

MISTG Memo
No. 01-2020



Republic of the Philippines
Department of Finance
BUREAU OF CUSTOMS
1099 Manila

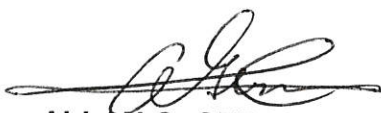
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BOC-07-00410

MEMORANDUM

TO : ALL DEPUTY COMMISSIONERS
ALL DISTRICT and SUPPORT COLLECTORS
ALL OTHERS CONCERNED

FROM : 
ALLAN C. GERONIMO
Deputy Commissioner, MISTG

SUBJECT : Implementation of TRAIN Law tranche 3 and Sin Tax
Law in the E2M System

DATE : 06 January 2020

Please be informed that the updating of Excise Tax rates for the following products under TRAIN Law and Sin Tax Law has been implemented in E2M System effective January 03, 2020:

As per BIR Revenue Regulations No. 1-2018

- **Minerals and Mineral Products**
All domestic and imported coal and coke will be One Hundred fifty pesos (P150.00).

As per BIR Revenue Regulations No. 2-2018

- **Refined and manufactured mineral oils and motor fuels**

Ten pesos (P10.00)

- (a) *Lubricating oils and greases including but not limited to base stock for lube oils and greases, high vacuum distillates, aromatic extracts and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not, per liter and kilogram respectively, of volume capacity or weight.*
- (a. 1) *Locally produced or imported oils previously taxed but subsequently reprocessed, re-refined, recycled, per liter and kilogram of volume capacity or weight.*
- (b) *Processed gas, per liter of volume capacity.*
- (c) *Waxes and petroleum per kilogram.*
- (d) *Denatured alcohol to be used for motive power, per liter of volume capacity.*
- (e) *Asphalts, per kilogram.*

Ten pesos (P10.00)

- (f) *Naphtha, regular gasoline, pyrolysis gasoline and other similar*

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products of distillation per liter of volume capacity.
(g) Unleaded premium gasoline, per liter of volume capacity.

Five pesos (P5.00)

(h) Kerosene, per liter of volume capacity.

Six pesos (P6.00)

(k) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity.

(l) Liquefied petroleum gas used for motive power, per kilogram.

(m) Bunker fuel oil, and on similar oils having more or less the same generating power, per liter of volume capacity.

(n) Petroleum coke, per metric ton.

Three pesos (P3.00)

(o) Liquefied petroleum gas per kilogram.

• **Alcohol and Tobacco Products**

As per BIR Revenue Regulations No. 3-2018

Date of Effectivity of tax rates January 1, 2020 until December 31, 2021

(4) Cigarettes packed by hand – **Php 37.50** (Per Pack)

(5) Cigarettes packed by machine – **Php 37.50** (Per Pack)

As per BIR Revenue Regulations No. 17-2012

Description	2020
Distilled Spirits Ad Valorem Tax Specific Tax	Proof X NRP per bottle X 20% Proof Liter X Php 24.34
Sparkling Wine NRP per 750 ml up to Php 500.00 NRP per 750 ml is more than Php 500.00	Gauge liter X Php 328.99 Gauge liter X Php 921.15
Fermented Liquors NRP per liter up to P50.60 NRP per liter of more than P50.60 brewed in microbreweries	Gauge liter X Php 26.43 Gauge liter X Php 26.43 Gauge liter X Php 36.85
Still Wine Alcohol content of 14% or less Alcohol content of more than 14% up to 25%	Gauge liter X Php 39.48 Gauge liter X Php 78.97
Cigars Ad Valorem Tax Specific Tax	NRP per cigar X 20% No. of stick X Php 6.57
Tobacco Products	2.31/kg
Chewing Tobacco	1.97/kg

Examiners are advised to do SAD update for all goods declaration that were not processed prior to the system update.

Note: Due to systems limitation, Ad Valorem Tax for Distilled Spirits and Cigars is computed manually since it depends on the Net Retail Price (NRP).

For your information.

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Quezon City

January 5, 2018

REVENUE REGULATIONS NO. 1-2018

SUBJECT : Providing for the Revised Tax Rates on Mineral Products pursuant to the Provisions of Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion (TRAIN) Law" Amending for the Purpose Revenue Regulations No. 13-94

TO : All Internal Revenue Officers and Others Concerned.

SECTION 1. SCOPE. - Pursuant to the provisions of Section 244 in relation to Section 245 of the National Internal Revenue Code of 1997 (NIRC), as amended, and Section 84 of Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion (TRAIN) Law", these Regulations are hereby promulgated to amend the relevant provisions of Revenue Regulations (RR) No. 13-94 by providing for the revised tax rates on mineral products.

SEC. 2. Amending Section 3 of RR No. 13-94

"SEC. 3. DEFINITION OF TERMS. – For purposes of these Regulations, the following words and phrases shall have the meaning indicated below:

a. xxx

xxxxxx xxx

g. *Gross Output* shall be interpreted as the actual market value of minerals or mineral products or of bullion from each mine or mineral land operated as a separate entity, without any deduction from mining, milling, refining (including all expenses incurred to prepare the said minerals or mineral products in a marketable state), as well as transporting, handling, marketing or any other expenses: *Provided*, That if the minerals or mineral products are sold or consigned abroad by the lessee or owner of the mine under C.I.F. terms, the actual cost of ocean freight and insurance shall be deducted: *Provided, however*, That in the case of mineral concentrate, not traded in commodity exchanges in the Philippines or abroad, such as copper concentrate, the actual market value shall be the world price quotations of the refined mineral products content thereof prevailing in the said commodity exchanges, after deducting the smelting, refining and other charges incurred in the process of converting the mineral concentrates into refined metal traded in those commodity exchanges:

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SEC. 3. Amending Section 5 of RR No. 13-94

“SEC. 5. PAYMENT OF EXCISE TAX ON MINERALS AND MINERAL PRODUCTS. –

A. Rate and Base of Tax. – There shall be levied, assessed and collected on mineral, mineral products and quarry resources, excise tax as follows:

3.1. On domestic and imported coal and coke:

Date of Effectivity	Excise Tax per Metric Ton
January 1, 2018	Fifty pesos (P50.00)
January 1, 2019	One hundred pesos (P100.00)
January 1, 2020 and onwards	One hundred and fifty pesos (P150.00)

Coal produced under Coal Operating Contracts entered into by the government pursuant to Presidential Decree No. 972 as well as those exempted from excise tax on mineral products under other laws shall now be subject to the applicable rates above beginning January 1, 2018.

3.2. All nonmetallic minerals and quarry resources:

	Excise Tax
Locally extracted or produced	Four percent (4%) based on the actual market value of the gross output thereof at the time of removal.
Imported	Four percent (4%) based on the value used by the Bureau of Customs (BOC) in determining tariff and customs duties, net of excise tax and value-added tax.
Locally extracted natural gas and liquefied natural gas	Exempt.

3.3. All metallic minerals:

	Excise Tax
Locally extracted or produced copper, gold, chromite and other metallic minerals	Four percent (4%) based on the actual market value of the gross output thereof at the time of removal.
Imported copper, gold, chromite and other metallic minerals	Four percent (4%) based on the value used by the BOC in determining tariff and customs duties, net of excise tax and value-added tax.

3.4. Indigenous petroleum, a tax of six percent (6%) of the fair international market price thereof, on the first taxable sale, barter, exchange or such similar transaction, such tax to be paid by the buyer or purchaser before removal from the place of production. The phrase *‘first taxable sale, barter, exchange or similar transaction’* means the transfer of indigenous petroleum in its original

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state to a first taxable transferee. The fair international market price shall be determined in consultation with an appropriate government agency:

For the purpose of this Subsection, 'indigenous petroleum' shall include locally-extracted mineral oil, hydrocarbon gas, bitumen, crude asphalt, mineral gas and all other similar or naturally associated substances with the exception of coal, peat, bituminous shale and/or stratified mineral deposits."

B. xxx"

SEC. 4. REPEALING/AMENDATORY CLAUSE. -- All regulations, rulings or orders or portions thereof not consistent herewith are hereby revoked, repealed, modified or amended accordingly.

SEC. 5. EFFECTIVITY CLAUSE. - These Regulations shall take effect immediately after its complete publication in a newspaper of general circulation.

000718

Carlos G. Dominguez III
CARLOS G. DOMINGUEZ III
Secretary of Finance
JAN 11 2018

Recommending Approval:

Caesar R. Dulay
CAESAR R. DULAY
Commissioner of Internal Revenue
012459

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January 5, 2018

REVENUE REGULATIONS NO. 2-2018

SUBJECT : Providing for the Revised Tax Rates and other Implementing Guidelines on Petroleum Products Pursuant to Republic Act. No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion (TRAIN) Law"

TO : All Internal Revenue Officials and Others Concerned

SECTION 1. SCOPE. — Pursuant to the provisions of Section 244 in relation to Section 245 of the National Internal Revenue Code (NIRC) of 1997, as amended, these Regulations are hereby promulgated to implement the provisions on Petroleum Products under Section 84 of Republic Act No. 10963, amending provisions of Section 148, Chapter V of Title VI Excise Tax on Petroleum Products, of the NIRC, as amended.

SEC. 2. REVISED EXCISE RATES AND BASES OF SPECIFIC TAX. — There shall be collected on refined and manufactured mineral oils and motor fuels, the following excise taxes which shall attach to the goods hereunder enumerated as soon as they are in existence as such:

PRODUCTS	EFFECTIVITY		
	January 1, 2018	January 1, 2019	January 1, 2020
(a) Lubricating oils and greases, including but not limited to base stock for lube oils and greases, high vacuum distillates, aromatic extracts and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not, per liter and kilogram respectively, of volume capacity or weight.	P8.00	P9.00	P10.00
(a.1) Locally produced or imported oils previously taxed but subsequently reprocessed, re-refined, recycled, per liter and kilogram of volume capacity or weight.			
(b) Processed gas, per liter of volume capacity.			
(c) Waxes and petrolatum per kilogram.			
(d) Denatured alcohol to be used for motive power, per liter of volume capacity.			
(e) Asphalts, per kilogram.	P7.00	P9.00	P10.00
(f) Naphtha, regular gasoline, pyrolysis gasoline and other similar products of distillation, per liter of volume capacity			
(g) Unleaded premium gasoline, per liter of volume capacity			
(h) Kerosene, per liter of volume capacity	P3.00	P4.00	P5.00

(i) Aviation turbo jet fuel, aviation gas, per liter of volume capacity	P4.00	P4.00	P4.00
(j) Kerosene, when used as aviation fuel, per liter of volume capacity			
(k) Diesel fuel oil, and on similar fuel oils having more or less the same generating power, per liter of volume capacity	P2.50	P4.50	P6.00
(l) Liquefied petroleum gas used for motive power, per kilogram			
(m) Bunker fuel oil, and on similar oils having more or less the same generating power, per liter of volume capacity			
(n) Petroleum coke, per metric ton			
(o) Liquefied petroleum gas, per kilogram	P1.00	P2.00	P3.00
(p) Naphtha and pyrolysis gasoline, when used as a raw material in the production of petrochemical products or in the refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cycle power plant, in lieu of locally-extracted natural gas during the non-availability thereof, per liter of volume capacity	P0.00	P0.00	P0.00
(q) Liquefied petroleum gas, when used as raw material in the production of petrochemical products, per kilogram			
(r) Petroleum coke, when used as feedstock to any power generating facility, per metric ton			

SEC. 3. EXCEPTION TO REVISED EXCISE TAX RATES. — The revised rates under Section 2 shall not apply under the following instances:

- a) Lubricating oils and greases produced from basestocks and additives on which the excise tax has already been paid shall no longer be subject to excise tax.
- b) Unless otherwise provided by special laws, if the denatured alcohol is mixed with gasoline, the excise tax on which has already been paid, only the alcohol content shall be subject to the tax herein prescribed. The removal of denatured alcohol of not less than one hundred eighty degrees (180°) proof (ninety percent (90%) absolute alcohol) shall be deemed to have been removed for motive power, unless shown otherwise;

SEC. 4. CREDITABLE EXCISE TAX. — The excise tax paid on the purchased basestock (bunker) used in the manufacture of excisable articles and forming part thereof shall be credited against the excise tax due thereon. For purposes of these regulations, any excess of excise taxes paid on raw materials resulting from manufacturing, blending, processing, storage and handling losses shall not give rise to a tax refund or credit.

SEC. 5. SUSPENSION OF SCHEDULED INCREASE. — For the period covering 2018 to 2020, the scheduled increase in the excise tax on fuel as imposed in this section shall be suspended when the average Dubai crude oil based on Mean Of Platts Singapore (MOPS) for three (3) months prior to the scheduled increase of the month reaches or exceeds eighty dollars (USD 80) per barrel. A separate Revenue Regulation (RR) shall be issued for this purpose.

SEC. 6. MANDATORY MARKING OF ALL PETROLEUM PRODUCTS. —

The use of an official fuel marking or similar technology on petroleum products that are

refined, manufactured, or imported into the Philippines, and that are subject to the payment of taxes and duties, such as but not limited to unleaded premium gasoline, kerosene, and diesel fuel oil shall be required. It shall be implemented in accordance with rules and regulations to be issued by the Secretary of Finance in consultation with the Commissioner of Internal Revenue and Commissioner of Customs and in coordination with the Secretary of Energy.

SEC. 7. MANUFACTURERS AND/ OR IMPORTERS TO PROVIDE THEMSELVES WITH COUNTING OR METERING DEVICES TO DETERMINE VOLUME OF PRODUCTION AND IMPORTATION. — Manufacturers of oil products subject to excise tax shall provide themselves with such necessary number of suitable counting or metering devices to determine as accurately as possible the volume, quantity or articles produced by them under the rules and regulations promulgated by the Secretary of Finance, upon recommendation of the Commissioner of Internal Revenue: *Provided*, That the Department of Finance shall maintain a registry of all petroleum manufacturers and/ or importers and the articles being manufactured and/ or imported by them: *Provided, further*, That the Department of Finance shall mandate the creation of a real-time inventory of petroleum articles being manufactured, imported or found in storage depots of such petroleum manufacturers and/ or importers: *Provided, finally*, That importers of finished petroleum products shall also provide themselves with Bureau-accredited metering devices to determine as accurately as possible the volume of petroleum products imported by them.

SEC. 8. TRANSITORY PROVISION. — For the effective implementation of the Act, the following guidelines shall be followed during the transitory period:

- a) *Submission of Stock Inventories.* Concerned oil companies, owners, operators or lessees of storage depots shall submit duly notarized inventories of all petroleum products as of midnight of December 31, 2017 to Excise LT Field Operations Division (ELTFOD) in the case of taxpayers registered within Revenue Region (RR) Nos. 4 (San Fernando, Pampanga), 5 (Caloocan), 6 (Manila), 7 (Quezon City), 8 (Makati City) and 9 (San Pablo City) or to the concerned Excise Tax Area (EXTA) in the case of taxpayers registered outside of RR 4 to 9, on or before January 15, 2018, in the prescribed format in Annex "A". Likewise, similar inventories shall be submitted as of midnight of December 31, 2018, December 31, 2019 and December 31, 2020. These sworn statements shall likewise be subjected to verification as required under existing regulations and issuances. In the case of failure to submit the required inventories by any of the aforesaid taxpayer, petroleum products found in their possession as of January 1, 2018, January 1, 2019 and January 1, 2020 shall be subjected to the new excise tax rates.
- b) *Accounting for stocks or inventory of goods after each date of effectivity of the new excise tax rates.* These inventories of petroleum products taken prior to each date of effectivity shall be liquidated and accounted for on a "First-In First-Out" (FIFO) method of inventory.
- c) *Issuance of Withdrawal Certificates.* All Withdrawal Certificates issued covering the removals of petroleum products subject to the old or previous tax rates products shall be prominently stamped with the phrase "STOCKS ON HAND PRIOR TO APPLICABLE DATE OF EFFECTIVITY". The removals of finished goods where the accompanying Withdrawal Certificate/s do not bear such information shall be

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subject to the new excise tax rates imposed under these Regulations at the time of its actual removal, even if the same were taken from the old or previous inventory.

SECTION 9. PENALTIES. — Violations of the provisions of these Regulations shall be subject to the corresponding penalties provided for under Title X of the NIRC of 1997, as amended, and applicable regulations.

SECTION 10. REPEALING CLAUSE. — All rules and regulations inconsistent with the provisions of these Regulations are hereby repealed or amended accordingly.

SECTION 11. EFFECTIVITY. — These Regulations shall take effect immediately following its complete publication in at least one (1) newspaper of general circulation.

[Signature]
CARLOS G. DOMINGUEZ
Secretary of Finance
JAN 11 2018

Recommending Approval:

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[Signature]
CAESAR R. DULAY
Commissioner of Internal Revenue
012470

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BIR TRAIN IRR/RR Drafting Committee

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Quezon City

January 5, 2018

REVENUE REGULATIONS NO. 3-2018

SUBJECT : Providing for the Revised Tax Rates on Tobacco Products Pursuant to the Provisions of Republic Act No. 10963, otherwise known as “Tax Reform for Acceleration and Inclusion (TRAIN) Law”, Amending for the Purpose Revenue Regulations No. 17-2012

TO : All Internal Revenue Officers and Others Concerned.

SECTION 1. SCOPE. - Pursuant to the provisions of Section 244 in relation to Section 245 of the National Internal Revenue Code of 1997 (NIRC), as amended and Section 84 of Republic Act No. 10963, otherwise known as “Tax Reform for Acceleration and Inclusion (TRAIN) Law”, these Regulations are hereby promulgated to provide for the revised tax rates on cigarettes, amending certain provisions of Revenue Regulations (RR) No. 17-2012.

SEC. 2. AMENDATORY PROVISIONS. – The provisions of Section 3 Items B(4) and B(5) of RR No. 17-2012 is hereby amended as follows:

“SEC. 3. REVISED RATES AND BASES OF THE SPECIFIC TAX. – There shall be levied, assessed and collected an excise tax on tobacco products, in accordance with the following schedule:

PRODUCT	DATE OF EFFECTIVITY OF TAX RATES				
	January 1, 2018 until June 30, 2018	July 1, 2018 until December 31, 2019	January 1, 2020 until December 31, 2021	January 1, 2022 until December 31, 2023	January 1, 2024 onwards
xxx					
B. TOBACCO PRODUCTS					
xxx					
	<u>Per Pack</u>	<u>Per Pack</u>	<u>Per Pack</u>	<u>Per Pack</u>	Effective 1/1/2024, the specific tax rate shall be increased by 4% every year thereafter
(4) Cigarettes packed by hand	Php 32.50	Php 35.00	Php 37.50	Php 40.00	
(5) Cigarettes packed by machine	Php 32.50	Php 35.00	Php 37.50	Php 40.00	
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SEC. 4. REPEALING CLAUSE. – All regulations, rulings or orders or portions thereof not consistent with the provisions of these Regulations are hereby revoked, repealed or amended accordingly.

SEC. 5. EFFECTIVITY CLAUSE. – These Regulations shall take effect immediately following its publication in a newspaper of general circulation.

Carlo G. Dominguez
CARLOS G. DOMINGUEZ
Secretary of Finance
JAN 11 2018

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Recommending Approval:

Caesar R. Dulay
CAESAR R. DULAY
Commissioner of Internal Revenue
012459

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December 21, 2012

REVENUE REGULATIONS NO. 17-2012

SUBJECT : Prescribing the Implementing Guidelines on the Revised Tax Rates on Alcohol and Tobacco Products Pursuant to the Provisions of Republic Act No. 10351 and to Clarify Certain Provisions of Existing Revenue Regulations.

TO : All Internal Revenue Officials and Others Concerned

SECTION 1. SCOPE. – Pursuant to the provisions of Section 244 in relation to Section 245 of the National Internal Revenue Code (NIRC) of 1997, as amended, these Regulations are hereby promulgated to implement the provisions of Republic Act No. 10351, “An Act Restructuring The Excise Tax On Alcohol And Tobacco Products By Amending Sections 141, 142, 143, 144, 145, 8, 131 And 288 of Republic Act No. 8424, Otherwise Known As The National Internal Revenue Code Of 1997, as amended By Republic Act No. 9334, And For Other Purposes”, as well as to clarify certain provisions of existing revenue regulations on alcohol and tobacco products.

SEC. 2. DEFINITION OF TERMS. – For purposes of these Regulations, the following words and phrases shall have the meaning indicated below:

- (a) **ACT** – shall refer to Republic Act (R.A.) No. 10351;
- (b) **CARBONATED WINE** – shall refer to an effervescent wine artificially charge with carbon dioxide and containing more than 0.392 of carbon dioxide per 100 milliliters of wine;
- (c) **CIGARETTES PACKED BY HAND** – shall refer to the manner of packaging of cigarette sticks using an individual person’s hands and not through any other means such as a mechanical device, machine or equipment;
- (d) **COMPOUNDED LIQUORS** – shall refer intoxicating beverages whatever concocted by or resulting from mixture of or addition to distilled spirits, either before or after rectification, of any coloring matter, flavoring extract or essence or other kind of wine, liquor or other ingredient;
- (e) **NET RETAIL PRICE** – shall refer to the price at which the alcohol and tobacco products are sold on retail in at least five (5) major supermarkets in Metro Manila, excluding the amount intended to cover the applicable excise tax and the value-added tax. For alcohol and tobacco products which are marketed outside Metro Manila, the ‘net retail price’ shall mean the price at which the alcohol and tobacco products are sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax;

- (f) **SPARKLING WINE OR CHAMPAGNE**– shall refer to an effervescent wine containing more than 0.392 grams of carbon dioxide per 100 milliliters of wine resulting solely from the secondary fermentation of the wine within a closed container;
- (g) **STILL WINE** – shall refer to wine containing not more than 0.392 of carbon dioxide per 100 milliliters of wine; and
- (h) **SUGGESTED NET RETAIL PRICE** – shall refer to the net retail price at which locally manufactured or imported alcohol or tobacco product is intended to be sold by the manufacturer or importer at retail in major supermarkets or retail outlets in the prescribed minimum number of Revenue Regions for brands with national or regional markets.

SEC. 3. REVISED RATES AND BASES OF THE SPECIFIC TAX. – There shall be levied, assessed and collected an excise tax on alcohol or tobacco products, in accordance with the following schedule:

PRODUCT	DATE OF EFFECTIVITY OF TAX RATES					
	January 1, 2013	January 1, 2014	January 1, 2015	January 1, 2016	January 1, 2017	2018 Onwards
A. ALCOHOL PRODUCTS						
(1) Distilled Spirits						
(a) Ad Valorem tax Rate						
Based on the net retail price per proof (excluding the excise and value-added taxes), and	15%	15%	20%	20%	20%	20%
(b) Specific Tax						
Per proof liter	Php20.00	Php20.00	Php20.00	Php20.80	Php21.63	Effective 1/1/2016, the specific tax rate shall be increased by 4% every year thereafter
(2) Wines	<u>Per liter</u>	<u>Per liter</u>	<u>Per liter</u>	<u>Per liter</u>	<u>Per liter</u>	
(a) Sparkling wines/champagnes, where the net retail price (excluding the excise and value-added taxes) per bottle of 750 ml., regardless of proof is:						

(1) Five Hundred Pesos (P500.00) or less	Php250.00	Php260.00	Php270.40	Php281.22	Php292.47	Effective 1/1/2014, the specific tax rate shall be increased by 4% every year thereafter
(2) More than Five Hundred Pesos (P500.00)	Php700.00	Php728.00	Php757.12	Php787.40	Php818.90	
(b) Still wines and carbonated wines containing fourteen percent (14%) of alcohol by volume or less	Php30.00	Php31.20	Php32.45	Php33.75	Php35.10	
(c) Still wines and carbonated wines containing more than fourteen percent (14%) of alcohol by volume but not more than twenty-five percent (25%) of alcohol by volume	Php60.00	Php62.40	Php64.90	Php67.50	Php70.20	
(d) Fortified wines containing more than twenty-five (25%) percent of alcohol by volume shall be taxed as distilled spirits	Taxed as Distilled Spirits	Taxed as Distilled Spirits	Taxed as Distilled Spirits	Taxed as Distilled Spirits	Taxed as Distilled Spirits	
(3) Fermented liquors, where the net retail price (excluding excise and value-added taxes) per liter of volume capacity is:	<u>Per liter</u>	<u>Per liter</u>	<u>Per liter</u>	<u>Per liter</u>	<u>Per liter</u>	Effective 1/1/2018, the specific tax rate shall be increased by 4% every year thereafter
(a) Fifty Pesos and Sixty Centavos (P50.60) or less	Php15.00	Php17.00	Php19.00	Php21.00	Php23.50	
(b) More than Fifty Pesos and Sixty Centavos (P50.60)	Php20.00	Php21.00	Php22.00	Php23.00	Php23.50	Effective 1/1/2014, the specific tax rate shall be increased by 4% every year thereafter
Fermented liquors brewed and sold at microbreweries or small establishments such as pubs and restaurants, regardless of the net retail price.	Php28.00	Php29.12	Php30.28	Php31.50	Php32.76	
B. TOBACCO PRODUCTS						
(1) Tobacco Products	<u>Per kg.</u>	<u>Per kg.</u>	<u>Per kg.</u>	<u>Per kg.</u>	<u>Per kg.</u>	
(a) Tobacco twisted by hand or reduced into a condition to be consumed in any manner other than the ordinary mode of drying and						

(a) Eleven Pesos and Fifty Centavos (P 11.50) and below	Php12.00	Php17.00	Php21.00	Php25.00	Php30.00	
(a) More than Eleven Pesos and Fifty Centavos (P 11.50)	Php25.00	Php27.00	Php28.00	Php29.00	Php30.00	

ILLUSTRATION:

No. 1- Distilled Spirits

Facts: ABC Corp. removes from its factory Brand "XEY" Whisky with the following details:
 - 2400 bottles @ 330 ml bottle
 - 40% alcohol strength
 - Net Retail Price (NRP) is Php 30.00 per bottle

Step 1. Compute the proof of Brand "XEY" by multiplying the alcohol strength by 2.

$40\% \times 2 = 80 \text{ proof}$

Step 2. Compute the excise tax due on the removals.

(A) Specific Tax Due Per Bottle of 330 ml.:

Specific Tax per proof liter	P20.00
Multiplied by Proof of 330 ml bottle (.330 ml x .80)	.264
Specific Tax per bottle of 330 ml	<u>P 5.28</u>

(B) Ad Valorem Tax Due Per Bottle of 330 ml.:

NRP of 330 ml bottle	P30.00
Multiplied by Proof	.80
NRP per proof	<u>P 24.00</u>
Multiplied by Ad Valorem Tax rate	15%
Ad Valorem Tax Due per bottle of 330 ml.	<u>P 3.60</u>

Total Excise Tax Rate per bottle of 330 ml.	P 8.88
Multiplied by total number of bottles removed	2,400

Total Excise Tax Due P21,312.00

No. 2 - Cigars

FACTS: Total Retail Selling Price, net of VAT and excise tax, per box of cigar containing 25 pieces, P 3,000.00

Step 1: Compute the NRP per cigar.

$P 3,000.00 \text{ divided by } 25 \text{ cigars} = P 120.00$

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Step 2: Compute the total excise tax due.

Ad Valorem Tax (AVT) Due per cigar: NRP-P120.00 x AVT rate 20%	P 24.00
Add: Specific Tax (ST) Due:	
Specific Tax Rate per cigar	P 5.00
Total Excise Tax Per Cigar	<u>P 29.00</u>
Multiplied by the number of cigars per box	25
Total Excise Tax Due and Payable	<u><u>P 725.00</u></u>

SEC. 4. TAX CLASSIFICATION OF ALCOHOL AND TOBACCO PRODUCTS. – Any alcohol or tobacco product that is introduced in the domestic market on or after the effectivity of this Act shall be initially tax classified according to their suggested net retail prices as declared in the prescribed manufacturer’s or importer’s sworn statement, subject to the initial validation and revalidation requirements prescribed under Revenue Regulations No. 3-2006, as amended by Section 6 of these Regulations.

In case of an alcohol and or tobacco product that was duly registered with the BIR before the effectivity of the Act but was not tax classified by the BIR according to the new tax rates provided under the Act, such product shall be treated as a newly introduced product upon re-introduction thereof in the domestic market after the effectivity of the Act. Accordingly, the tax classification thereof shall be based on the suggested net retail price declared in the aforesaid sworn statement, subject to the initial validation and revalidation requirements.

The proper tax classification of all fermented liquors and tobacco products, whether registered before or after the effectivity of the Act, shall be determined every two (2) years from the date of effectivity of the Act.

For purposes of tax classification, alcohol or tobacco products, whether imported or domestically manufactured, shall be taxed according to their individual brand name (whether or not with prefix or suffix), color and/or design of label (such as logo, font, picturegram, and the like), manner and/or form of packaging or size of container of the product. Accordingly, the following instances, but not limited to, shall be taxed differently:

- (a) Two products bearing exactly the same root name but with different suffixes or prefixes
- (b) Two products bearing exactly the same brand name but with different colors and/or design of labels
- (c) Two products bearing exactly the same brand name and label but with different forms of packaging (e.g., soft packs and hard packs for cigarettes, or in bottles, cans or kegs for alcohol products)
- (d) Two products bearing exactly the same brand name and label but with different sizes of container (e.g., one liter, 500 ml., 330 ml., etc., for alcohol products)

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- (e) One product is sold in a regular basis while the other product is introduced in a limited basis such as a special edition, for specific occasion and other similar instances

SEC. 5. DOWNWARD RECLASSIFICATION OF FERMENTED LIQUORS.

- Any downward reclassification of any fermented liquor product that is duly registered with the BIR at the time of effectivity of the Act which will reduce the tax imposed herein, or the payment thereof, shall be prohibited. Starting January 1, 2014, the applicable tax rate shall be increase by four percent (4%) annually: *Provided, however*, it shall not be lower than the rates prescribed under Section 3 of these Regulations.

ILLUSTRATION:

No. 3 **FACTS:** MAA, Inc., a beer manufacturer, produces the following:
-LUV brand, NRP Php21.50 per liter and currently taxed at Php15.49 under Republic Act (RA) No. 9334

-GIV brand, NRP of Php51.50 per liter and currently taxed at Php20.57 under RA No. 9334

Question: What is the applicable excise tax rate on MAA, Inc.'s LUV and GIV brands on January 1, 2013 and January 1, 2014?

Answer: Due to the prohibition on downward reclassification on fermented liquors, MAA, Inc. should apply the following tax rates:

LUV Brand

Jan. 1, 2013: Applicable tax rate is P15.49 per liter instead of the specific tax rate of Php15.00 per liter (since NRP of Php 21.50 is less than Php50.60) classified imposed under the Act.

Jan. 1, 2014: Applicable tax rate is P17.00 per liter instead of the specific tax rate of Php16.10 (Php15.49 x 104%).

GIV Brand

Jan. 1, 2013: Applicable tax rate is P20.57 per liter instead of the specific tax rate of Php20.00 per liter (since NRP of Php 51.50 is more than Php50.60) classified imposed under the Act.

Jan. 1, 2014: Applicable tax rate is P21.39 (Php20.57 x104%) per liter instead of the specific tax rate of Php21.00.

SEC. 6. REVISED REVALIDATION PERIOD FOR NEWLY INTRODUCED ALCOHOL OR TOBACCO PRODUCTS. – The revalidation of the suggested net retail price of a newly introduced alcohol or tobacco product shall be conducted after the end of nine (9) months from the initial validation. The initial validation and revalidation of the suggested net retail price of all newly introduced alcohol and tobacco products shall be conducted exclusively by the authorized representatives of the BIR

SEC. 7. SUBMISSION OF SWORN STATEMENT. – Every local manufacturer or importer of alcohol and tobacco products shall a duly notarized manufacturer's or importer's sworn statement for alcohol or tobacco product showing, among others, the following information:

- (a) Name, address, TIN and assessment number of the manufacturer or importer;
- (b) Complete root name of the brand as well as the complete brand name with modifiers, if any;
- (c) Complete specifications of the brand detailing the specific measurements, weights, manner of packaging, etc.;
- (d) Name(s) of the region(s) where the brand is/are to be marketed;
- (e) Wholesale price per case, gross and net of VAT and excise tax;
- (f) Suggested retail price, gross and net of VAT and excise tax, per pack or per bottle, as the case may be;
- (g) Detailed production/importation costs and all other expenses incurred or to be incurred until the product is finally sold (e.g. materials, labor, overhead, selling and administrative expenses) per case;
- (h) Applicable rate of excise tax per unit of measure or value, as the case may be; and
- (i) Corresponding excise and value-added taxes per case.

The manufacturer's or importer's sworn statement shall be submitted as a supporting document to the prescribed application for the initial registration of alcohol or tobacco product and thereafter submit an updated sworn statement on or before the end of the months of June and December of the year: *Provided*, however, That whenever there is a change in the cost to manufacture, produce and sell the brand or change in the actual selling price of the brand, the updated sworn statement shall be submitted at least five (5) days before the actual removal of the product from the place of production or release from the customs' custody, as the case may be: *Provided*, further, That if the manufacturer or importer sells or allows such goods to be sold at wholesale in another establishment of which he is the owner or the profits thereof of which he has an interest, the selling price in such establishment shall constitute the wholesale price. Should such price be less than the said costs and expenses, a proportionate margin of profit of not less than ten percent (10%) thereof shall be added to constitute the wholesale price. With respect to imported alcohol

or tobacco products, the cost of importation shall, in no case, be less than the value indicated in the reference books or any other reference materials used by the BOC in determining the proper valuation of the imported products, or the dutiable value as defined under the Tariff and Customs Code of the Philippines, as amended, whichever, is higher: *Provided, finally*, That, in case the newly introduced alcohol or tobacco product shall be subsequently marketed in another region/other regions before the proper tax classification is finally determined by the BIR, an updated sworn statement shall be submitted to the appropriate BIR Office before the same shall be removed from the place of production.

The sworn statement prescribed herein shall be subject to verification by the BIR to validate its contents with respect to its accuracy and completeness. In the event that the contents thereof are found to be inaccurate and/or incomplete, the taxpayer shall be required to submit a revised sworn statement, without prejudice to the imposition of corresponding sanctions and penalties.

SEC. 8. UNDERSTATEMENT OF SUGGESTED NET RETAIL PRICE. –

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

ILLUSTRATION:

No. 4 – CPI Corp., a cigarette manufacturer, submitted a sworn statement of a cigarette product, “Mirage”, wherein the tax rate to be imposed is P12.00 per pack based on the Suggested Net Retail Price (SNRP), excluding VAT and excise, of P 9.50 per pack. After three months from the date of submission of the sworn statement, the BIR conducted a price survey and found out that the Actual Net Retail Price (ANRP), excluding VAT and excise tax is actually P 12.00 subject to the higher excise tax rate of P 25.00 per pack. The total volume removed by CPI Corp. on the product is 10,000 packs from the time of its removal up to the time of the price survey. Compute the total deficiency excise tax and penalties of CPI Corp., if there are any.

Step 1. Determine whether or not the understatement of the SNRP is equal to or more than 15% of the ANRP

SNRP per Sworn Statement	P 9.50
ANRP per Validation	<u>12.00</u>
Difference	P 2.50
Percentage of understatement [(P2.50/ P9.50) x 100%]	<u>26.32%</u>

Since the understatement of 26.32% is more than 15%, CPI Corp is, therefore, liable to the additional penalty for understatement of suggested net retail price.

Step 2. Compute the deficiency excise and interest

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Tax rate per ANRP	P 25.00
Less: Tax Rate paid per SNRP	<u>12.00</u>
Deficiency Tax	13.00
Add: Additional Excise Tax	
Excise Tax Due on ANRP	25.00
Difference (SNRP-ANRP)	<u>2.50</u>
Total adjusted tax due per pack	40.50
Multiplied by volume removed	<u>10,000</u>
Total Adjusted Deficiency tax due	P 405,000.00
Add: 20% Interest [P405,000x 20% x 3/12]	<u>20,250.00</u>
Total adjusted deficiency excise tax and interest	<u><u>P425,250.00</u></u>

Step 3. Compute the additional penalty to CPI Corp. as a juridical person

Total adjusted deficiency excise tax and interest	<u>P 425,250.00</u>
Additional penalty as a juridical entity [P425,250 x 3]	<u><u>P 1,275,750.00</u></u>

Step 4. Compute the total amount due from CPI Corp.

Total adjusted deficiency excise tax and interest	P 425,250.00
Additional penalty as a juridical entity [P425,250 x 3]	<u>1,275.750.00</u>
Total Amount Due	<u><u>P 1,701,000.00</u></u>

SEC. 9. EXCISE TAX TREATMENT OF ALL IMPORTATIONS OF ALCOHOL OR TOBACCO PRODUCTS BY DUTY FREE PHILIPPINES, DUTY-FREE SHOPS, OR INTO ECONOMIC ZONES AND FREEPORT ZONES. – The provision of any special or general law to the contrary notwithstanding, the importation of alcohol or tobacco products, even if destined for tax and duty-free shops, Duty Free Philippines or into the chartered or legislated economic and/or freeport zones shall be subject to excise tax pursuant to the provisions of the Act. : *Provided, however,* That, upon the effectivity of the Act, the importation of any alcohol or tobacco product bearing suffixes or prefixes to the root name, color and/or design of the label (such as logo, font, picturegram, and the like), manner and/or form of packaging or size of container of the product that is different from that already registered and locally being sold in the domestic market shall be treated as a newly introduced product. Accordingly, the same shall be initially classified according to its suggested net retail price, subject to the validation and revalidation requirements prescribed by these Regulations.

SEC. 10. ADDITIONAL EXPORT AND IMPORT REQUIREMENTS FOR TOBACCO PRODUCTS. - No tobacco products manufactured in the Philippines and produced for export shall be removed from their place of manufacture or exported without posting of an export bond equivalent to the amount of the excise tax due thereon if sold domestically; *provided, however,* that tobacco products for export may be transferred from

the place of manufacture to a bonded facility, upon posting of a transfer bond, prior to export.

Tobacco products imported into the Philippines and destined for foreign countries shall not be allowed entry without posting a bond equivalent to the amount of customs duty, excise and value-added taxes due thereon if sold domestically.

SEC. 11. REVISED PROVISIONS FOR THE MANNER OF PACKAGING OF CIGARETTES. – All Cigarettes whether packed by hand or packed by machine shall only be packed in twenties (20s), and through other packaging combinations which shall result to not more than twenty sticks of cigarettes: *Provided, That*, in case of cigarettes packed in not more than twenty sticks, whether in 5 sticks, 10 sticks and other packaging combinations below 20 sticks, the net retail price of each individual package of 5s, 10s, etc. shall be the basis of imposing the tax rate prescribed under the Act.

SEC. 12. TRANSITORY PROVISIONS. – Upon the effectivity of the Act, the following transitory provisions shall be strictly observed by all concerned:

- (a) All alcohol and tobacco products existing in the market at the time of the effectivity of this Act shall be initially classified according to the tax rates prescribed by the Act based on the 2010 price survey of these products conducted by the Bureau of Internal Revenue (BIR), subject to the prohibition against downward reclassification on fermented liquors: *Provided, however*, That in case of alcohol and or tobacco products that were introduced after the 2010 price survey but before the effectivity of the Act, their respective tax classification or rate shall be based on the suggested net retail price declared in latest sworn statement filed by the local manufacturer or importer, as the case maybe. The Commissioner of Internal Revenue shall issue a Revenue Memorandum Circular containing the tax classifications/rates applicable to all alcohol and tobacco products existing in the market at the time of the effectivity of the Act.
- (b) For purposes of determining the actual volume of locally manufactured alcohol and tobacco products that shall be imposed with the new tax rates upon the removal thereof from the place of production, an actual stocktaking shall be conducted by the BIR on all stocks of locally manufactured alcohol and tobacco products held in possession by the manufacturer as of the effectivity of the Act.
- (c) The specific tax that was paid on the physical inventory of ethyl alcohol held in possession by manufacturers of compounded liquors as of the effectivity of the Act subsequently used as raw materials in the production of compounded liquors shall not be entitled to tax credit/refund or shall not be deducted from the total excise tax due on compounded liquors.

SEC. 13. PENALTIES. – Violations of these Regulations shall be subject to the corresponding penalties under Title X of the NIRC of 1997, as amended.

Further, the following penalty provisions are hereby prescribed pursuant to the provisions of the Act, as follows:

- (a) Any manufacturer or importer who misdeclares or misrepresents in his or its sworn statement herein required any pertinent data or information shall, upon discovery, be penalized by a summary cancellation or withdrawal of his or its permit to engage in business as a manufacturer or importer of alcohol or tobacco products;
- (b) Any corporation, association or partnership liable for any of the acts or omissions in violation of the Act and implemented by these Regulations shall be fined treble the aggregate amount of deficiency taxes, surcharges and interest which may be assessed pursuant to the provisions of the Act;
- (c) Any person liable for any of the acts or omission prohibited under the Act and implemented by these Regulations shall be criminally liable and penalized under Section 254 of the NIRC of 1997, as amended; and
- (d) If the offender is not a citizen of the Philippines, he shall be deported immediately after serving the sentence, without further proceedings for deportation.

SEC. 14. SEPARABILITY CLAUSE - If any of the provisions of these Regulations is declared invalid by a competent court, the remainder of these Regulations or any provision not affected by such declaration of invalidity shall remain in force and effect.

SEC. 15. REPEALING CLAUSE. - All regulations, rulings, orders, or portions thereof which are inconsistent with the provisions of these Regulations are hereby revoked, repealed or amended, accordingly.

SEC. 16. EFFECTIVITY. - These Regulations shall take effect upon its publication in leading newspapers of general circulation.

(Original Signed)
CESAR V. PURISIMA
 Secretary of Finance

Recommending Approval:

(Original Signed)
KIM S. JACINTO-HENARES
 Commissioner of Internal Revenue