



HOUSE OF REPRESENTATIVES
H.B. NO. **4144**

Introduced by: **Cong. Eugene Michael B. de Vera**
ABS Partylist

AN ACT
AMENDING SECTION 145 (C) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997,
AS AMENDED

EXPLANATORY NOTE

In 2012 Congress passed Republic Act No. 10351, otherwise known as the “Sin Tax Reform Act,” and it took effect on January 1, 2013. It introduced higher excise rates for alcohol and tobacco products, signaled the move towards a unitary rate system (a single excise rate) by the year 2017 and indexed the tax rate to inflation by increasing it by 4% annually.

Before the passage of this law the Philippine’s excise tax system on cigarettes packed by machine had four (4) tiers and in 2016 it gradually shifted to two tier.

As provided in Section 145 (c) of the National Internal Revenue Code of 1997, as amended, effective January 1, 2016

- (1) If the net retail price (excluding excise tax and the value-added tax) Eleven pesos and fifty centavos (P11.50) per pack, the tax shall be Twenty-five pesos (P25.00) per pack; and
- (2) If the net retail price (excluding excise tax and the value-added tax) is more than Eleven pesos and fifty centavos (P11.50) per pack, the tax shall be Twenty-nine pesos (P29.00) per pack.

On January 1, 2017, however, these two tiers, intended as as a transitional measure, shall eventually converge to a unitary rate of Thirty pesos per pack.

Moving toward a unitary tax in 2017 is aimed to further the level the playing field in the cigarette industry and promote competition, but concerns have been raised that when the unitary excise tax rate is imposed next year as this would displace more local tobacco farmers specially those situated in Northern Luzon.

With the uniform excise tax rate, consumers would prefer to buy high priced cigarettes because the price disparity between the high priced and low priced cigarettes would be minimal. Imbued by competition, cigarette manufacturers may also opt to import tobacco leaves instead of purchasing the

locally grown tobacco leaves considering that tobacco leaves grown abroad are of better quality, thus diminishing the demand for tobacco leaves produced domestically especially for the lower grade tobacco types such as Grade D, E, F-1, F-2 and R. These lower classified leaves comprises of 20% to 30% of the leaves in one single stalk of cigarette.

This bill seeks to address this serious concern to protect the welfare of tobacco farmers by maintaining the current excise tax system on the cigarette packed by machine to two (2) tiers instead of shifting to unitary excise tax rate in 2017. Section 145 paragraph (c) of the National Internal Revenue Code is hereby amended to retain the two tiers but increasing the excise tax rate for the lower tier to Thirty-two pesos (P32.00) per pack and the higher tier to Thirty-six pesos (P36.00) per pack. The incremental revenue is expected to increase even more with a much higher excise tax rates which may be used to fund more social and vital infrastructure projects of the National Government.

In view of the foregoing the approval of this bill is earnestly requested.



EUGENE MICHAEL B. DE VERA
ABS Partylist

HOUSE OF THE CONGRESS
H.B. NO. **4144**

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ABS Partylist

AN ACT
AMENDING SECTION 145 (C) OF 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:

1 **SECTION 1.** Section 145 of the National Internal Revenue Code of 1997, as amended, is hereby
2 amended to read as follows:

3 **"Section 145. Cigars and Cigarettes. –**

4 "(C) Cigarettes Packed by Machine. – There shall be levied, assessed and collected on cigarettes
5 packed by machine a tax at the rates prescribed below:

6 ["Effective on January 1, 2013

7 "(1) If the net retail price (excluding the excise tax and the value-added tax) is Eleven pesos
8 and fifty centavos (P11.50) and below per pack, the tax shall be Twelve pesos (P12.00) per
9 pack; and

10 "(2) If the net retail price (excluding the excise tax and the value-added tax) is more than
11 Eleven pesos and fifty centavos (P11.50) per pack, the tax shall be Twenty-five pesos
12 (P25.00) per pack.]

13 ["Effective on January 1, 2014

14 "(1) If the net retail price (excluding the excise tax and the value-added tax) is Eleven pesos
15 and fifty centavos (P11.50) and below per pack, the tax shall be Seventeen pesos (P17.00)
16 per pack; and

17 "(2) If the net retail price (excluding the excise tax and the value-added tax) is more than
18 Eleven pesos and fifty centavos (P11.50) pesos (P29.00) per pack.

19 "Effective on January 1, 2017, the tax on all cigarettes packed by machine shall be Thirty
20 pesos (P30.00) per pack. per pack, the tax shall be Twenty-seven pesos (P27.00) per pack.]

21 ["Effective on January 1, 2015

22 "(1) If the net retail price (excluding the excise tax and the value-added tax) is Eleven pesos
23 and fifty centavos (P11.50) and below per pack, the tax shall be Twenty-one pesos (P21.00)
24 per pack; and

25 "(2) If the net retail price (excluding the excise tax and the value-added tax) is more than
26 Eleven pesos and fifty centavos (P11.50) per pack, the tax shall be Twenty-eight pesos
27 (P28.00) per pack.]

28 ["Effective on January 1, 2016

29 "(1) If the net retail price (excluding the excise tax and the value-added tax) is Eleven pesos
30 and fifty centavos (P11.50) and below per pack, the tax shall be Twenty-five pesos (P25.00)
31 per pack; and

32 "(2) If the net retail price (excluding the excise tax and the value-added tax) is more than
33 Eleven pesos and fifty centavos (P11.50) per pack, the tax shall be Twenty-nine.]

34 **"EFFECTIVE ON JANUARY 1, 2017**

35 **"(1) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE**
36 **VALUE-ADDED TAX) IS ELEVEN PESOS AND FIFTY CENTAVOS (P11.50) AND**
37 **BELOW PER PACK, THE TAX SHALL BE THIRTY-TWO PESOS (P32.00) PER**
38 **PACK; AND**

39 **"(2) IF THE NET RETAIL PRICE (EXCLUDING THE EXCISE TAX AND THE**
40 **VALUE-ADDED TAX) IS MORE THAN ELEVEN PESOS AND FIFTY CENTAVOS**
41 **(P11.50) PER PACK, THE TAX SHALL BE THIRTY-SIX PESOS (36.00)."**

42 The rates of tax imposed under this subsection shall be increased by [four percent (4%)]
43 **FIVE PERCENT (5%)** every year thereafter effective on January 1, 2018, through revenue
44 regulations issued by the Secretary of Finance.

45 **SEC. 2** Implementing Rules and Regulations. – The Secretary of Finance, upon the recommendation
46 of the Commissioner of the Bureau of Internal Revenue, shall within sixty (60) days from the effectivity
47 of this Act promulgate rules and regulations to faithfully implement the intent and provisions of this Act.
48 Provided, That the failure of the Secretary to promulgate the rules and regulations shall not prevent the
49 implementation of this Act upon its effectivity.

50 **SEC. 3.** Separability Clause. – If any provision of this Act is subsequently declared invalid or
51 unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and
52 effect.

53 **SEC. 4.** Repealing Clause. – Any laws, rules and regulations, decrees and executive orders
54 inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

55 **SEC. 5.** Effectivity Clause. - This Act shall take effect fifteen (15) days after its complete publication
56 either in the Official Gazette, or in at least two (2) newspapers of general circulation.

57 Approved,