

[REPUBLIC ACT NO. 1608, August 23, 1956]

**AN ACT TO AMEND CERTAIN SECTIONS OF TITLE IV OF
COMMONWEALTH ACT NUMBERED FOUR HUNDRED SIXTY-SIX,
OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE
CODE, AS AMENDED, AND FOR OTHER PURPOSES.**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section one hundred twenty-five of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"SEC. 125. *Payment of specific tax on imported articles.*—Specific taxes on imported articles shall be paid by the owner or importer to the customs officers, conformably with regulations of the Department of Finance and before the release of such articles from the custom house, or by the person who is found in possession of articles which are exempt from specific tax other than those to whom the same is lawfully issued excepting persons in possession of an article resulting from a single isolated transaction done in good faith, where the value of said article does not exceed one hundred pesos."

SEC. 2. Section one hundred twenty-seven of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"SEC. 127. *Tax on preparations containing distilled spirits as chief ingredient.*—Medical preparations, flavoring extracts, and all other preparations, except toilet preparations, of which, excluding water, distilled spirits form the chief ingredient, shall be subject to the same tax as such chief ingredient.

"Upon permit from the Collector of Internal Revenue and subject to the regulations of the Department of Finance, manufacturers of cigars and cigarettes may withdraw from bond free of tax local and imported wine and distilled spirits in specific quantities and grades for use in the treatment of tobacco leaf to be used in the manufacture of cigars and cigarettes; but such wine or distilled spirits must first be suitably denatured."

SEC. 3. Section one hundred twenty-eight of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"SEC. 128. *Exemption in favor of domestic denatured alcohol.*—Domestic alcohol of not less than one hundred eighty degrees proof (ninety *per centum* absolute alcohol) may, when denatured, be withdrawn from a registered distillery or bonded warehouse without the prepayment of the

specific tax prescribed in section one hundred thirty-three, for the purpose of being used for fuel, or light, or for use generally in the arts, industries, hospitals, sanitariums, and clinics, or for research or experimental purposes, or for the official use of the Government of the Republic of the Philippines or its instrumentalities or political subdivisions."

SEC. 4. Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended by inserting between section one hundred twenty-eight and section one hundred twenty-nine the following new section:

"SEC. 128-A. *Denaturation, withdrawal and use of denatured alcohol.*—Any person who produces, withdraws, sells, transports or knowingly uses denatured alcohol, or articles containing denatured alcohol in violation of laws or regulations now or hereafter in force pertaining thereto shall be required to pay the corresponding tax, in addition to the penalties provided for under Chapter III of this Title."

SEC. 5. Section one hundred twenty-nine of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"SEC. 129. *Removal of spirits or cigars under bond.*—Spirits requiring rectification may be removed from the place of their manufacture to some other establishment for the purpose of rectification without the prepayment of the specific tax, provided the distiller removing such spirits and the rectifier receiving them shall file with the Collector of Internal Revenue their joint bond conditioned upon the future payment by the rectifier of the specific tax that may be due on any finished product; and cigars may be removed by a manufacturer of tobacco products owning and operating a branch factory separate from his principal factory, from the branch factory to the principal factory, for exportation, without the prepayment of the specific tax, provided the manufacturer shall file with the Collector of Internal Revenue his bond conditioned upon the future payment of the specific tax that may be due on the finished product: *And provided, further,* That in cases where alcohol has already been rectified either by original and continuous distillation or by re-distillation 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."

SEC. 6. Section one hundred thirty-two of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"SEC. 182. *Removal of tobacco products without pre-payment of tax.*—Products of tobacco entirely unfit for chewing or smoking may be removed free of tax for agricultural or industrial use, under such conditions as may be prescribed in the regulations of the Department of Finance and stemmed leaf tobacco, fine-cut shorts, the refuse of fine-cut chewing tobacco, re-refuse, scraps, cuttings, clippings, stems or midribs, and sweepings of tobacco may be sold in bulk as raw material by one manufacturer directly to another, under such conditions as may be prescribed in the regulations of the Department of Finance without the prepayment of the tax."

" 'Stemmed leaf tobacco' as herein used means leaf tobacco which has had the stem or midrib removed. The term does not include broken leaf tobacco."

SEC. 7. Section one hundred thirty-three of Commonwealth Act Numbered Four hundred sixty-six, as amended is hereby further amended to read as follows:

"SEC. 133. *Specific tax on distilled spirits.*—On distilled spirits there shall be collected subject to the provisions of section one hundred and twenty-eight of this Act, except as hereinafter provided, specific taxes as follows:

"(a) If produced from sap of the nipa, coconut, cassava, camote, or buri palm, or from the juice, syrup, or sugar of the cane, per proof liter, seventy centavos;

"(b) If produced from any other materials, per proof liter, ten pesos.

"This tax shall be proportionally increased for any strength of the spirits taxed over proof spirits.

"Distilled spirits', as here used, include all substances known as ethyl alcohol, hydrated oxide of ethyl, or spirits of wines, which are commonly produced by the fermentation and subsequent distillation of grain, starch, molasses, or sugar, or of some syrup or sap, including all dilutions or mixtures; and the tax shall attach to this substance as soon as it is in existence as such, whether it be subsequently separated as pure or impure spirits, or be immediately or at any subsequent time transformed into any other substances either in process of original production or by any subsequent process.

"Proof spirits' is liquor containing one-half of its volume of alcohol of a specific gravity of seven thousand nine hundred and thirty-nine ten-thousandths at fifteen degrees centigrade. A proof liter means a liter of proof spirits."

SEC. 8. Section one hundred thirty-seven of Commonwealth Act Numbered Four hundred sixty-six, as amended, is hereby further amended to read as follows:

"SEC. 137. *Specific tax on cigars and cigarettes.*—On cigars and cigarettes there shall be collected 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.

"(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—

"(1) On cigarettes containing Virginia type tobacco and/or flue-cured tobacco of seventy-one millimeters or less in length weighing one and one-fourth kilos or less per thousand, not wrapped in tinfoil, cellophane, flifilm, plastics, aluminum, polyetheline or polyvinylchloride films and wood veneer, waxpaper, or oil paper nor packed in cartons or in tin cans, on each thousand, seven pesos: *Provided*, That if the length exceeds seventy-one millimeters or if the weight per thousand exceeds one and one-fourth kilos, the tax shall be increased by one hundred *per centum*.

"(2) On cigarettes containing Virginia type tobacco and/or flue-cured tobacco of seventy-one millimeters or less in length weighing one and one-fourth kilos or less per thousand, wrapped in tinfoil, cellophane, flifilm, plastics, aluminum, polyetheline or polyvinylchloride films and wood veneer, waxpaper, or oil paper or packed in cartons covered with paraffin or waxpaper or in tin cans, on each thousand, eleven pesos: *Provided*, That if the length exceeds seventy-one millimeters or if the weight per thousand exceeds one and one-fourth kilos, the tax shall be increased by one hundred *per centum*.

"(3) On cigarettes made of leaf tobacco other than Virginia type tobacco and/or flue-cured tobacco of eighty-one millimeters or less in length weighing one and three-fourth kilos or less per thousand, on each thousand, two pesos and fifty centavos: *Provided*, That if the length exceeds eighty-one millimeters or the weight per thousand exceeds one and three-fourth kilos, the tax shall be increased by fifty *per centum*: *Provided, further*, That if the length exceeds one hundred twenty-one millimeters, on each thousand the tax shall be increased by one hundred *per centum*.

"(4) If the cigarettes taxable under subparagraphs (1), (2) and (3) hereof are mechanically wrapped or packed, the tax shall be increased by one hundred and twenty *per centum* per thousand cigarettes.

"Cigarettes shall be considered as mechanically wrapped or packed when at any stage of the wrapping or packing, a machine or any mechanical contrivance shall have been used.

"The maximum 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; and 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 maximum sale price in such establishment shall determine the rate of the tax applicable to the cigars therein sold: *Provided, however*, That when such maximum wholesale price is less than the cost of manufacture or importations plus all expenses incurred until the cigars are finally sold by the manufacturer or