

**REVENUE REGULATIONS NO. 14-2022** issued on November 11, 2022 prescribes the rules and regulations implementing the provisions of Republic Act (RA) No. 11900, relative to the importation, manufacture, sale, packaging, distribution, use, and communication of Vaporized Nicotine and Non-Nicotine Products, and Novel Tobacco Products.

There shall be levied, assessed and collected an Excise Tax on Vaporized Nicotine and Non-Nicotine Products at the rate of tax prescribed under RA Nos. 11346 and 11467 as implemented by Revenue Regulations (RR) No. 7-2021, and Novel Tobacco Products under Section 144 (A)(b) of National Internal Revenue Code (NIRC) of 1997, as amended, to wit:

**A. Heated Tobacco Products**

<b>Date of Effectivity</b>	<b>Quantity</b>	<b>Excise Tax</b>
January 1, 2020	Per pack of 20 units or any packaging combinations of not more than twenty (20) units	₱ 10.00
January 23, 2020		₱ 25.00
January 1, 2021		₱ 27.50
January 1, 2022		₱ 30.00
January 1, 2023		₱ 32.50
2024 Onwards		Specific tax rate shall be increased by 5% every year effective January 1, 2024

**B. Vapor Products**

**a. Nicotine Salt or Salt Nicotine**

<b>Date of Effectivity</b>	<b>Quantity</b>	<b>Excise Tax</b>
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**

<b>Date of Effectivity</b>	<b>Quantity</b>	<b>Excise Tax</b>
January 23, 2020	Per ten (10) milliliters 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

**C. Novel Tobacco Products**

<b>Date of Effectivity</b>	<b>Quantity</b>	<b>Excise Tax</b>
August 10, 2022	Per kilogram	₱ 2.50
January 1, 2023		₱ 2.60
2024 Onwards		Rate shall be increased by 4% every year effective January 1, 2024

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

There shall be collected inspection fees on Vaporized Nicotine and Non-Nicotine Products as prescribed under RA Nos. 11346 and 11467 as implemented by RR No. 7-2021, and Novel Tobacco Products under Section 146 of NIRC of 1997, as amended, detailed as follows:

<b>PRODUCT</b>	<b>INSPECTION FEE</b>	<b>UNIT OF MEASURE</b>
Heated Tobacco	₱ 0.10	1,000 sticks
Vapor Products	₱ 0.01	1 ml
Novel Tobacco Products	₱ 0.03	1 kg

For Excise Tax purposes, any person or entity who desires to engage in business as a manufacturer or importer of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products shall, before the start of the business operations, be required to register with the Excise LT Regulatory Division (ELTRD) BIR National Office as an excise taxpayer.

Regarding Application for a Permit to Engage in Business as Manufacturer or Importer of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products, every applicant shall file a written application for the Permit addressed to the Commissioner of Internal Revenue, Attention: Chief, ELTRD, together with the following supporting documents:

- a. Certificate of Registration (COR) issued by the Securities and Exchange Commission (SEC), together with Articles of Incorporation/Partnership and By-Laws, for corporation or partnership, or COR issued by the Department of Trade and Industry (DTI), for individuals;
- b. Mayor's Permit issued by the concerned Local Government Unit (LGU);
- c. BIR Certificate of Registration (BIR Form No. 2303) including Registration Fee (BIR Form No. 0605);
- d. Latest copy of Income Tax Return duly filed and received by the BIR, if applicable,
- e. Importer/Manufacturer's Surety Bond with an initial coverage of ₱ 100,000.00; and
- f. Location map, and plat and plan of the Production Plant/Warehouse, and if manufacturer, the blueprint.

For administrative purposes, permits shall be assigned assessment numbers in the following order:

<b>Administrative Schedule</b>	<b>Paragraph</b>	<b>Description</b>
A	8	Manufacturer of Heated Tobacco Products
A	8(I)	Importer of Heated Tobacco Products
A	9	Manufacturer of Vapor Products
A	9(I)	Importer of Vapor Products
A	10	Manufacturer of Novel Tobacco Products
A	10(I)	Importer of Novel Tobacco Products
TM	8	Toll-Manufacturer of Heated Tobacco Products
TM	9	Toll-Manufacturer of Vapor Products
TM	10	Toll-Manufacturer of Novel Tobacco Products

Month Issued	2 numeric
Year Issued	2 numeric
Sequence Number	4 numeric

All manufacturers, importers or exporters of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products, prior to the initial manufacture, importation or exportation of brands and its variants, shall file an application for registration thereof with the ELTRD. The application shall be accompanied by manufacturer's or importer's Sworn Statement and replica of the proposed label, package and/or container.

All proposed label, package and/or container, as well as the 'artwork' of the secondary containers (e.g. cartons, boxes, etc.), of the brand of Vaporized Nicotine and Non-Nicotine Products or Novel Tobacco Products shall be pre-approved by the BIR, otherwise, it shall be a ground for confiscation or seizure by any authorized BIR personnel.

Every local manufacturer or importer of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products shall submit a duly notarized manufacturer's or importer's Sworn Statement for Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products showing among others, the following information:

- a. Name, address, TIN and assessment number of the manufacturer or importer;
- b. Complete root name of the brand as well as the complete brand name with modifiers, if any;
- c. Complete specifications of the brand detailing the specific measurements, weights, manner of packaging, etc.;
- d. Name(s) of the region(s) where the brand is/are to be marketed;
- e. Wholesale price per case, gross and net of VAT and Excise Tax;
- f. Suggested retail price, gross and net of VAT and Excise Tax, per pack, per pod, or per bottle/container, as the case may be;
- g. Detailed production/importation costs and all other expenses incurred or to be incurred until the product is finally sold (e.g. material, labor, overhead, selling and administrative expenses) per case;
- h. Applicable Excise Tax rates; and
- i. Corresponding Excise and Value-Added Taxes per pack, per pod, or per bottle/container, as the case may be.

The manufacturer's or importer's Sworn Statement shall be submitted as a supporting document to the prescribed application for the initial registration of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products and thereafter submit an updated sworn statement on or before the end of the months of June and December of the year. If there is any change in the cost to manufacture, produce and sell the brand or change in the actual selling price of the brand, an updated sworn statement shall be submitted at least five (5) days before the actual removal of the product from the place of production or release from the Custom's custody, as the case may be.

Manufacturers and importers of articles subject to Excise Tax shall post a surely bond subject to the following conditions:

- a. **Initial Bond.** - In case of initial bond, the amount shall be equal to One Hundred Thousand pesos (₱ 100,000.00). However, after six (6) months of operation, if the amount of initial bond is less than the amount of the total Excise Tax paid during the said period, the amount of the bond shall be adjusted to twice the tax actually paid for the period.
- b. **Bond for the Succeeding Years of Operation.** - The bond for the succeeding years of operation shall be based on the actual total Excise Tax paid during the year immediately preceding the current year. However, for taxpayers availing of the tax prepayment, advance deposit, or similar schemes, the amount of bond herein prescribed shall be in accordance with the following schedule:

<b>Excise Tax Payment</b>	<b>Minimum Amount of Bond</b>
₱ 1,000,000 and below	₱ 100,000

Over ₱ 1,000,000 up to ₱ 5,000,000	₱ 500,000
Over ₱ 5,000,000 up to ₱ 10,000,000	₱ 1,000,000
Over ₱ 10,000,000 up to ₱ 25,000,000	₱ 2,500,000
Over ₱ 25,000,000 up to ₱ 50,000,000	₱ 5,000,000
Over ₱ 50,000,000 up to ₱ 100,000,000	₱ 10,000,000
Over ₱ 100,000,000 up to ₱ 500,000,000	₱ 15,000,000
Over ₱ 500,000,000 up to ₱ 1,000,000,000	₱ 30,000,000
Over ₱ 1,000,000,000 up to ₱ 10,000,000,000	₱ 50,000,000
Over ₱ 10,000,000,000 up to ₱ 20,000,000,000	₱ 75,000,000
Over ₱ 20,000,000,000	₱ 100,000,000

The bond shall be conditioned upon faithful compliance with the pertinent laws, rules and regulations and for the satisfaction of all fines and penalties imposed by the Tax Code of 1997, as amended. Provided, however, that a higher amount of bond may be required from any manufacturer or importer, for meritorious reasons, subject to the prior written approval by the Commissioner of Internal Revenue.

All importers of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products shall file an application for an Electronic Authority to Release Imported Goods (eATRIG) for Excise Tax purposes. The application shall be done online and processed in the ELTRD, BIR-National Office. The Chief of ELTRD shall be the designated approving officer.

No ATRIG shall be issued in case the imported products are already released from the Customs' custody. Likewise, no subsequent application for ATRIG shall be processed unless the importer has submitted proof of payment of the Excise Tax due on the imported products covered by previously issued ATRIG.

Excise Tax Returns (BIR Form No. 2200-T) and Excise Taxpayer's Removal Declaration (ETRD) (BIR Form No. 2299) are hereby prescribed to be used and issued by all registered manufacturers for all removals of Tobacco Products, Vaporized Nicotine and Non-Nicotine Products, and Novel Tobacco Products.

The ETRD shall be requisitioned from the Excise Large Taxpayers Field Operations Division (ELTFOD) in the BIR National Office, or from the Excise Tax Area offices of the concerned BIR Revenue Regional Offices, having respective jurisdiction over the manufacturers of Tobacco Products, Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products. The manner of preparation, issuance and cancellation thereof, as well as the applicable reportorial requirements, shall be in accordance with the existing rules, regulations and procedures issued for this purpose.

All manufacturers and importers of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products shall comply with the requirements provided under RR No. 18-2021 on the affixture of internal revenue stamps and the use of Enhanced Internal Revenue Stamps Integrated System (E-IRSIS).

A written notice shall be filed with the ELTRD, BIR-National Office that a particular brand(s) shall not be manufactured on a permanent or temporary basis. For temporary stoppage, the required notice shall be applicable in cases of production shutdown due to scheduled maintenance program, major repairs, labor strikes, orders by appropriate government agencies, and such other similar incidents, or due to occurrence of fortuitous events such as typhoons, floods, fire, etc.

The notice of stoppage shall be filed at least five (5) days before the actual date of production stoppage of the brand(s). However, in case of fortuitous events, the BIR shall be notified within three (3) days from the temporary stoppage of production.

Every person or entity engaged in the manufacture or importation of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products shall keep and maintain Official Register Books (ORB) and such other forms or records that may be prescribed by the Commissioner of Internal Revenue, which must be kept within the place of

production/importer's warehouse and shall at all times be made available for inspection by duly authorized internal revenue officer(s).

The submission of all transcript sheets of ORBs by all manufacturers and importers, including toll manufacturers or sub-contractors to the LT Performance Monitoring and Programs Division (LTPMPD) in BIR National Office or to the concerned Excise Tax Area (EXTA) having jurisdiction of the place of production/warehouse shall be on or before the eighth (8<sup>th</sup>) day of the month immediately following the month of operation.

When the Excise Tax has already been paid for Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products the same shall not thereafter be stored or permitted to remain in the manufacturing plant or place of production.

There shall be deployed/assigned, on a day-to-day basis, Revenue Officers on Premise (ROOPs) to check or supervise the operation from receipt of raw materials, in process and removal of finished products of any establishment producing or manufacturing Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products.

A signage in letters of not less than 6 centimeters high shall be placed and kept in a conspicuous position on the outside of every building used as a production plant/factory or warehouse of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products, showing the registered name and assessment number.

The BIR shall conduct a physical stocktaking inventory by actual count and/or volume of the entire stocks (raw materials, in process or intermediate, and finished goods) on hand, in the presence of the manufacturer's or importer's authorized representative who shall jointly attest to the fact of witnessing and verifying the results thereof by affixing their signatures on the attestation clause in the inventory certificate.

The sale or distribution of Vaporized Nicotine and Non-Nicotine Products, Novel Tobacco Products and their devices through internet websites or via e-commerce and/or other similar media platforms shall only be made by online sellers or distributors registered with the Department of Trade and Industry (DTI) or the Securities and Exchange Commission (SEC), and the products being sold and advertised online shall be compliant with the health warning requirements provided under Revenue Memorandum Circular (RMC) No. 23-2016, as well as other BIR requirements including tax stamp, minimum floor price or other fiscal marks. The delivery of Vaporized Nicotine and Non-Nicotine Products or their devices, or Novel Tobacco Products purchased online shall also comply with Section 7 of RA No. 11900.

The BIR shall maintain a list on their website, to be updated monthly, of brands of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products registered with DTI and the BIR that are eligible to be sold online.

Internet websites and/or e-commerce and/or other similar media selling platform providers shall only allow duly registered online sellers or retailers with the DTI and the BIR.

The minimum floor price of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products shall be the total production cost/expenses/landed cost of the cheapest brand per tobacco product, including the sum of Excise Tax and VAT. Examples of floor price or minimum price of heated tobacco, vapor tobacco and novel tobacco products are specified in the Regulations.

Manufacturers of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products are encouraged to use local tobacco products to be sold in the Philippines.

Any violation of these Regulations shall be subject to the corresponding penalties under the pertinent provisions of the NIRC of 1997, as amended, and applicable regulations issued by the BIR. For any violation of Section 4 of this Act, if the offender is a manufacturer, importer, distributor, or retailer, the following shall be imposed:

- a. On the first offense, a fine of Two Million Pesos (₱ 2,000,000.00) and imprisonment of two (2) years;
- b. On the second offense, a fine of Four Million Pesos (₱ 4,000,000.00) and imprisonment of four (4) years;

- c. On the third offense, a fine of Five Million Pesos (₱ 5,000,000.00) and imprisonment of six (6) years;
- d. That the business permits and licenses, in the case of a business entity or establishment, shall be revoked and cancelled.
- e. The BIR shall order the immediate recall, ban or seizure from public sale or distribution of Vaporized Nicotine and Non-Nicotine Products and Novel Tobacco Products not registered with the BIR, including those sold online. This is without prejudice to the filing of the appropriate cases and collection of correct taxes and duties, including applicable fines and penalties under RA No. 8424, as amended, and RA No. 10863, otherwise known as the "Customs Modernization and Tariff Act (CMTA)".

Upon effectivity of the Implementing Rules and Regulations (IRR) of RA No. 11900, the manufacturers, importers, distributors and retailers of Novel Tobacco Products shall be given an eighteen (18)-month transitory period to comply with the requirements of the Regulations.