



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

December 13, 1996

REVENUE REGULATIONS NO. 1-97 RA 8148

SUBJECT: Revenue Regulations Governing the Excise Taxation of Cigars and Cigarettes.

TO: All Internal Revenue Officers and Others Concerned.

SECTION 1. **Scope** - Pursuant to Sections 4 and 245 of the National Internal Revenue Code, as amended, these Revenue Regulations are hereby promulgated to prescribe the guidelines and procedures to implement Republic Act No. 8240, amending Section 142 of the same Code, as amended, prescribing the specific tax method of computing the excise tax on cigars and cigarettes.

SECTION 2. **Definition of Terms** - For purposes of these Regulations, the following words and phrases shall have the meaning indicated below:

- Act** - Republic Act No. 8240.
- Bar Code** - a symbol consisting of article numbers represented by a machine readable print to define its specifications. The bar code consist of a series of light and dark vertical parallel "bars".
- Duly registered or existing brand of cigarettes** - shall include duly registered, existing or active brands of cigarettes, prior to January 1, 1997.
- Fuson Stamp** - is a custom-printed, multi-colored decal, heat-fused to the receiving surface, such as cellophane or polypropylene of each cigar and cigarette package.
- Metro Manila and Regions** - shall mean the political sub-divisions of Metro Manila and other Regions as provided for by the Local Government Code.
- New Brands** - shall mean brands duly registered after January 1, 1997 and shall include duly registered, inactive brands of cigarette not sold in commercial quantity before January 1, 1997.
- Net Retail Price** - shall mean the price, excluding the amount of specific tax and the value-added tax at which the cigarettes are sold on retail.
 - Current Net Retail Price** - shall mean the net retail price at which the cigarettes are sold in twenty (20) major supermarkets or retail outlets in Metro Manila marketed nationally and for brands which are marketed only outside Metro Manila the price at which is sold in five (5) major supermarkets or retail outlets in the region.

10					
Boss KS	4.10	0.90	1.00		
Champion Lts. KS	4.45	0.90	1.00		
Champion MK	4.77	0.97	1.00		
Evergreen M, 100's	3.93	0.84	1.00		
Fortune Int'l. M KS	4.46	0.84	1.00		
Jackpot M 100's	3.99	0.78	1.00		
Liberty M 100's	4.47	0.78	1.00		
Peak M 100's	4.03	0.90	1.00		
Plaza M 100's	4.89	0.84	1.00		
Westpoint KS	4.89	0.84	1.00		
Winter M 100's	3.99	0.78	1.00		
Cannon M 100's	6.15	0.93	5.00	2.97	5.00
Cannon M KS	5.01	0.90	5.00	2.95	5.00
Forbes KS	5.14	0.90	5.00	2.95	5.00
Miller Int'l. M 100's	4.58	0.64	1.00		
Morgan Int'l. M 100's	7.43	0.89	8.00	4.45	8.00
Stork Int'l. M 100's	4.28	0.72	1.00		
Stork Special Lts. M 100's	4.61	0.64	1.00		
Union American Blend	4.64	1.09	1.09		
Union KS	4.80	0.92	1.00		

* Current Excise Tax Due per Pack as of October 1, 1996.

Brands	Retail Price excluding VAT & Excise Tax Per Pack	Current Excise Tax Per Pack	Specific Tax Rate 1/1/97	1 st Tranche Effective Tax Rate 1/1/97	2 nd Tranche Effective Tax Rate 1/1/98
Asia Boston KS	3.80	0.42	1.00	0.71	1.00
Canadian Club M 100's	3.91	0.42	1.00	0.71	1.00
Navy Club KS	4.25	0.42	1.00	0.71	1.00
Rambo M 100's	3.46	0.64	1.00		
Spotlight M 100's	2.89	0.46	1.00	0.73	1.00
Triple A Freedom M 100's	3.28	0.51	1.00	0.76	1.00
Blue Seal M 100's	3.41	0.70	1.00		
Gallo KS	2.60	0.68	1.00		
L. A. Special M 100's	2.81	0.68	1.00		
Marvel M 100's	3.02	0.70	1.00		
Marvel Red KS	3.11	0.77	1.00		
Right M 100's	3.39	0.72	1.00		
32					

* Current Excise tax due per pack as of October 1, 1996.

In addition, the following brands of cigarettes registered and commercially produced as of October 01, 1996 and prior to January 01, 1997 are hereby included under this category namely:

	Retail Price excluding VAT &	Current Excise	Specific	1st Tranche Effective	2nd Tranche Effective

classification. In case the current net retail price is higher than the suggested net retail price, the former shall prevail. Otherwise, the suggested net retail price shall prevail. Any difference in specific tax due shall be assessed and collected inclusive of increments as provided for by the National Internal Revenue Code, as amended.

The survey contemplated herein to establish the current net retail price on locally manufactured or imported cigarettes shall be conducted by the duly authorized representatives of the Commissioner of Internal Revenue together with a representative of the Regional Director from each Regional Office having jurisdiction over the retail outlet within the Region being surveyed, and who shall submit, without delay, their consolidated written report to the Commissioner of Internal Revenue.

C. **Variants of Existing Brand**

Variants of existing brands of cigarettes which are introduced in the domestic market after January 1, 1997 shall be taxed under the highest classification of any variant of that brand and shall remain in this classification until revised by Congress.

SECTION 5. **Computation of Excise Tax**

1. **Manner of Computing the Specific Tax** -

- For cigars, multiply the number of cigars by P1.00 to arrive at the specific tax due.
- For cigarettes packed by hand, multiply the number of packs by P0.40 to arrive at the specific tax due.
- For cigarettes packed by machine -

i) **Existing Brands:**

- If an existing brand with a net retail price of over P10.00 per pack (excluding VAT and excise tax), multiply the number of packs by P12.00 to arrive at the specific tax due. However, if the amount of specific tax due from one pack of cigarettes is lower than the ad valorem tax due from such brand as shown in the above list, the latter amount is the specific tax per pack for such brand;
- If an existing brand with a net retail price of over P6.50 but not over P10.00 per pack (excluding VAT and excise tax) multiply the number of packs by P8.00 to arrive at the specific tax due. However, if the amount of specific tax due from one pack of cigarettes is lower than the ad valorem tax due from such brand as shown in the above list, the latter amount is the specific tax per pack for such brand.
- If an existing brand with a net retail price of P5.00 but not over P6.50 per pack (excluding VAT and excise tax), multiply the number of packs by P5.00 to arrive at the specific tax due. However, if the amount of specific tax due from one pack of cigarettes is lower than the ad valorem tax due from such brands as shown in the above list, the latter amount is the

6. **New Brands** - shall mean brands duly registered after January 1, 1997 and shall include duly registered, inactive brands of cigarette not sold in commercial quantity before January 1, 1997.
7. **Net Retail Price** - shall mean the price, excluding the amount of specific tax and the value-added tax at which the cigarettes are sold on retail.
 - a. **Current Net Retail Price** - shall mean the net retail price at which the cigarettes are sold in twenty (20) major supermarkets or retail outlets in Metro Manila marketed nationally and for brands which are marketed only outside Metro Manila the price at which is sold in five (5) major supermarkets or retail outlets in the region.
 - b. **Suggested Net Retail Price** - shall mean the net retail price at which new brands of locally manufactured or imported cigarettes are intended by the manufacturer or importer to be sold on retail in major supermarkets or retail outlets in Metro Manila for those marketed nationwide, and in other regions, for those with regional markets.
8. **Variant of a brand** - shall refer to a brand on which a modifier is prefixed and/or suffixed to the root name of the brand and/or a different brand which carries the same logo or design of the existing brand.
 - a. Modifier is prefixed - Example. A registered existing "ABC" brand manufactured as "Kings ABC", "Large ABC" etc.
 - b. Modifier is suffixed - Example. A registered existing "ABC" brand manufactured as "ABC Kings", "ABC Large", "ABC Lights", "ABC Menthol", "ABC Filter", etc.
 - c. A different brand which carries the same logo or design of the existing brand - Example. A registered existing "ABC" brand carrying the logo, badge, emblem or mark in the shape of a horseshoe is manufactured as a new "DEF" brand carrying the same horseshoe logo, badge, emblem or mark; or a registered existing "ABC" brand carrying two (2) horizontal stripes with red and white colors is manufactured as a new "DEF" brand carrying the same stripes and colors.
9. **Volume of Sales** - shall refer to the volume of removals of cigars and cigarettes from the place of production or released from customs custody by the manufacturer or importer, respectively.

SECTION 3. Rates and bases of Tax. - There shall be levied, assessed and collected on cigars and cigarettes excise tax as follows:

- a) Cigars : Per Cigar - P1.00
- b) Cigarettes Packed by Hand : Per Pack - P 0.40
- c) Cigarettes Packed by Machine:
 - (1) Per Pack - P 12.00 if the net retail price per pack (exclusive of VAT and excise tax) is over P10.00;
 - (2) Per Pack - P 8.00 if the net retail price per pack (exclusive of VAT and excise tax) is over P6.50 but not over P10.00;
 - (3) Per Pack - P 5.00 if the net retail price per pack (exclusive of VAT and excise tax) is P 5.00 but not over P6.50;
 - (4) Per Pack - P 1.00 if the net retail price per pack (exclusive of VAT and excise tax) is below P5.00.

The specific tax from any brand of cigarettes within the next three (3) years of effectivity of this Act shall not be lower than the tax which is due from each brand on October 1, 1996: Provided, however, That in cases where the specific tax rates imposed in paragraph (C) sub-paragraphs (1), (2), (3) and (4) herein above will result in an increase in excise tax of more than seventy percent (70%), for a brand of cigarette, the increase shall take effect in two tranches: (a) fifty percent (50%) of the increase shall be effective in 1997; and (b) one hundred percent (100%) of the increase shall

Right M 100's	3.39	0.72	1.00
32			

* Current Excise tax due per pack as of October 1, 1996.

In addition, the following brands of cigarettes registered and commercially produced as of October 01, 1996 and prior to January 01, 1997 are hereby included under this category namely:

Brands	Retail Price excluding VAT & Excise Tax/Pack	Current Excise Tax Per Pack	Specific Tax Rate 1/1/97	1st Tranche Effective Tax Rate 1/1/97	2nd Tranche Effective Tax Rate 1/1/98
Packed by Machine (20's)					
Marlboro King Flip Top (2 x 10's)	7.24	6.95	8.00		
Jet Filter Kings	7.42	4.06	8.00	6.03	8.00
Union Menthol	4.96	0.95	1.00		
Stork Menthol KL	4.51	0.76	1.00		
Stork Int'l. Menthol K	3.81	0.64	1.00		
Stork Int'l. Filter Kings	3.81	0.64	1.00		
Chase Premium Int'l.	4.66	0.82	1.00		
Morgan Select Menthol 100's	4.99	0.94	1.00		
Bowling Gold Menthol 100	4.57	0.72	1.00		
Social Club M 100's	4.83	0.65	1.00		
Social Club M King	4.12	0.53	1.00	0.77	1.00
Social Club F King	4.88	0.63	1.00		
Greatwall Int'l. M	3.26	0.42	1.00	0.71	1.00
Someone M 100's	3.81	0.49	1.00	0.75	1.00
Casino Royale M 100's	5.45	0.81	5.00	2.91	5.00
Dallas M 100's	4.73	0.61	1.00		
Casino Royale F King	5.45	0.81	5.00	2.91	5.00

Brands	Retail Price excluding VAT & Excise Tax/Pack	Current Excise Tax Per Pack	Specific Tax Rate 1/1/97	1st Tranche Effective Tax Rate 1/1/97	2nd Tranche Effective Tax Rate 1/1/98
Asia Boston M 100's	4.03	0.52	1.00	0.76	1.00
Charter Lights FK	4.03	0.52	1.00	0.76	1.00
Valentino M 100's	3.26	0.42	1.00	0.71	1.00
Triple A Freedom SMK	2.70	0.42	1.00	0.71	1.00
Fighter M King	3.57	0.46	1.00	0.73	1.00
Vision 2000 F-King	3.57	0.46	1.00	0.73	1.00
Goodwill Filter King	3.57	0.46	1.00	0.73	1.00
Senate Filter King	3.57	0.46	1.00	0.73	1.00
Light House Filter King	3.57	0.46	1.00	0.73	1.00
Good Companion LFK	3.18	0.41	1.00	0.71	1.00
Pentagon Menthol 100's	3.81	0.49	1.00	0.75	1.00
Bonus M Filter 100	4.26	0.80	1.00		
American Blend No. 1100	5.16	0.97	5.00	2.99	5.00
State F King	4.68	0.88	1.00		

Brands	Retail Price excluding VAT & Excise Tax Per Pack	Current Excise Tax Per Pack	Specific Tax Rate 1/1/97
Packed by Hand (30's)			
Alhambra Especial	2.73	0.36	0.40
Alhambra Excelente	3.08	0.40	0.40
Alhambra Excelsior	1.29	0.17	0.40

- 3) If an existing brand with a net retail price of P5.00 but not over P6.50 per pack (excluding VAT and excise tax), multiply the number of packs by P5.00 to arrive at the specific tax due. However, if the amount of specific tax due from one pack of cigarettes is lower than the ad valorem tax due from such brand as shown in the above list, the latter amount is the specific tax per pack for such brand.
- 4) If an existing brand with a net retail price of below P5.00 per pack (excluding VAT and excise tax), multiply the number of packs by P1.00 to arrive at the specific tax due. However, if the amount of specific tax due from one pack is lower than the ad valorem tax due from such brand as shown in the above list, the latter amount is the specific tax per pack for such brand.

ii) New Brands

- 1) If marketed nationwide, determine the current net retail price of such brands in 20 major supermarkets or retail outlets in Metro Manila and applying the tax classification and rates indicated in Section 3 of these regulations, multiply the appropriate tax rates depending on the net retail price per pack (exclusive of VAT and excise tax) by the number of packs to arrive at the specific tax due;
- 2) If marketed only in the region, determine the current net retail price per pack of such brands in five (5) major supermarkets located in that region and applying the tax classification indicated in Section 4 of these regulations, multiply the appropriate tax rates depending on the price per pack (exclusive of VAT and excise tax) by the number of packs to arrive at the specific tax due.

In the meantime that the current net retail price has not yet been established, the suggested net retail price shall be used within the three (3) months survey period.

2. Illustrations

5.2.1 ON DULY REGISTERED EXISTING BRAND OF CIGARS AND CIGARETTES.

ILLUSTRATION NO. 1 - Specific tax due per pack is lower than the ad valorem tax due per pack as of October 1, 1996.

A manufacturer will remove 100 cases of "AAA Cigarettes" from his place of production. Each case contains 500 packs of cigarettes. These are locally manufactured cigarettes packed by machine. As of October 1, 1996, the ad valorem tax due per pack is P5.85 and the net retail price set forth herein is P5.55. The excise tax due shall be computed as follows:

- Step 1.** Determine the tax classification of the subject brand of cigarettes. The tax classification falls under the P5.00 specific tax category, since the net retail price of P 5.55 is higher than P5.00 but lower than P6.50.
- Step 2.** Compare the ad valorem tax due per pack as of October 1, 1996 to the specific tax due, prescribed under R.A. 8240 whichever is higher and apply the higher tax in the computation of excise tax due. Then determine the percentage (70%) of excise tax due per

is due from each brand on October 1, 1996: Provided, That in cases where the specific tax rates imposed in paragraph (C) sub-paragraphs (1), (2), (3) and (4) herein above will result in an increase in excise tax of more than seventy percent (70%), for a brand of cigarette, the increase shall take effect in two tranches: (a) fifty percent (50%) of the increase shall be effective in 1997; and (b) one hundred percent (100%) of the increase shall be effective in 1998.

d) Beginning January 1, 2000, the rates of specific tax on cigars and cigarettes under paragraphs (A) and (C) sub-paragraphs (1), (2), (3) and (4) hereof, shall be increased by twelve percent (12%).

SECTION 4. Classification and Manner of Taxation of Existing Brands, New Brands and Variant of Existing Brands.

A. Existing Brand

The classification of existing brands of cigarettes, as well as their respective specific tax per pack based on its net retail price as of October 1, 1996, are set forth hereunder:

TECHNICAL REVIEW DIVISION
 REVIEWED BY: [Signature]
 DATE: [Date]

	Pack	Per Pack	1/1/97
Packed by Hand (30's)			
Alhambra Especial	2.73	0.36	0.40
Alhambra Excelente	3.08	0.40	0.40
Alhambra Excelsior	1.29	0.17	0.40
Alhambra Majeste	2.73	0.36	0.40
Alhambra Superior	3.03	0.40	0.40
Campanilla Matamis	1.22	0.16	0.40
Corona Matamis	1.22	0.16	0.40
Crosos B-29	1.22	0.16	0.40
Dulian Lights	2.81	0.37	0.40
Fatu	2.73	0.36	0.40
La Campana Largos	2.81	0.37	0.40
La Campana Matamis	1.22	0.16	0.40
La Dicha Ragaliz	2.73	0.36	0.40
La Flor de Luzon	2.88	0.38	0.40
Magkaibigan Blanco	1.22	0.16	0.40
Magkaibigan Matamis	1.22	0.16	0.40
Malaya Largos	3.65	0.48	0.43
Miss Philippines Mataba	2.73	0.36	0.40
Miss Philippines Payat	2.73	0.36	0.40
Rosalina Matamis	1.22	0.16	0.40
Valenzuela Filter	4.31	0.39	0.40
Valenzuela Menthol	4.20	0.38	0.40
Sportsman M 100's	5.43	0.49	0.49

Brands	Retail Price excluding VAT & Excise Tax Per Pack	Current Excise Tax Per Pack	Specific Tax Rate 1/1/97
Sportsman Regular	4.53	0.41	0.41
Balita Matamis	1.99	0.18	0.40
Balasang Matamis	1.99	0.18	0.40
Miracle Menthol 100	3.88	0.35	0.40
Kalayaan R. Largos	1.99	0.18	0.40
Aurora Matamis	2.28	0.30	0.40
Aurora M Filter	4.49	0.59	0.59
Gloria Matamis	1.52	0.20	0.40
Hi-Class M Filter	4.86	0.64	0.64
Regal F King	2.43	0.32	0.40

Their classification shall remain in force until revised by Congress.

B. New Brand

New brands shall be classified according to their current net retail price. In the meantime that the current net retail price has not yet been established, the suggested net retail price shall be used to determine the specific tax classification. Thereafter, a survey shall be conducted in 20 major supermarkets or retail outlets in Metro Manila (for brands of cigarette marketed nationally) or in five (5) major supermarkets or retail outlets in the region (for brands which are marketed only outside Metro Manila) at which the cigarette is sold on retail in reams/cartons, three (3) months after the initial removal of the new brand to determine the actual net retail price excluding the excise tax and value added tax which shall then be the basis in determining the specific tax

that P6.50.
Step2. Compare the ad valorem tax due per pack as of October 1, 1996 to the specific tax due, prescribed under R.A. 8240 whichever is higher and apply the higher tax in the computation of excise tax due. Then determine the percentage (70%) of excise tax due per pack, and if the result is more than seventy percent (70%) of the increase, then the increase shall take effect in two tranches.

Ad valorem tax due per pack as of October 1, 1996	P5.85
Specific tax due per pack prescribed under R.A. 8240	5.00
Increase	none
Percent of increase	none

Step3. Compute the excise tax due.

In as much as the prescribed specific tax due per pack is lower than the existing ad valorem tax due per pack, the latter shall apply.

Volume of Removals (100 cases x 500 packs)	50,000
Multiplied by applicable new specific tax rate per pack	x P 5.85

EXCISE TAX DUE P 292,500

ILLUSTRATION NO. 2 - Specific tax due per pack is higher than the ad valorem tax due per pack as of October 1, 1996.

A manufacturer will remove 100 cases of "BBB Cigarettes" from his place of production. Each case contains 500 packs of cigarettes. These are locally manufactured cigarettes packed by machine. As of October 1, 1996, the ad valorem tax due per pack is P6.51 and the net retail price set forth herein is P6.78. The excise tax due shall be computed as follows:

Solution: Follow the same procedures in Illustration 1.

- The tax classification of the subject brand of cigarettes falls under P8.00 specific tax category, since the net retail price of P 6.78 is higher than P6.50 but lower than P10.00.
- Ad valorem tax due per pack as of October 1, 1996 P 6.51
 Specific tax due per pack prescribed under R.A. 8240 8.00
 Increase P 1.49
 Percent of Increase 22.89%
- Compute the excise tax due.
 In as much as the prescribed specific tax due per pack is higher than the existing ad valorem tax due per pack, the former shall apply.

Volume of Removals (100 cases x 500 packs)	50,000
Multiplied by Specific tax due per pack	x P 8.00

EXCISE TAX DUE P 400,000

ILLUSTRATION NO. 3 - Increase in excise tax due per pack is more than seventy percent (70%).

A manufacturer will remove 100 cases of "CCC Cigarettes" from his place of production. Each case contains 500 packs of cigarettes. These are locally manufactured cigarettes packed by machine. As of October 1, 1996, the ad valorem tax due per pack is P2.54 and the net retail price set forth herein is P7.00. The excise tax due shall be computed as

Brands	Retail Price excluding VAT & Excise Tax Per Pack	Current Excise Tax Per Pack	Specific Tax Rate 1/1/97	1 st Tranche Effective Tax Rate 1/1/97	2 nd Tranche Effective Tax Rate 1/1/98
Packed by Machine (20's)					
Camel KS	4.71	5.50	5.50		
Salem M 100	4.67	6.96	6.96		
Salem M King	4.82	5.50	5.50		

* Current Excise Tax Due per Pack as of October 1, 1996.

Brands	Retail Price excluding VAT & Excise Tax Per Pack	Current Excise Tax Per Pack	Specific Tax Rate 1/1/97	1 st Tranche Effective Tax Rate 1/1/97	2 nd Tranche Effective Tax Rate 1/1/98
Winston Lts. KS	5.44	5.85	5.85		
Winston Red KS	5.55	5.85	5.85		
Marlboro Lts. KS	6.82	6.51	8.00		
Marlboro Lts M KS	6.84	6.51	8.00		
Marlboro Red KS	6.78	6.51	8.00		
Phillip Morris KS	7.39	6.26	8.00		
Phillip Morris M 100's	7.48	7.45	8.00		
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Champion Int'l	5.51	3.49	5.00		
Champion M 100	4.56	3.30	3.30		
Hope Lux M 100	7.37	4.85	8.00		
Hope Lux M KS	5.86	3.69	5.00		
Mark M 100's	5.66	3.60	5.00		
Mark Premium M King	6.33	3.30	5.00		
More Premium Int'l	5.37	3.30	5.00		
More Premium M 100's	5.29	3.43	5.00		
Montreal F King	6.29	3.30	5.00		
Bowling Green M 100's	7.00	2.54	8.00	5.27	8.00

follows:

Solution. Follow the same procedure in Illustration 1.

- 1) The tax classification of the subject brand of cigarettes falls under P8.00 specific tax category, since the net retail price of P7.00 is higher than P6.50 but lower than P10.00.

2) Ad valorem tax due per pack as of October 1, 1996	P 2.54
Specific tax due per pack prescribed under R.A. 8240	8.00

Increase	P 5.46
Percent of Increase	214.96%
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- 3) Determine the effective specific tax rate.

In as much as the increase in excise tax is more than seventy percent (70%), fifty percent (50%) of the increase in excise tax rate shall be effected in 1997 and one hundred percent (100%) of the increase in excise tax rate shall be effected in 1998.

- a). 1st Tranche - 1997

Amount of increase per pack	P 5.46
Multiplied by effective rate	x .50

Specific tax due	2.73
Add: Ad valorem tax due per pack as of October 1, 1996	+ 2.54

Total effective specific tax rate	P 5.27
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- b). 2nd Tranche - 1998

Amount of increase per pack	P 5.46
Multiplied by effective rate	x 100%

Specific tax due	5.46
Add: Ad valorem tax due per pack as of October 1, 1996	+ 2.54

Total effective specific tax rate	P 8.00
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- 4) Compute the excise tax due.

- a). 1st Tranche - 1997

Volume of removals (100 cases x 500 packs)	50,000
Multiplied by effective specific tax due	x P 5.27

EXCISE TAX DUE	P 263,500
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- b). 2nd Tranche - 1998

Note: Assuming same volume removed by the subject manufacturer in 1998. The excise tax will be computed as follows:

Volume of removals (100 cases x 500 packs)	50,000
Multiplied by effective rate (100%)	x P8.00

EXCISE TAX DUE	P 400,000
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cigarettes packed by machine shall only be packed in twenties.

a) For Domestic Production.

Manufacturers shall be subject to all existing administrative requirements and procedures in the manufacture of cigars and cigarettes.

In addition, cigars and cigarettes which are sold to authorized tax and duty free establishments shall bear the printed phrase "TAX AND DUTY FREE" on each pack, ream/carton in a manner prescribed by the Commissioner of Internal Revenue and approved by the Secretary of Finance on each pack. Example of these authorized tax and duty free establishments are Tax and Duty Free Shop NAIA, Subic Bay Metropolitan Authority Freeport Zone, Clark Special Economic Freeport Zone; and

b) For Export.

1. Manufacturers of cigars and cigarettes intended for export shall, before actual exportation, apply for a permit to export with the Office of the Revenue District Officer, indicating thereat the name of brand(s), corresponding volume of intended removals and port of destination. Manufacturers shall use pack/label/ream/carton indicating therein in bold letters the words "FOR EXPORT" in addition to the regular requirements. File and submit to the General Services Division, Bond Section the corresponding exporter's bond duly approved by the Commissioner for every exportation to answer for any tax deficiency including penalties and compromise of the excise tax due thereon, if any.
2. All exportations should be accompanied by a photocopy of the excise tax return (BIR Form No. 2200) and supporting attachments (BIR Form Nos. 2202 and 2207) and permit to Export and the original copy of Withdrawal Certificate. The exporter shall submit the necessary documentary proofs of actual exportation within thirty (30) days from the date of actual removal of the goods from the place of production. Otherwise, the exporter shall be required to pay the corresponding specific tax due on said exportation.

c) For Importation.

1. The importer must register with the Revenue District Office where his Head Office is located in accordance with existing requirements. For every importation, he must file a written application to import cigars or cigarettes with the Revenue District Office, which in turn shall furnish a copy to the Chief, Regulatory Operations Monitoring Division, (ROMD), BIR National Office, Diliman, Quezon City. Said application must state, among other information, the following:

- (a) Name and address of supplier/ manufacturer;
- (b) Registration Number as importer of exciseable product;
- (c) Volume of importation in packs, classified as to:
 - (1) importation intended for sale to the general public
 - (2) importation intended for sale to tax and duty free outlets
- (b) Name of brand(s);

which shall then issue the corresponding Internal Revenue strip stamps to the importer for transmittal to the foreign supplier/manufacturer for proper affixture in any pack of cigars and cigarettes intended for shipment to the Philippines.

SECTION 9. Manufacturers and Importers Sworn Statement of the Volume of Sales.

Manufacturers and importers of cigars and cigarettes, shall within thirty (30) days from January 1, 1997, and within the first five (5) days of every month thereafter submit to the Commissioner of Internal Revenue a sworn statement of the volume of sales (quantity and peso value) of each particular brand of cigars and/or cigarettes sold at his establishment for the three-month period immediately preceding.

Example of Submission Schedule:

MONTH DUE DATE

January, 1997	On or before February 5, 1997
January & February, 1997	March 5, 1997
1 st Quarter (Jan., Feb. & March)	April 5, 1997
Feb., March, & April, 1997	May 5, 1997
March, April & May, 1997	June 5, 1997
2 nd Quarter (Apr., May & June)	July 5, 1997
May, June & July, 1997	August 5, 1997
June, July & August 1997	September 5, 1997
3 rd Quarter (July, Aug., & Sept.)	October 5, 1997
August, Sept., & Oct., 1997	November 5, 1997
Sept., Oct., & November, 1997	December 5, 1997
4 th Quarter (Oct., Nov., & Dec.)	January 5, 1998
Nov., Dec., & Jan., 1998	February 5, 1998
Dec., Jan., & Feb. 1998	March 5, 1998
1 st Quarter (Jan., Feb., & March)	April 5, 1998

SECTION 10. Treatment of Imported Cigars and Cigarettes not Bearing Philippine Internal Revenue Stamps or Identifying Label or Inscription. - If despite the requirements in Sections 6, 7 and 8 of these regulations, an importer of cigarettes is able to import cigars or cigarettes without the prescribed Philippine internal revenue stamps and the identifying label or inscription, said imported cigars and cigarettes shall be placed in a bonded warehouse under customs custody and at cost to the importer for destruction.

SECTION 11. Transitory Provisions. For the effective implementation of the Act, the following guidelines shall be followed during the transitory period:

A. For Locally Manufactured Cigars and Cigarettes.

- a) Conduct of stocktaking or physical count. The BIR shall conduct a physical inventory of packaging materials by brand (labels, cartons, etc.) and finished products for all brands of cigar and cigarettes then existing before January 1, 1997 in the presence of authorized representative of the concerned manufacturer who shall jointly attest to the fact of witnessing and verifying the results thereof by affixing their signatures on the attestation clause in the inventory certificate.

EXCISE TAX DUE

P 263,500
=====

b). 2nd Tranche - 1998

Note: Assuming same volume removed by the subject manufacturer in 1998. The excise tax will be computed as follows:

Volume of removals (100 cases x 500 packs)	50,000
Multiplied by effective rate (100%)	x P8.00

EXCISE TAX DUE

P 400,000
=====

5.2.2 On New Brand of Cigarettes

ILLUSTRATION - A manufacturer or importer will remove from place of production or cause the release from customs custody 100 cases of "EEE Menthol 100". Each case contains 500 packs of cigarettes. These are cigarettes packed by machine to be introduced in the market. The suggested net retail price declared by the manufacturer or importer is P5.50. The excise tax shall be computed as follows:

Solution. Follow the same procedures in Illustration 1.

1) The tax classification of the subject brand of cigarettes falls under P5.00 specific tax category, since the suggested net retail price is higher than P5.00 but lower than P6.50.

2) Compute the excise tax due.

Volume of Removals/Customs Releases	50,000
Multiplied by specific tax rate	x P 5.00

EXCISE TAX DUE

P 250,000
=====

Three (3) months after date of introduction in the market the survey was conducted with the following results determined;

Case I - The Current Net Retail Price of P7.00 is higher than the Suggested Net Retail Price of P5.50. The excise tax due shall be computed as follows:

Solution:

1. Compare the Suggested Net Retail Price to the Current Net Retail Price, whichever is higher and apply the higher amount in the determination of tax classification.

Suggested Net Retail Price	-----	P 5.50
Current Net Retail Price	-----	7.00

2. Determine the tax classification of the subject brand of cigarette.

In as much as the Suggested Net Retail Price is lower than the Current Net Retail Price, the latter shall prevail.

3. The tax classification of the subject brand falls under P8.00 specific tax category, since the Current Net Retail Price of P7.00 is more than P6.50.

4. Compute the excise tax due:

Volume of Removals/ Customs Releases	-----	50,000
Multiplied by specific tax rate	-----	P 8.00

Excise Tax Due P 400,000

Less: Excise tax paid based on Suggested Net Retail Price (P50,000 x P5.00) 250,000

Deficiency Excise Tax Due 150,000

Add: Surcharge 25% x x x

Interest P.A. 20% x x x

Compromise x x x

TOTAL DEFICIENCY EXCISE TAX DUE

P 150,000
=====

Diliman, Quezon City. Said application must state, among other information, the following:

- (a) Name and address of supplier/ manufacturer;
- (b) Registration Number as importer of exciseable product;
- (c) Volume of importation in packs, classified as to:
 - (1) importation intended for sale to the general public
 - (2) importation intended for sale to tax and duty free outlets
- (b) Name of brand(s);
- (e) Value of importation;
- (f) Country of origin;
- (g) Port of destination; and
- (h) Suggested retail price.

2. As a condition for the approval of the application to import, the importer must require the supplier/manufacturer to print in every pack/label/ream/carton/ box, in bold letters, the following words/phrases:

- (a) For importation intended for sale to the public
"For Export to the Philippines; Tax and Duty Paid"
- (b) For importation intended for sale to duty free shops
"For Export to the Philippines; Tax and Duty Free"
"Not For Resale Outside of Free Port Zone"

3. Require the manufacturer/supplier to pack cigarettes only in twenty sticks per pack.

4. Require the manufacturer / supplier to affix a bar code or a fusion stamp on every pack of cigar or cigarettes intended to be imported as prescribed in Section 6 hereof.

5. File and submit to the General Services Division, Bond Section the corresponding importer's bond duly approved by the Commissioner for every importation to answer for any tax deficiency including penalties and compromise of the excise tax due thereon, if any.

6. The application to import must be accompanied by a sworn statement/ declaration of their importations stating among others the actual cost per pack of cigars and cigarettes, the expenses incident to the importation up to its release from customs custody, suggested net retail price per pack and intended sales retail outlet.

For new brands to be imported, the suggested net retail price per pack shall initially be used to determine the applicable specific tax rates thereon. However, upon determination of the current net retail price, the same shall be used as basis for specific tax classification. In case the suggested net retail price is higher than the current net retail price, the former shall prevail. Otherwise, the current net retail price shall be the basis of tax classification.

7. Only after the specific tax has been paid in accordance with Section 8 hereunder will the Authority to Import be signed and released to the importer for attachment to the required Formal Entry Declaration to be used in the preparation of the Withdrawal Certificate.

8. All Revenue District Officers who had processed application to import cigars or cigarettes must compile a list of approved application which must tally with the Withdrawal Certificate issued by the Bureau of Customs upon release of the imported cigars or cigarettes. Any discrepancy noted must immediately be reconciled and an assessment of additional specific tax, if warranted, shall be issued immediately.

SECTION 8. Time, Manner and Place of Payment

8.1. For Locally Manufactured Cigars and Cigarettes.

1) **FILING OF RETURN** - Any person liable to pay specific tax on locally produced cigars and cigarettes shall, before removal of such products, file in triplicate a consolidated return (BIR Form 2200) and

be placed in a bonded warehouse under customs custody and at cost to the importer for destruction.

SECTION 11. Transitory Provisions. For the effective implementation of the Act, the following guidelines shall be followed during the transitory period:

A. For Locally Manufactured Cigars and Cigarettes.

a) **Conduct of stocktaking or physical count.** The BIR shall conduct a physical inventory of packaging materials by brand (labels, cartons, etc.) and finished products for all brands of cigar and cigarettes then existing before January 1, 1997 in the presence of authorized representative of the concerned manufacturer who shall jointly attest to the fact of witnessing and verifying the results thereof by affixing their signatures on the attestation clause in the inventory certificate.

Any overage or shortage found upon reconciliation of the results of the stocktaking with the stock balances in the Official Register Book (ORB) as of the date and time of stocktaking should be debited or credited, as the case may be, in the proper ORB and signed by the Internal Revenue Officers with the corresponding report and recommendation to the Commissioner of Internal Revenue.

b) Unused packaging materials

Unused packaging materials shall be allowed to be used in the production of cigarettes until April 30, 1997. Thereafter, the use of old packaging materials shall not be allowed. Unused packaging materials after said date shall be properly accounted for by authorized revenue officers and disposed by burning or shredding. No acquisitions of old packaging materials during the transition period shall be allowed.

Books of Accounts shall be maintained by the manufacturer for the recording of packaging materials such as but not limited to: packs/labels, cartons/reams/boxes.

c) Monitoring of movements of old packaging materials

Producers and manufacturers of cigarettes should submit to the BIR a monthly summary of consumption of packaging materials setting forth the following information by brand of cigarettes:

- (1) Volume of unused materials at the start of the period
- (2) Volume of materials received during the period
- (3) Volume of materials consumed during the period
- (4) Volume of material wastage during the period
- (5) Volume of unused materials at the end of the period

Said summary of consumption shall be used to monitor removals of cigars and cigarettes subject to verification by the Commissioner or his duly authorized representative.

B. For Imported Cigars and Cigarettes.

Within 30 days from the date of the promulgation of these regulations, importers and wholesalers of imported cigarettes shall report in writing to the Commissioner of Internal Revenue the quantity, type and brand of unstamped cigarettes in stock. Any tax paid stocks, remaining unsold ninety (90) days from the effective date of these regulations shall likewise be reported.

SECTION 12. Incremental Revenue Allotment. - Fifteen percent (15%) of the

incremental revenue collected from the excise tax on tobacco products under this Act shall be allocated and divided among the provinces producing burley and native tobacco in accordance with the volume of tobacco leaf production. The fund shall be exclusively utilized for programs in pursuit of the following objectives:

- (a) Cooperative projects that will enhance better quality of agricultural products and increase income and

Interest P.A. 20%
Compromise

xxx
xxx

TOTAL DEFICIENCY EXCISE TAX DUE P 150,000

Case II - The Current Net Retail Price of P4.95 per pack is lower than the Suggested Net Retail Price per pack of P5.50. The excise tax due shall be computed as follows:

Solution:

1. Compare the Suggested Net Retail Price to the Current Net Retail Price whichever is higher and apply the higher amount in the determination of tax classification.

Suggested Net Retail Price P 5.50
Current Net Retail Price 4.95

2. In as much as the Suggested Net Retail Price is higher than the Current Net Retail Price, the former shall apply.

The tax classification of the subject brand falls under P5.00 specific tax category, since the Suggested Net Retail Price of P5.50 is higher than P5.00 but lower than P6.50.

3. Compute the excise tax due:

Volume of Removals / Customs Releases
(100 cases x 500 packs) ----- 50,000
Multiplied by specific tax rate ----- P 5.00

EXCISE TAX DUE P 250,000

SECTION 6. Internal Revenue Stamps.

There shall be conspicuously printed or affixed an internal revenue stamp whether of a bar code design on each pack and on both sides of boxes of cigars and cartons/reams of cigarettes or fusion stamp which must be heat fused on each pack of cigar and cigarette in a manner prescribed by the Commissioner of Internal Revenue and approved by the Secretary of Finance.

The bar code design shall be in conformity with the specification prescribed by the Philippine Article Numbering Council providing, among others:

- 1) Country Code;
- 2) Manufacturers' Code;
- 3) Brand Code; and
- 4) Specific Tax Classification Code.

The fusion stamp must contain customized security features including safety tint lettering and must be produced with a sunken die and be suitable for positive application when heated to the receiving surface such as cellophane and polypropylene. Each stamp shall measure approximately 1/2" x 1/2", irregular in shape, and shall contain not less than three (3) distinguishing colors. The safety tint letter shall not be considered as one of the stamp color.

The paper to be used must contain identifiable protective features which shall at once permit analysis to establish its authenticity. It must contain fibers which under ordinary daylight are not distinguishable from the fibers in the base paper but shall become brightly fluorescent when exposed to rays of ultraviolet light.

Subject to the constraints under the Act, the Commissioner of Internal Revenue shall recommend a uniform, practical and economical manner of evidencing payment by means of the bar code or fusion method.

SECTION 7. Administrative Requirements and Procedures.

In general, duly registered existing brands or new brands of

SECTION 8. Filing and Payment of Excise Tax.

8.1. For Locally Manufactured Cigars and Cigarettes.

- 1) **FILING OF RETURN** - Any person liable to pay specific tax on locally produced cigars and cigarettes shall, before removal of such products, file in triplicate a consolidated return (BIR Form 2200) and supporting attachments (BIR Form 2202 and 2207) setting forth the registered brand names and brand codes, the total production during the return period, the quantity of cigars and cigarettes to be removed and the excise tax due.

2) **PAYMENT OF SPECIFIC TAX**

- a) The specific tax due on locally manufactured or produced cigars and cigarettes shall be paid by the manufacturer or producer before removal from the place of production, or by the person who is found in possession of untaxed domestically produced cigars and cigarettes.

- b) **Advance Payment or Deposit** - Every person liable to pay specific tax who is authorized to avail of the advance payment scheme may be allowed to effect removals of exciseable articles from his place of production without prior filing of the prescribed excise tax return and supporting attachments provided he has sufficient balance of deposits with the BIR to cover full payment of the excise tax due on said removals. The prescribed excise tax return and all attachments may be filed with a duly accredited bank or duly authorized collection agents not later than the first working day of the calendar week immediately following the week of actual removals. Payment of excise tax deposits shall be made by filing in triplicate a Payment Form (BIR Form No. 0605).

- 3) **WHERE TO FILE AND PAY** - The excise tax return and all the supporting attachments shall be filed with, and the specific tax due thereon paid to a bank duly accredited by the Commissioner located in the revenue district where such person is registered or required to register. In places where there are no duly accredited agent bank within the municipality or city, the excise tax return together with the supporting attachments shall be filed with and any amount due paid to the duly authorized collection agent in the Revenue District Office or duly authorized Treasurer of the Municipality where the production plant is located.

8.2. For Imported Cigars and Cigarettes.

- 1) **FILING OF RETURN** - In general, prior to the approval of the importer's application to import cigar and cigarettes, he shall be required to pay the specific tax on his importation and for this purpose, the importer shall file in triplicate a consolidated return (BIR form No. 2200) and supporting attachments (BIR Forms 2202 and 2207) setting forth the brand name, total number of packs to be imported and the suggested net retail price.

- 2) **WHERE TO FILE AND PAY** - The excise tax return shall be filed with the RDO having jurisdiction over the head office of the importer and the specific tax due thereon paid to a bank duly accredited by the Commissioner located in the Revenue District where such person is registered or required to register. In cases where there are no duly accredited agent bank within the municipality or city, the excise tax return and all the supporting attachments shall be filed with and any amount due paid to the duly authorized collection agent in the Revenue District Office or duly authorized Treasurer of the Municipality where such taxpayer has his place of business or where his main office is located.

A copy of the return shall be filed in the Office of the Accountable Forms Division of the National Office, BIR Compound

tobacco in accordance with the volume of tobacco leaf production. The fund shall be exclusively utilized for programs in pursuit of the following objectives:

- (a) Cooperative projects that will enhance better quality of agricultural products and increase income and productivity of farmers;
- (b) Livelihood projects particularly the development of alternative farming system to enhance farmer's income;
- (c) Agro-industrial projects that will enable tobacco farmers to be involved in the management and subsequent ownership of projects such as post-harvest and secondary processing like cigarette manufacturing and by-product utilization.

Handwritten initials "JC" inside a circle.

SECTION 13. Civil and/or Criminal Penalties.

OFFICE OF THE PHILIPPINE LEGISLATIVE LIBRARY DIV.

- (a) Any manufacturer or importer who, in violation of this section, knowingly misdeclares or misrepresents any pertinent data or information in his or its sworn statement, shall, upon discovery, be penalized by a summary cancellation or withdrawal of his or its permit to engage in business as manufacturer or importer of cigars or cigarettes.
- (b) 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.
- (c) Any person liable for any of the acts or omissions prohibited under this section shall be criminally liable and penalized under Section 253 of this Code
- (d) 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.
- (e) If the offender is not a citizen of the Philippines, he shall be deported immediately after serving the sentence without further proceedings for deportation.

SECTION 14. Apprehension and Disposition of Untaxed Imported Cigars and Cigarettes.

Untaxed cigars and cigarettes illegally removed from the place of production or from customs custody, or smuggled and landed at any unauthorized points of destination, including those brought to the Special Economic Zone Areas without prior permit issued by the Bureau of Internal Revenue, shall be subject to confiscation, forfeiture and destruction.

SECTION 15. Repealing Clause

All regulations, rulings, orders or portions thereof which are inconsistent with the provisions of these regulations are hereby revoked and/or modified accordingly.

SECTION 16. Effectivity

These Regulations shall take effect on January 1, 1997.

Handwritten signature of Roberto F. De Ocampo.
ROBERTO F. DE OCAMPO
Secretary of Finance

Recommending Approval:

Handwritten signature of Liwayway Vinzon-Chato.

LIWAYWAY VINZON-CHATO
Commissioner of Internal Revenue