

PART 4

EXCISE TAX ON TOBACCO PRODUCTS



SEC. 144 - 147, TAX CODE

Updated under RR. No. 7 - 2021
- Sec. 3B Revised Rates and
Bases of Excise Tax

CHAPTER 4: EXCISE TAX ON TOBACCO PRODUCTS

SEC. 144 Tobacco Products, Heated Tobacco Products, and Vapor Products

A. TOBACCO PRODUCTS

- ☐ Shall mean products entirely or partly made of leaf tobacco as raw material that are manufactured to be used for smoking, sucking, chewing or snuffing, or by any other means of consumption. *RR-No. 7 – 2021, Sec. 2 – Definition of Terms*

Tobacco Products	Tax Rates		
	2019	2020	2021
a. Tobacco twisted by hand or reduced into a condition to be consumed in any manner other than the ordinary mode of drying and cutting	P2.20/kg	2.29/kg	2.38/kg
b. Tobacco prepared or partially prepared with or without the use of any machine or instruments or without being pressed or sweetened			
c. Fine cut shorts and refuse, scrips, clippings, cuttings, stems and sweeping of tobacco			
d. On tobacco specially prepared for chewing so as to be unsuitable for use in any manner	1.89/kg	1.97/kg	2.05/kg

- ☐ *Subject to 4% yearly increase thereafter*

B. HEATED TOBACCO PRODUCTS

- ☐ Shall refer to tobacco products that may be consumed through heating tobacco, either electrically or through other means sufficiently to release an aerosol that can be inhaled, without burning or any combustion of the tobacco. It includes liquid solution and gels that are a part of the product and are heated to generate an aerosol. *RR-No. 7 – 2021, Sec. 2 – Definition of Terms*

Date of Effectivity	Quantity	Excise Tax Rate
January 1, 2020	Per pack of 20 units or any packaging combinations of not more than twenty (20) units	P10.00
January 23, 2020		P25.00
January 1, 2021		P27.50
January 1, 2022		P30.00
January 1, 2023		P32.50
2024 Onwards		specific tax rate shall be increased by 5% every year effective January 1, 2024

HOW TO COMPUTE EXCISE TAX ON HEATED TOBACCO?

Illustration 1:

On **January 23, 2020**, Boss Corp. removes from its tobacco plant 100 cases of Brand GTR heated tobacco. 1 case contains 50 reams while 1 ream contains 10 packs.

Requirements: Compute for the total excise tax due.

Computations: Excise

No. of Cases	100
Multiply by the no. of reams/case	<u>50</u>
Total number of reams	5,000
Multiplied by the no. of packs/ream	<u>10</u>
Total number of packs	50,000
Multiplied by tax rate	<u>25.00</u>
Total excise tax Due	P1,250,000

C. VAPOR PRODUCTS

- Means Electronic Nicotine and Non-Nicotine Delivery Systems (ENDS/ENNDS), which are combinations of :
- (i) A liquid solution or gel, that transform into an aerosol without combustion through the employment of a mechanical or electronic heating element, battery or circuit that can be used to heat such solution or gel, and includes but not limited to:
 - (ii) A cartridge
 - (iii) A tank, and
 - (iv) The device without a cartridge or tank. It is commonly known as nicotine salt/salt nicotine and conventional freebase or classic nicotine and other similar products. All vapor products shall be covered regardless of its nicotine content.

Vapor Products

Date of Effectivity	Quantity	Excise Tax
January 1, 2020 to January 22, 2020	0.00ml to 10.00ml	P10.00
	10.01ml to 20.00ml	P20.00
	20.01ml to 30.00ml	P30.00
	30.01 ml to 40.00ml	P40.00
	40.01ml to 50.00 ml	P50.00
	More than 50.00ml	P50.00 plus P10.00 for every additional 10.00 ml

a. Nicotine Salt or Salt Nicotine

Date of Effectivity	Quantity	Excise Tax Rate
January 23, 2020	Per milliliter or a fraction thereof	₱37.00
January 1, 2021		₱42.00
January 1, 2022		₱47.00
January 1, 2023		₱52.00
2024 Onwards		rate shall be increased by 5% every year effective January 1, 2024

b. Conventional 'Freebase' or 'Classic' Nicotine

Date of Effectivity	Quantity	Excise Tax Rate
January 23, 2020	Per ten (10) milliliter or a fraction thereof	₱45.00
January 1, 2021		₱50.00
January 1, 2022		₱55.00
January 1, 2023		₱60.00
2024 Onwards		rate shall be increased by 5% every year effective January 1, 2024

The rates of tax imposed herein shall apply to any liquid substance, regardless of nicotine content, including nicotine-free liquid or any similar product.

HOW TO COMPUTE EXCISE TAX ON VAPOR PRODUCTS?

Illustration 1:

On **January 5, 2021**, Fortune Corp. removes from its finished goods facility Brand V6 Vapor products with the following details:

Case 1. Nicotine Salt or Salt Nicotine – containing less than 1ml.

Product type: Nicotine Salt or Salt Nicotine with container size of 0.8ml, 300 packs of vapor products with 2 pods per pack.

Requirement: Compute the total excise tax due.

Computation: Per container

Container size	0.8 ml	
No. of Packs		300
Multiply by the no. of pads/ pack		<u>2</u>
Total number of pods		600
Multiply: tax rate		<u>42.00</u>
Total Excise Tax Due		P25,200.00

Case 2: Conventional “Freebase” or “Classic” Nicotine – Release of product on January 11, 2021 containing less than 10ml

Product type: Conventional “Freebase” or “Classic” Nicotine with container size of 7ml.

Applicable tax rate P50, a fraction of 10ml.

300 packs of vapor products

1 small bottle/pack

Requirement: Compute the total excise tax due.

Computation:

No. of packs	300
Multiply: Tax Rate	<u>50</u>
Total Excise Tax	P15,000.00

Case 3: Conventional “Freebase” or “Classic” Nicotine w/ container size of 15ml

Product type: Conventional “Freebase” or “Classic” Nicotine with container size of 15ml was released on January 8, 2021.

Applicable tax rate P100.00 (10ml.(50) plus a fraction of 10ml (50)).

300 packs of vapor products

1 small bottle/pack

Requirement: Compute the total excise tax due.

Computation:

No. of packs	300
Multiply: Tax Rate	<u>100</u>
Total Excise Tax	P30,000.00

SEC. 145 CIGARS AND CIGARETTES

A. CIGARS

- ☐ Shall mean all rolls of tobacco or any substitute thereof, wrapped in leaf tobacco that are consumed via combustion of the tobacco. *RR-No. 7 – 2021, Sec. 2 – Definition of Terms*

a. Cigars [Excise tax = ad valorem tax plus (+) specific tax]

Date of Effectivity	Ad Valorem Tax Rate is based on the net retail price per cigar (excluding the excise and value-added taxes)	Add: Specific Tax
January 1, 2020	20%	₱6.57
January 1, 2021	20%	₱6.83
January 1, 2022	20%	₱7.10
January 1, 2023	20%	₱7.38
2024 Onwards	20%	rate shall be increased by 5% every year effective January 1, 2024

HOW TO COMPUTE EXCISE TAX ON CIGARS?

Illustration 1:

On **May 5, 2021**, Philip Corp. produced a total of 8,000 kilos of dried tobacco leaves from its plantation and processed into cigars. It produced 1,000 packs, with 10 pieces/ pack and net retail price of P200/pack.

Requirement: Compute the total excise tax due.

Computation: (Excise Tax = Ad valorem tax + specific tax)

Ad valorem tax = 1,000 packs x P200/pack x 20%	P40,000
Specific tax = 1,000 packs x 10 pcs. x P6.83/pcs.	<u>68,300</u>
Total excise tax due	P108,300

B. CIGARETTES PACKED BY HAND

- ❑ Shall refer to the manner of packaging of cigarette sticks using an individual persons hands and not through any other means such as a mechanical device or equipment. *RR- No. 7 – 2021, Sec. 2 – Definition of Terms*

b. Cigarettes packed by hand

Date of Effectivity	Quantity	Excise Tax Rate
January 1, 2020	Per pack of 20s or any packaging combinations of not more than 20 packed by hands	₱45.00
January 1, 2021		₱50.00
January 1, 2022		₱55.00
January 1, 2023		₱60.00
2024 Onwards		rate shall be increased by 5% every year effective January 1, 2024

HOW TO COMPUTE EXCISE TAX ON CIGARETTES PACKED BY HAND?

Illustration 1:

On **March 15, 2022**, Winston Corp. produced a total of 10,000 kilos of dried tobacco leaves from its plantation and processed into cigarettes packed by hand. It produced 6,000 packs, with 20 pieces/pack.

Requirement: Compute the total excise tax due.

Computation:

Excise Tax Due = 6,000 x ₱55.00/packs ₱330,000.00

C. CIGARETTES PACKED BY MACHINE

c. Cigarettes packed by machine

Date of Effectivity	Quantity	Excise Tax Rate
January 1, 2020	Per pack of 20s or any packaging combinations of not more than 20 packed by machine	₱45.00
January 1, 2021		₱50.00
January 1, 2022		₱55.00
January 1, 2023		₱60.00
2024 Onwards		rate shall be increased by 5% every year effective January 1, 2024

SEC. 146 INSPECTION FEE

For inspection made in accordance with this Chapter, there shall be collected a fee detailed as follows. (11346)

PRODUCT	INSPECTION FEE	UNIT OF MEASURE		
		Pieces/Sticks/Units	Milliliter	Kilo
Cigars	₱0.50	1,000 or fraction thereof		
Cigarettes	₱0.10	1,000 or fraction thereof		
Heated tobacco	₱0.10	1,000		
Vapor Products	₱0.01		1.00	
Whole Leaf Tobacco	₱0.02			1.00 or fraction thereof
Scrap and Other Mfd. Tobacco	₱0.03			1.00 or fraction thereof

References

National Internal Revenue Code of 1997 as amended

<https://www.bir.gov.ph/index.php/tax-code.html#title6>

Revenue Regulation No.7 – 2021

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