FURTHER AMENDING CERTAIN PROVISIONS OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED

EXECUTIVE ORDER NO. 22, June 25, 1986

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WHEREAS, there is an urgent need to rationalize the imposition of excise taxes;

WHEREAS, there is also a need to simplify the methods of computation and collection thereof;

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Republic of the Philippines, do hereby order:

SECTION 1. - Section 109 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

> "SEC. 109. - Articles subject to excise taxes. - Excise taxes apply to articles manufactures or produced in the Philippines for domestic sale or consumption or for any other dispositions, excise taxes shall be in addition to the customs duties, if any.
>
> For purposes of this Title, excise taxes herein imposed and based on weight or volume capacity or any other physical unit of measurement shall be referred to as "specific tax" and an excise tax herein imposed and based on selling price or other specified value of the article shall be referred to as "ad valorem tax".

SECTION 2. - Section 110 of the National Internal Revenue Code, as amended, is hereby further amended by adding the following paragraph:

> "(d) Credit for excise tax on articles actually exported. - When articles locally produced or manufactured are removed and actually exported without returning to the Philippines whether so exported in their original state or as ingredients or parts of any manufactured articles or products, any excise tax paid thereon shall be credited or refunded upon submission of the proof of actual exportation and upon receipt of the corresponding foreign exchange."

SECTION 3. - Section 117 of the National Internal Revenue Code is hereby amended to read as follows:

> "SEC. 117. Removal of spirits under bond. - Spirits requiring rectification may be removed from the place of production to some other establishment for the purpose of rectification without the prepayment of the excise tax: Provided, the distiller removing such spirits and the rectifier receiving them shall file with the Commissioner their joint bond conditioned upon the payment by the rectifier of the excise tax due on the finished product: Provided, further, that in cases where alcohol has already been rectified either by original and continuous distillation or by redistillation is further re-rectified, no loss for rectification and handling shall be allowed and the rectifier thereof shall pay the specific tax due on such losses."

SECTION 4. - Section 124 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

> "SEC. 124. Ad Valorem tax on fermented liquors. - There shall be levied, assessed and collected an ad valorem tax equivalent to fifty (50%) percent of the brew's wholesale selling price, excluding the ad valorem tax imposed under this Section, on beer lager beer, ale, porter and other fermented liquors except tuba, basi, tapuy

and similar domestic fermented liquors, but in no case shall the said ad valorem tax be less then P1.00 per regular 320 cc. bottle."

SECTION 5. - Section 126 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 126. Cigars and Cigarettes. - (a) Cigars - There shall be levied, assessed and collected an ad valorem tax of fifteen (15%) percent of the manufacturer's of importer's registered wholesale price including the ad valorem tax imposed under this Section on all cigars manufactured in or imported into the Philippines.

"(b) Cigarettes packed in thirties. - There shall be levied, assessed and collected an ad valorem tax of twenty (20%) percent of the manufacturer's registered wholesale price including the ad valorem tax imposed under this Section on all cigarettes packed in thirties: Provided however, that the rate prescribed in this paragraph shall be increased to twenty-five (25%) percent beginning July 1, 1987.

"(c) Cigarettes packed in twenties. - There shall be levied, assessed and collected an ad valorem tax at the rates prescribed below based on the manufacturer’s registered wholesale price, including the ad valorem tax herein imposed on all cigarettes packed in twenties:

(1) On locally manufactured cigarettes bearing a foreign brand, fifty (50%) percent beginning July 1, 1986 and sixty (60%) percent beginning January 1, 1987; Provided, that this rate shall apply regardless of whether or not the right to use or title to the foreign brand was sold or transferred by its owner to the local manufacturer. Whenever it has to be determined whether or not a cigarette is a foreign brand, the listing of brands manufactured in foreign countries appearing in the current World Tobacco Directory shall govern.

(2) On other locally manufactured cigarettes forty (40%) percent beginning July 1, 1986 and fifty (50%) percent beginning January 1, 1987.

Duly registered or existing brands of cigarettes packed in twenties shall not be allowed to be packed in thirties.

Where the existing registered wholesale price, including tax, of cigarettes packed in 20s does not exceed P3.60 per pack, the rate for the cigarettes packed in 30s shall apply.

"(d) Imported cigarettes. - If the cigarettes are of foreign manufacture, regardless of the retail price and contents per pack, there shall be levied, assessed and collected an ad valorem tax of seventy-five (75%) percent of the importer’s wholesale price including the tax imposed in this paragraph.

"(e) Printing of rates of tax. - There shall be printed on all packs of locally manufactured cigarettes the amount of the ad valorem tax per pack, except those to be used as samples. No cigarettes shall be allowed to be removed from any factory unless this requirement has been complied with."

SECTION 6. All orders, issuances, rules and regulations or any part thereof which are inconsistent with the provisions of this Executive Order are hereby repealed or modified accordingly.

SECTION 7. This Executive Order shall take effect on July 1, 1986.

Done in the City of Manila, this 25th day of June, in the year of Our Lord, nineteen hundred and eighty-six.

(Sgd.) CORAZON C. AQUINO

President of the Philippines

By the President

(Sgd.) JOKER P. ARROYO
Executive Secretary

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