

AMENDING CERTAIN PROVISIONS OF PRESIDENTIAL DECREE NO. 1994 AND INCREASING THE SPECIFIC TAX ON CIGARETTES.

PRESIDENTIAL DECREE NO. 2007, January 03, 1986

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WHEREAS, there is an imperative need to simplify the system of taxation and make more efficient the collection of internal revenue taxes;

WHEREAS, there is an urgent need for additional tax revenue in support of our national economic recovery Program;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree:

SECTION 1. Section 126 of the National Internal Revenue Code, as amended by Presidential Decree No. 1994, is hereby further amended to read as follows:

"SEC. 126. Cigars and cigarettes. —There shall be collected on cigars and cigarettes, the following taxes:

"(a) Cigars.—

"(1) When the manufacturer's or importer's wholesale price, less the amount of the tax does not exceed thirty pesos per thousand, on each thousand two pesos and thirty centavos;

"(2) When the manufacturer's or importer's wholesale price, less the amount of the tax exceeds thirty pesos but does not exceed sixty pesos per thousand, on each thousand, four pesos and sixty centavos; and

"(3) When the manufacturer's or importer's wholesale price, less the amount of the tax, exceeds sixty pesos per thousand, on each thousand, seven pesos.

"(b) Cigarettes packed in thirties. — "(1) When the retail price per pack does not exceed two pesos and forty centavos, on each thousand, five pesos;

"(2) When the retail price per pack exceeds two pesos and forty centavos, but does not exceed two pesos and ninety centavos, on each thousand, nine pesos;

"(3) When the retail price per pack exceeds two pesos and ninety centavos, on each thousand, thirteen pesos and fifty centavos.

"(c) Cigarettes packed in twenties. — "(1) When the retail price per pack does not exceed four pesos and fifty centavos, on each thousand, eighteen pesos;

"(2) When the retail price per pack exceeds four pesos and fifty centavos, but does not exceed six pesos, on each thousand, thirty six pesos;

"(3) When the retail price per pack exceeds six pesos, but does not exceed seven pesos and fifty centavos, on each thousand, fifty pesos;

"(4) When the retail price per pack exceeds seven pesos and fifty centavos, but does not exceed nine pesos, on

each thousand, sixty pesos;

"(5) When the retail price per pack exceeds nine pesos, but does not exceed ten pesos, on each thousand, eighty six pesos;

"(6) When the retail price per pack exceeds ten pesos, but does not exceed eleven pesos, on each thousand, one hundred twenty pesos;

"(7) When the retail price per pack exceeds eleven pesos, but does not exceed twelve pesos, on each thousand, one hundred and seventy pesos; and "(8) When the retail price per pack exceeds twelve pesos, on each thousand, two hundred twenty six pesos;

"(d) Imported cigarettes. — If the cigarettes are of foreign manufacture, regardless of the retail price or contents per pack, on each thousand, two hundred twenty six pesos;

"(e) Ad Valorem Tax on Cigarettes. — In addition to the specific tax imposed herein, there shall be levied, assessed and collected a 2% (two percent) ad valorem tax on cigarettes based on the gross selling price, net of specific tax.

"(f) Effect of change of rates or classification. — Whenever there is a change of tax rates or classification of cigars and cigarettes; no downward re-classification for tax purposes of any existing brand shall be allowed, and cigars and cigarettes subject to tax at a lower rate before such change shall automatically be subject to the corresponding higher rate or classification.

"In case a manufacturer introduces a new category of cigarettes using a foreign brand or trademark under a licensing agreement, for tax purposes, the maximum retail price of such cigarettes shall in no case be lower than the prevailing maximum retail price of an existing category of cigarettes using a foreign brand or trademark of comparable quality, blend, cost of production and other relevant factors.

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

"(g) Determination of rates applicable to cigars. —The price at which the various classes of cigars are sold at wholesale in the factory or in the establishment of the importer to the public shall determine the rate of the tax applicable to such cigars. If the manufacturer or importer also sells, or allows to be sold, his cigars at wholesale in another establishment of which he is the owner or in the profits of which he has an interest, the wholesale price in such establishment shall determine the rate of the tax applicable to the cigars therein sold. Should such price be less than the cost of manufacture or importation, such cost and expenses incurred until the cigars are finally sold, plus 10% thereof shall constitute the wholesale price.

"(h) Printing of rates of tax. — All packs of locally manufactured cigarettes shall bear thereon, in print, the amount of specific tax per pack except those used as samples. No cigarettes shall be allowed to be removed from any factory unless this requirement has been complied with.

"(i) As a necessary and urgent measure to conserve foreign exchange and to prevent possible revenue loss, henceforth the Bureau of Internal Revenue shall not authorize the local manufacture of non-essential commodities as cigarettes, fermented liquor and wine using brand names of foreign products under licensing arrangements other than the many existing brand names now authorized.

SEC. 2. All Laws, Decrees, Executive Orders and Regulations, and other issuances or parts thereof which are inconsistent with this Decree are hereby repealed, amended or modified accordingly.

SEC. 3. Effectivity. This decree shall take effect immediately.

Done in the City of Manila, on this 3rd day of January, in the year of Our Lord, nineteen hundred and eighty-six.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JOAQUIN T. VENUS, JR.
Deputy Presidential Executive Assistant

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