational, environmental, policy and other public health approaches;

d. Three percent (3%) shall accrue to the Department of Interior and Local Government for the provision of potable water supply under its Sagana at Ligtas Na Tubig Sa Lahat (SALINTUBIG) Program and Grassroots Participatory Planning and Budgeting (GPPB) Priority LGUs;

e. Two percent (2%) shall accrue to the Food and Nutrition Research Institute for research and development program;

f. Two percent (2%) shall accrue to the Bureau of Internal Revenue for tax administration; and

g. Three percent (3%) shall accrue to the Food and Drug Administration under the Department of Health to support the implementation of its mandate to ensure the safety, efficacy or quality of health products as defined by Republic Act No. 9711, otherwise known as the “Food and Drug Administration Act of 2009.”

SEC. 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.
SEC. 5. Penalty. – Any person who shall violate Section 4 of this Act shall suffer the penalties provided under Section 38 of Republic Act No. 10511, otherwise known as the, “Food Safety Act of 2013.”

SEC. 6. Implementing Rules and Regulations. – Within ninety (90) days from the approval of this Act, the Secretary of Finance, upon consultation with the Secretary of Budget and the Management, Commissioner of the Bureau 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.

SEC. 7. Separability Clause. – If any part of this Act shall be held unconstitutional or invalid, other parts not otherwise affected thereby shall remain in force and effect.

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

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

Approved,