

[**BIR REVENUE REGULATIONS NO. 2-97, January 01, 1997**]

REVENUE REGULATIONS GOVERNING EXCISE TAXATION ON DISTILLED SPIRITS, WINES AND FERMENTED LIQUORS

SECTION 1. Scope. — Pursuant to Sections 4 and 245 of the Tax Code, as amended, these Revenue Regulations are hereby promulgated to prescribe the guidelines and procedures to implement Republic Act 8240, amending Sections 138, 139 and 140 of the same Code prescribing the specific tax rates and method of computing the excise tax on fermented liquor and increasing the specific tax rates for distilled spirits and wines.

SECTION 2. Definition of Terms. — For purposes of these regulations the following words and phrases shall have the meaning indicated below:

1. **Act** — Republic Act No. 8240.
2. **Alcohol Products** — refer to distilled spirits, wines and fermented liquor as provided for in Sections 138, 139 and 140 respectively, of the Tax Code as amended by the Act.
3. **Duly registered or existing brands of alcohol products** — shall include duly registered, existing or active brands of alcohol products, prior to January 1, 1997.
4. **Fortified Wines** — refer to natural wines to which distilled spirits are added to increase their alcoholic strength.
5. **Fermented Liquor** — refers to beer, lager beer, ale, porter, and other fermented liquor such as draft beer, and other similar products.
6. **Gauge Liter (G.L.)** — the actual volume of the liquor measured in liter.
7. **Medicinal Preparations** — refer to favoring 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, an example of which is rubbing alcohol.
8. **Metro Manila and Regions** — shall mean the political sub-divisions of Metro Manila and other Regions as provided for by the Local Government Code.
9. **Net Retail Price** — means the price, excluding the amount of excise tax imposed under Section 138, 139 and 140 and the value added tax, both of the Tax Code, as amended, at which alcohol products are sold on retail.

a. **Current Net Retail Price** — shall mean for distilled spirits and wine, the net retail price at which the alcohol products are sold in retail in ten (10) major supermarkets or retail outlets in Metro Manila; and for fermented liquor, the price at which it is sold on retail 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 it is sold on retail 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 alcohol products are intended by 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.

10. **New Brands** — shall mean brands registered after January 1, 1997 and shall include previously registered, but inactive brands of alcohol products.

11. **Proof Liter (P.L.)** — means a liter of proof spirits.

12. **Proof Spirits** — is liquor containing 1/2 of its volume of alcohol of a specific gravity of seven thousand nine hundred and thirty nine ten thousand (0.7939) at fifteen degrees centigrade.

13. **Removal from the place of production** — shall mean removal from the company premises as indicated in the approved plot and plan where the distillery or brewery is located.

14. **Sparkling Wine** — is an effervescent table wine usually white but occasionally red in color, containing an average of 12% alcohol by volume which is carbonated by secondary fermentation. This includes champagne.

15. **Spirits or Distilled Spirits** — refer to the substance known as ethyl alcohol, ethanol or spirits or wine, including all dilution's, purifications and mixtures thereof, from whatever source by whatever process produced and shall include whisky, brandy, rum, gin and vodka, and other similar products or mixtures.

16. **Still Wine** — is wine that is not carbonated by secondary fermentation and has an alcohol content of 14% or less.

17. **Wines** — include all alcoholic beverages produced by fermentation without distillation, from the juice of any kind of fruit. Fermentation is a process by which enzymatic changes are brought about. It covers a period of time enough to produce the desired results.

18. **Variant of 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, such as the following:

a) **Modifier is prefixed** — Example: A registered existing "ABC" Brand manufactured as Premium ABC" or "Top ABC".

b) **Modifier is suffixed** — Example: A registered existing "ABC" brand

manufactured as "ABC Dry" or "ABC Supreme".

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 "XYZ" brand carrying the same shape of a horseshoe logo, badge, emblem or mark; or a registered and existing "XYZ" brand carrying two (2) horizontal stripes with red and white colors is manufactured as a new "ABC" brand carrying the same set of stripes and colors.

19. **Volume of Sales** — shall refer to the quantity of removals of alcohol products from the place of production or release from customs custody.

SECTION 3. Rates and Bases of Tax. — There shall be levied, assessed and collected on alcohol products excise tax as follows:

I. Distilled Spirits

(a) If produced from sap of nipa, coconut, cassava, camote, or buri palm or from the juice, syrup, or sugar of the cane, provided such materials are produced commercially in the country where they are processed into distilled spirits, proof liter, Eight pesos (P 8.00); Provided, That if produced in a pot still or other similar primary distilling apparatus by a distiller producing not more than 100 liters a day, containing not more than fifty percent (50%) of alcohol by volume, PER PROOF LITER, FOUR PESOS (P 4.00);

(b) If produced from raw materials other than those enumerated in the preceding paragraph, the tax shall be in accordance with the net retail price per bottle of seven hundred fifty milliliter (750 ml.) volume capacity (excluding the excise tax and the value-added tax) as follows:

(1) Less than two hundred and fifty pesos (P250.00) — SEVENTY-FIVE PESOS (P75.00), per proof liter;

(2) Two hundred and fifty pesos (P250.00) up to Six hundred and seventy-five pesos (P675.00) — ONE HUNDRED AND FIFTY PESOS (P150.00), per proof liter; and

(3) More than Six hundred and seventy-five pesos (P675.00) — THREE HUNDRED PESOS (P300.00), per proof liter.

(c) Medicinal 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.

This tax shall be proportionally increased for any strength of the spirits taxed over proof spirits, 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 transformed into any other substance either in the process of original production or

by any subsequent process.

II. **Wines** — On wines, there shall be collected per liter of volume capacity, the following taxes:

(a) Sparkling wines/champagnes regardless of proof, if the net retail price per bottle (excluding the excise tax and the value-added tax) is:

(1) Five hundred pesos (P500.00) or less — ONE HUNDRED PESOS (P100.00); and

(2) More than Five hundred pesos (P500.00) — THREE HUNDRED PESOS (P300.00);

(b) Still Wines containing fourteen percent (14%) of alcohol by volume or less, TWELVE PESOS (P12.00);

(c) Still Wines containing more than fourteen percent (14%) but not more than twenty-five percent (25%) of alcohol by volume, TWENTY-FOUR PESOS (P24.00).

"Fortified wines containing more than twenty-five percent (25%) of alcohol by volume shall be taxed as distilled spirits. Fortified wines shall mean natural wines to which distilled spirits are added to increase their alcoholic strength.

III. Fermented Liquor — On beer, lager beer, ale, porter and other fermented liquors except tuba, basi, tapuy and similar domestic fermented liquors in accordance with the following schedule:

(a) If the net retail price (excluding the specific tax and value-added tax) per liter of volume capacity is less than Fourteen pesos and fifty centavos (P14.50), the tax shall be SIX PESOS AND FIFTEEN CENTAVOS (P6.15) per liter;

(b) If the net retail price (excluding the specific tax and value-added tax) per liter of volume capacity is Fourteen pesos and fifty centavos (P14.50) up to Twenty-two pesos (P22.00), the tax shall be NINE PESOS AND FIFTEEN CENTAVOS (P9.15) per liter;

(c) If the net retail price (excluding the specific tax and the value-added tax) per liter of volume capacity is more than twenty-two pesos (P22.00), the tax shall be TWELVE PESOS FIFTEEN CENTAVOS (P12.15) per liter.

(d) For fermented liquor which are brewed and sold at micro-breweries or micro brew pubs, the tax shall be TWELVE PESOS AND FIFTEEN CENTAVOS (P12.15) per liter:

IV. Beginning January 1, 2000, the rates of specific tax on distilled spirits, wine and fermented liquor under paragraphs (I), (II) and (III) hereof shall be increased by twelve percent (12%).

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

A. Existing Brand

The classification of existing brands of distilled spirits, wines and fermented liquor, as well as their respective specific tax per liter based on its average net retail price as of October 1, 1996, are set forth hereunder:

In Addition, the following brands of distilled spirits, and fermented liquors registered and commercially produced as of October 01, 1996 and prior to January 01, 1997 are hereby included under this category namely:

A — Local Distilled Spirits Brands Produced from Sap of Nipa, Sugar Cane, etc. covered by Sec 138(a)

Product Line	Package/size	Proof	PL per Bottle	Retail Price excl VAT & Excise Tax/bottle	Specific Tax Rate1/1/97
Añejo Rum Oro Premium	24/375 ml	80	0.300	13.35	2.400
Vino Kulafu	24/375 ml	50	0.190	8.33	1.520
Tondeña Manila Rum — Silver	24/375 ml	80	0.300	22.44	2.400
Tondeña Manila Rum — Dark	12/750 ml	80	0.600	38.51	4.800
Gordon Gin	12/750 ml	90	0.680	79.1	5.440
Gordon Gin	24/375 ml	90	0.340	42.28	2.720
Oxford Gin	12/750 ml	90	0.680	38.19	5.440
Caribe	24/375 ml	80	0.300	44.25	2.400
Tanduay Rum 65	24/375 ml	65	0.240	9.04	1.920
	12/750 ml	65	0.490	18.04	3.920
Tanduay Rhum Dark Reg	24/375 ml	80	0.300	9.71	2.400
	12/750 ml	80	0.600	17.6	4.800
Tanduay Rhum Gold	24/375 ml	80	0.300	10.24	2.400
	12/750 ml	80	0.600	20.48	4.800