

Feasibility of Expanding the Coverage of Non-Essential Goods Subject to Excise Tax Under Section 150 of the National Internal Revenue Code (NIRC) of 1997, as Amended*

I. INTRODUCTION

Section 150 of the NIRC, as amended, provides that jewelries, perfumes and toilet waters, and yachts and other vessels intended for pleasure or sports are subject to the 20 percent excise tax based on the wholesale price or the value of importation of such non-essential goods. These were the only items made subject to an additional excise tax when the government shifted from the sales tax to the value added tax (VAT) system. The list under the previous system was much longer. (See Annex A for the detailed list)

In the 17th Congress, there was a proposal to expand the coverage of non-essential goods subject to the excise tax. This paper discusses the feasibility of expanding the coverage of non-essential goods subject to the excise tax by levying the said tax on the consumption of luxurious items and other excessive expenditures as well as other goods that can be classified as non-essential.

II. BACKGROUND INFORMATION

Philippine Excise Taxes

An excise tax or duty is a levy on the manufacture or sale of certain domestic or imported products. It is imposed as a special tax on the consumption of a commodity upon its retail sale or upon sale by the manufacturer or producer or upon importation (International Tax Glossary). The two major forms of an excise tax are: (a) specific tax which imposes a fixed amount based on weight or volume capacity or any other physical unit of measurement; and (b) ad valorem tax which imposes a percentage tax rate based on the selling price or other specified value of the goods (Sec. 129, NIRC of 1997).

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An excise tax applies to certain goods manufactured or produced in the Philippines for domestic sale or consumption or for any other disposition and to the same goods when these are imported into the country.

Under the Philippine tax system, these are the five major exciseable products, viz.:

- (a) Tobacco products (cigars and cigarettes and other manufactured products of tobacco);
- (b) Alcohol products (fermented liquors, distilled spirits and wines);
- (c) Petroleum products (aviation turbo/jet fuel, diesel oil, bunker fuel oil, kerosene, premium/regular gasoline, lubricating oil, grease, wax, petrolatum, liquefied petroleum gasoline (LPG), asphalts, and processed gas);
- (d) Mineral products (coal and coke, metallic and non-metallic minerals and quarry resources, indigenous petroleum and natural gas); and
- (e) Miscellaneous products (automobiles and non-essential products, such as jewelry, perfumes, toilet waters, yachts).

Persons liable to pay the excise tax include: (a) the manufacturer or producer of domestic goods subject to the excise tax; (b) the owner or possessor of the domestic products that are removed from the place of production without payment of the tax; (c) the owner or importer of imported exciseable articles; and (d) the person who is found in possession of articles which are exempt from excise taxes other than those legally entitled to exemption [Secs. 130(A)(1) and 131(A), NIRC of 1997].

The excise tax is payable immediately before the removal of domestic products from the place of production or before the release of imported articles from a customs house [Secs. 130(A)(1) and 131(A), NIRC of 1997].

Excise tax on non-essential goods

Under Section 150 of the NIRC, as amended, non-essential goods are levied, assessed and collected a tax equivalent to 20 percent based on the wholesale price or the value of importation used by the Bureau of Customs (BOC) in determining tariff and customs duties, net of excise tax and VAT of the following goods:

- (a) All goods commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof; goods made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical and dental instruments, silver-plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other precious metals used in filling, mounting

or fitting of the teeth); opera glasses and lorgnettes. The term ‘precious metals’ shall include platinum, gold, silver and other metals of similar or greater value. The term ‘imitations thereof’ shall include platings and alloys of such metals;

- (b) Perfumes and toilet waters;
- (c) Yachts and other vessels intended for pleasure or sports.

For the period 2014 to 2018, average excise tax collection on non-essential goods amounted to P93 million, which is only two percent of the excise tax collection on miscellaneous articles, 0.05 percent of total excise tax collection on exciseable products, and 0.01 percent of total Bureau of Internal Revenue (BIR) collection.

With the adoption of the VAT under Executive Order (EO) No. 273 in 1987, certain provisions of the 1977 NIRC were amended and repealed including then Section 163 or the percentage tax on sales of non-essential articles. Under EO 273, only the three above-mentioned articles became subject to the 20 percent excise tax on non-essential goods. It was also made subject to the 10 percent VAT, which was later increased to 12 percent through Republic Act (RA) No. 9337 on February 1, 2006 via BIR Revenue Memorandum Circular (RMC) No. 7-2006.

Recently, RA 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) law, levied a new excise tax equivalent to five percent of gross receipts, net of excise tax and VAT, derived from the performance of services on invasive cosmetic procedures, surgeries, and body enhancements directed solely towards improving, altering, or enhancing the patient’s appearance and do not meaningfully promote the proper function of the body or prevent or treat illness or disease.

The historical development of the taxation of non-essential articles/goods and services is presented in Annex B.

The taxes applicable to qualified jewelry enterprises (QJEs) vis-à-vis non-QJEs pursuant to RA 8502 on the sale of jewelry and purchase or importation of raw materials, supplies and capital equipment are presented in Annex C.

III. PROPOSED AMENDMENTS ON THE EXCISE TAXATION OF NON-ESSENTIAL GOODS

In the 17th Congress, House Bill (HB) No. 5445 was filed to seek for the expansion of the coverage of the 20 percent excise tax on non-essential goods and the imposition of an additional two percent ad valorem tax on the sale or transfer or exchange for valuable consideration of certain real properties amounting to P5 million or higher, and on shares and memberships in exclusive clubs and/or resorts.

With regard to the tax base, HB 5445 proposed to impose the 20 percent excise tax based on the manufacturer's or importer's wholesale price, including the amount intended to cover the ad valorem tax imposed under Section 150 and the amount intended to cover the VAT imposed under Title IV of the NIRC of 1997, as amended.

Under HB 5445, in addition to non-essential goods enumerated under Section 150 (a), (b), and (c), the following goods and items are proposed to be subject to 20 percent excise tax:

- (a) Textiles made of wool or other fine animal hair;
- (b) Furs and manufactures thereof;
- (c) Cellular mobile phones, smart phones, androids and other similar instruments amounting to twenty thousand pesos (P20,000) and above;
- (d) Whirl pool bath tubs, jacuzzi and other similar tubs;
- (e) Television sets with a diagonal measurement of 43 inches and above;
- (f) Video games or video consoles, home theatre equipment, videogame systems, videoke machines and other similar gadgets that can be connected to a screen monitor or tv receiver;
- (g) Private aircrafts (planes, helicopters and other equivalent vehicles), and parts except those for use of the Philippine government or by airline companies;
- (h) Golf sets, including bags, clubs, balls and other equipment;
- (i) Exclusive club and/or resort memberships;
- (j) Hand-held gadgets such as tablets, iPads and other similar equipment amounting to P20,000 and above;
- (k) Polo sets;
- (l) Scuba diving gear, water skiing, surfing and all other regatta equipment;
- (m) Pianos, drum sets, electronic organ, electric guitar; electric drum sets and synthesizers, amplifiers, speakers;
- (n) Refrigerators 15 cubic feet and above;
- (o) Leather products such as bags, wallets, belts, shoes and other similar items amounting to more than P20,000;
- (p) Wrist watches amounting to more than P50,000;

- (q) Cosmetic and other forms of surgery or services for aesthetic purposes;
- (r) E-cigarettes, juices, machines and all other similar gadgets;
- (s) Expensive paintings, sculptures and other similar items;
- (t) Chandeliers and other electrical ceiling or lighting equipment;
- (u) Sporting, hunting or target shooting rifles, including spare parts and accessories;
- (v) Body building, exercise and slimming machines and equipment, including spare parts and accessories;
- (w) Automobile rims, side skirt, chin, spoiler, muffler, turbo engine, head lights, rear lights, back up sensors, car accessories and all other similar after market improvements for automobiles; and
- (x) Antiques.

In addition, the bill proposed to levy, assess and collect an ad valorem tax equivalent to two percent on the sale or transfer or exchange for valuable consideration of the following:

- (a) Residential buildings, town houses and condominium units with gross selling price or zonal value, as determined by the BIR, of P5,000,000 or more whichever is higher; and
- (b) Shares and memberships in golf and other sports clubs, resorts and other exclusive clubs, based on the purchase price or fair market value, whichever is higher, of the share or the membership fee.

On the other hand, HB Nos. 1906, 2083, 2467 and 2957 proposed to include in the list of non-essential goods subject to 20 percent excise tax under Section 150 of the NIRC, as amended, tobacco heating systems and electronic or mechanical cigarette devices, which include but are not limited to electronic and/or non-electronic nicotine delivery systems, e-cigarettes, vapes, vaporizers, vaping systems, tank system, mods, and e-hookahs, or any similar product, as may be determined through a Revenue Regulation, and any mandatory component thereof excluding batteries, chargers, and charging cables when sold separately. If batteries, chargers, charging cords, and other accessories are sold or packaged together with a tobacco heating or electronic or mechanical cigarette device as one saleable item, the value thereof shall form part of the wholesale price or the value of importation.¹

However, the Committee on Ways and Means did not include the proposed provision amending Section 150 of the NIRC, as amended per its Report No. 1 on HB 1026, which consolidated HB Nos. 1906, 2083, 2467 and 2957.

¹ This proposal is included under Package 2+ of the Comprehensive Tax Reform Package (CTRP).

IV. RATIONALE FOR THE PROPOSED EXPANSION OF THE COVERAGE OF THE NON-ESSENTIAL GOODS SUBJECT TO EXCISE TAX OR THE IMPOSITION OF A LUXURY TAX/AFFLUENT CONSUMPTION TAX

According to Bernard (2008), luxury is defined as a kind of luxurious lifestyle wholly or partly considered by the society, which is mostly decided by products or services. From the perspective of economy theory, luxury is defined as the commodity that the income flexibility is greater than one, which means that the demand for this kind of good will be increased with the increased income, and the increase degree of demand is higher than the increase in the degree of income. In the real world, luxury is considered as slap-up consumption of goods that are beyond general enjoyment and it covers from costumes to slap-up cars. However, generally in people's view, luxury is defined as the very expensive goods that most people cannot consume such as famous bag, slap-up costumes and private planes (Zhou & Yang, 2013).

Certain products or goods that were considered luxury goods 20 years ago are not items of daily use. Therefore, the context and overall economic development of a country has to be considered, when luxury goods is defined (Frieda, 2016).

Luxury tax is a tax on luxury goods and services, i.e. goods and services that are not essential and consumed by only a niche. It typically affects the wealthy as opposed to the vast majority of the populace because the wealthy are the most likely to purchase luxury items (Baba, 2017).

During the 1970s, an affluent consumption tax was proposed in the Philippines to be levied on the consumption of luxurious items and other excessive expenditures to fund certain programs of the government. It was one of several measures designed to help remedy the Philippines' perennial problem of inequity in the distribution of wealth and income of the country which, under the status quo or even by adjusting the tax rates provided under existing laws on income, sales, property and tariff system would not be satisfactorily set.

In developing countries, like the Philippines, capital formation is a recognized *sine-qu-a-non* to economic growth and development. Income and wealth has been rather concentrated to only few families, and a portion thereof has been spent on affluent consumption or consumption of luxurious items. Although affluent consumption or consumption of luxurious items cannot be altogether eradicated, its practice can be discouraged through taxation. The revenue from the tax can be channeled to more socially useful government projects which may enhance the real income of the majority of the people.

The luxury tax, the affluent consumption tax, as well as the expansion of the coverage of non-essential goods subject to excise tax could also be justified on the following grounds, viz.:

- (a) To increase savings and capital formation. – The proposals are premised on the need for more savings for capital necessary to generate a higher rate of economic growth. As a tax on goods with relatively elastic demand, the tax could help

reduce demand for these goods. The income which is not spent on luxury consumption could then be channeled to the production of more essential goods and services;

- (b) To raise revenue. – In spite of its confirmed bias against the consumption of luxuries to be taxed, the proposal will still raise some revenue with the expected increase in income and with the persistence on conspicuous display of status symbol among the higher income groups;
- (c) To conserve foreign exchange. – To the extent that the taxpayer will refrain from purchasing luxury goods with high import content as a result of the tax, savings in foreign exchange will be realized; and
- (d) To redistribute income. – The proposal is progressive in nature, based on ability to pay. The incidence of the proposal would fall primarily on the upper-income groups. On the assumption that the expected proceeds from the proposal's revenue will be spent on socially-useful projects or those which will absorb the unemployed, then the proposal would have a redistributive effect in the sense that the welfare of people is enhanced by government spending.

In short, any tax on luxury or affluent consumption, as well as the proposed expansion of the coverage of non-essential intends to achieve the following objectives, viz.:

- (a) Improve the progressivity of the tax structure and thus promote a more equitable distribution of wealth;
- (b) Complement the income tax by capturing through tax an affluent expenditures or consumption of luxury goods what may otherwise escape the income tax net;
- (c) Curtail conspicuous consumption, thus favoring saving and capital formation; and
- (d) Raise additional revenues to support government expenditures.

However, there are certain challenges in introducing a tax on luxury or on affluent consumption or in expanding the coverage of non-essential goods. As already mentioned, the context and overall economic development of a country has to be considered, when luxury goods is defined. The specific goods and services that will constitute luxury goods and services as well as those considered as non-essentials must be identified. A clear and unambiguous definition and/or categorization of items that constitute luxury or non-essential goods should be established.

In developing countries, the most basic of amenities such as electricity, air transportation and certain clothing can be subjectively deemed as luxuries. Likewise, luxury items such as cellular mobile phones may not be a welcome inclusion to the general public considering that mobile phones have become better alternative to landline telephones

especially to low income groups who find it difficult to maintain the high cost of landline services. The imposition of a 20 percent ad valorem tax on this article could further increase the price of cellular phone mobile units. Thus, it is acceptable that a threshold amount should be set on when to consider a cellular mobile phone a luxury instead of a necessity.

Further, the introduction of a tax on luxury or affluent consumption, as well as expansion of the coverage of non-essential goods subject to excise tax could discourage the purchase of certain luxury or non-essential goods from local businesses and potentially impact negatively on the sales and profits generated by such businesses. The idea behind a luxury tax or an affluent consumption tax and the expansion of the coverage of the excise tax non-essential goods is to get the wealthy to contribute a bit more towards economic growth and development. However, the imposition of such taxes as well as the inclusion of certain items in the list of non-essential goods could cause the sharp decline in the sales of these particular items, which could cause problems for the local producers of luxurious or non-essential items and retailers, so much so that they have to lay-off employees or cut-back on the production of these items.

Likewise, buyers may shift from purchasing local to buying luxurious or non-essential goods overseas. Overseas Filipino tourist or those travelling abroad would buy these luxurious and non-essential goods overseas without declaring them when they re-enter the country in order not to pay taxes and duties.

The other issue to consider is the potential increase in black market patronage or the substitution effect. Imposing a tax on luxury or affluent consumption or expanding the coverage of non-essential goods subject to excise tax would increase the cost of these goods or services, prompting consumers to opt making purchases at cheaper prices from the black market or buying knock-off/counterfeit products or non-luxury items.

V. EFFECT OF THE PROPOSED EXPANSION OF THE COVERAGE OF NON-ESSENTIAL GOODS SUBJECT TO EXCISE TAX

Using available suggested retail price (SRP) from online stores of Apple Philippines, Abenson, and SM Appliance Center, it is computed that the proposed expansion of the coverage of non-essential goods subject to excise tax on selected hand-held gadgets, cellular mobile phones, television sets measuring 43 inches and above, and refrigerators 15 cubic feet and above would increase the SRP vis-à-vis wholesale price from 34 percent to 61 percent.

Table 1
Comparative SRP and Increase of SRP vis-a-vis Wholesale Price of Selected Non-Essential Goods under Present System and the Proposal

Non-essential goods	Wholesale Price	Suggested Retail Price			Increase of SRP vis-à-vis Wholesale Price	
		Present	Proposal	Difference	Present	Proposal
A. Hand-held gadgets						
1. Apple						
(a) iPad	15,618	20,990	25,188	4,198	34%	61%
(b) iPad mini	17,850	23,990	28,788	4,798	34%	61%
(c) iPad Air	22,314	29,990	35,988	5,998	34%	61%
(d) iPad Pro	38,683	51,990	62,388	10,398	34%	61%
2. Samsung						
(a) Samsung Tab Galaxy Book	33,475	44,990	53,988	8,998	34%	61%
(b) Samsung Galaxy Tab Pro	37,195	49,990	59,988	9,998	34%	61%
B. Cellular mobile phones						
1. Apple						
(a) iPhone X (R)	37,939	50,990	61,188	10,198	34%	61%
(b) iPhone X (S)	50,588	67,990	81,588	13,598	34%	61%
2. Samsung						
(a) Samsung S10 128GB	39,156	52,625	63,150	10,525	34%	61%
(b) Samsung S10 Plus 128GB	43,854	58,940	70,728	11,788	34%	61%
C. Television sets 43 inches and above						
1. Skyworth						
(a) LED-43E2	14,048	18,880	22,656	3,776	34%	61%
2. Sony						
(a) KDL-50W667G	24,025	32,290	38,748	6,458	34%	61%
(b) KD-43X8000G	27,299	36,690	44,028	7,338	34%	61%
(c) KD-43X8500G	31,466	42,290	50,748	8,458	34%	61%
(d) KD-55X8000G	35,558	47,790	57,348	9,558	34%	61%
(e) KD-65X8000G	56,243	75,590	90,708	15,118	34%	61%
3. Samsung						
(a) UA-43N5013ARXXP	15,990	21,490	25,788	4,298	34%	61%
(b) UA-43RU7105GXXP	22,314	29,990	35,988	5,998	34%	61%
(c) UA-55RU7100GXXP	37,195	49,990	59,988	9,998	34%	61%
(d) QA-49Q60RAGXXP	44,635	59,990	71,988	11,998	34%	61%
(e) UA-65RU7105GXXP	55,052	73,990	88,788	14,798	34%	61%
(f) QA-55Q60RAGXXP	66,957	89,990	107,988	17,998	34%	61%
(g) QA-65Q60RAGXXP	89,278	119,990	143,988	23,998	34%	61%
(h) QA-55Q70RAGXXP	89,278	119,990	143,988	23,998	34%	61%
(i) UA-75RU7100GXXP	107,879	144,990	173,988	28,998	34%	61%
(j) QA-65Q70RAGXXP	130,201	174,990	209,988	34,998	34%	61%
(k) QA-75Q60RAGXXP	200,885	269,990	323,988	53,998	34%	61%

Non-essential goods	Wholesale Price	Suggested Retail Price			Increase of SRP vis-à-vis Wholesale Price	
		Present	Proposal	Difference	Present	Proposal
D. Refrigerators 15 cubic feet and above						
1. Samsung						
(a) RS54N3003S8/TC 19.4CUFT	44,568	59,900	71,880	11,980	34%	61%
2. LG						
(a) GR-C432HLCN 15.4CUFT	29,386	39,495	47,394	7,899	34%	61%
(b) GR-A702HLHU 19.4CUFT	39,431	52,995	63,594	10,599	34%	61%
(c) GR-B247SQUW 24CUFT	48,359	64,995	77,994	12,999	34%	61%
(d) GR-M247UGBW 24CUFT	66,961	89,995	107,994	17,999	34%	61%
(e) GR-Q247CSBV 23.8CUFT	89,282	119,995	143,994	23,999	34%	61%
3. Fujidenzo						
(a) ISR-20SS 20CUFT	31,993	42,999	51,599	8,600	34%	61%

On the other hand, presented below is the comparative VAT due and mark-up of selected non-essential goods under present system and the proposed expansion of the coverage of non-essential goods subject to excise tax. Table 2 also shows the estimated 20 percent excise tax based on wholesale price, net of excise tax and VAT.

Table 2.

Estimated 20% Excise Tax on Selected Non-Essential Goods and Comparative 12% VAT Due and 20% Mark-Up under Present System and the Proposal

Non-essential goods	20% Excise Tax	12% VAT			20% mark-up		
		Present	Proposal	Difference	Present	Proposal	Difference
A. Hand-held gadgets							
1. Apple							
(a) iPad	3,124	2,249	2,699	450	3,124	3,748	625
(b) iPad mini	3,570	2,570	3,084	514	3,570	4,284	714
(c) iPad Air	4,463	3,213	3,856	643	4,463	5,355	893
(d) iPad Pro	7,737	5,570	6,684	1,114	7,737	9,284	1,547
2. Apple							
(a) Samsung Tab Galaxy Book	6,695	4,820	5,784	964	6,695	8,034	1,339
(b) Samsung Galaxy Tab Pro	7,439	5,356	6,427	1,071	7,439	8,927	1,488
B. Cellular mobile phones							
1. Apple							
(a) iPhone X (R)	7,588	5,463	6,556	1,093	7,588	9,105	1,518
(b) iPhone X (S)	10,118	7,285	8,742	1,457	10,118	12,141	2,024

Non-essential goods	20% Excise Tax	12% VAT			20% mark-up		
		Present	Proposal	Difference	Present	Proposal	Difference
2. Samsung							
(a) Samsung S10 128GB	7,831	5,638	6,766	1,128	7,831	9,397	1,566
(b) Samsung S10 Plus 128GB	8,771	6,315	7,578	1,263	8,771	10,525	1,754
C. Television sets 43 inches and above							
1. Skyworth							
(a) LED-43E2	2,810	2,023	2,427	405	2,810	3,371	562
2. Sony							
(a) KDL-50W667G	4,805	3,460	4,152	692	4,805	5,766	961
(b) KD-43X8000G	5,460	3,931	4,717	786	5,460	6,552	1,092
(c) KD-43X8500G	6,293	4,531	5,437	906	6,293	7,552	1,259
(d) KD-55X8000G	7,112	5,120	6,144	1,024	7,112	8,534	1,422
(e) KD-65X8000G	11,249	8,099	9,719	1,620	11,249	13,498	2,250
3. Samsung							
(a) UA-43N5013ARXXP	3,198	2,303	2,763	460	3,198	3,838	640
(b) UA-43RU7105GXXP	4,463	3,213	3,856	643	4,463	5,355	893
(c) UA-55RU7100GXXP	7,439	5,356	6,427	1,071	7,439	8,927	1,488
(d) QA-49Q60RAGXXP	8,927	6,428	7,713	1,285	8,927	10,713	1,785
(e) UA-65RU7105GXXP	11,010	7,928	9,513	1,586	11,010	13,213	2,202
(f) QA-55Q60RAGXXP	13,391	9,642	11,570	1,928	13,391	16,070	2,678
(g) QA-55Q70RAGXXP	17,856	12,856	15,427	2,571	17,856	21,427	3,571
(h) UA-75RU7100GXXP	21,576	15,535	18,642	3,107	21,576	25,891	4,315
(i) QA-65Q70RAGXXP	26,040	18,749	22,499	3,750	26,040	31,248	5,208
(j) QA-75Q60RAGXXP	40,177	28,928	34,713	5,785	40,177	48,213	8,035
D. Refrigerators 15 cubic feet and above							
1. Samsung							
(a) RS54N3003S8/TC 19.4CUFT	8,914	6,418	7,701	1,284	8,914	10,696	1,783
2. LG							
(a) GR-C432HLCN 15.4CUFT	5,877	4,232	5,078	846	5,877	7,053	1,175
(b) GR-A702HLHU 19.4CUFT	7,886	5,678	6,814	1,136	7,886	9,463	1,577
(c) GR-B247SQUW 24CUFT	9,672	6,964	8,357	1,393	9,672	11,606	1,934
(d) GR-M247UGBW 24CUFT	13,392	9,642	11,571	1,928	13,392	16,071	2,678
(e) GR-Q247CSBV 23.8CUFT	17,856	12,857	15,428	2,571	17,856	21,428	3,571
3. Fujidenzo							
(a) ISR-20SS 20CUFT	6,399	4,607	5,528	921	6,399	7,678	1,280

VI. OTHER COUNTRIES IMPOSING TAXES ON LUXURY AND NON-ESSENTIAL GOODS

A matrix showing the comparative structure of taxation of non-essential goods and services imposed by member-countries of the Association of Southeast Asian Nation (ASEAN) is presented in Annex D. The significant points/observations are as follows:

- (a) Indonesia imposes a 20 percent to 125 percent sales tax on luxury goods in addition to VAT. These goods include luxury houses and town houses, luxury cruisers, ferries, yachts, aircrafts, helicopters and firearms, among others. Indonesia also imposes a luxury sales tax on motor vehicles.²
- (b) Brunei imposes a 5 percent to 15 percent excise duty on carpet, cosmetic, perfumes, toilet waters, electrical goods, auto parts, jewelry, clocks, watches and articles of apparel and clothing accessories.
- (c) For Cambodia, a 3 percent to 10 percent specific tax on certain merchandise and services is imposed on local and international air tickets sold, entertainment services, local and international telecommunications services, air conditioners, cosmetics and camera equipment.
- (d) For Lao PDR, a 15 percent to 90 percent excise tax is imposed on goods such as perfume and cosmetics, speed boats and yachts, cameras, and musical instruments, among others. Certain services such as bowling, beauty services, golfing, lottery and casino services, among others, are also imposed a 10 percent to 35 percent excise tax.
- (e) For Malaysia, a 5 percent to 10 percent excise duty is imposed on playing cards and mahjong tiles while Myanmar imposes a 5 percent to 15 percent special goods tax on certain precious stones and jewelries. Singapore, on the other hand, does not impose any tax on goods and services that can be deemed non-essential.
- (f) Thailand imposes a mixed type of excise tax. Certain goods are taxed with an ad valorem rate ranging from 20 percent to 50 percent such as electronic lamp and chandelier, battery, lead crystal glass and other crystal glass, yacht and water vehicle used for recreational activities, perfume, and carpet, among others. Playing cards, and facilities such as nightclub, discotheque, bathing, sauna and massage facility, among others, are taxed with a combination of ad valorem and specific tax rate.
- (g) Lastly, Vietnam imposes a 10 percent to 70 percent special consumption tax on articles such as airplane, yacht, air conditioners, and lottery business, among others.

² Said tax was not included since the study only focuses on non-essential or luxury goods aside from motor vehicles or automobiles.

VII. CONCLUSION AND RECOMMENDATION

The proposed expansion of the coverage of non-essential goods subject to excise tax is recognized. The proposal can be justified on the following grounds: (a) it has the potential to redistribute income as it is based on ability to pay; (b) it improves the tax system as it captures income that might otherwise escape the income tax net; (c) it curtails conspicuous consumption; and (d) it raises additional revenue for the government.

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Annex A
**Comparative List of Non-Essential Goods and Services Subject to the Previous
 Sales Tax and the Current Excise Tax Regimes**

Sales Tax Regime	Excise Tax Regime
<p>1. Non-essential articles:</p> <ul style="list-style-type: none"> (a) All articles commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical and dental instruments, silver-plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other precious metal used in filling, mounting or fitting of the teeth); opera glasses and lorgnettes. The term ‘precious metals’ shall include platinum, gold, silver, and other metals of similar or greater value. The term ‘imitations thereof’ shall include platings and alloys of such metals. <p>(b) Perfumes, essence, extracts, toilet waters, cosmetics, hair dressing, hair dyes, hair restoratives, aromatic cachaos, toilet powders, (except tooth and mouth washes, dentifrice, talcum and medicated toilet powders, hair oils and pomades).</p> <p>(c) Dice, mahjong sets and playing cards.</p> <p>(d) Jukeboxes.</p>	<p>1. Non-essential goods:</p> <ul style="list-style-type: none"> (a) All goods commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof; goods made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical and dental instruments, silver-plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other precious metals used in filling, mounting or fitting of the teeth); opera glasses and lorgnettes. The term ‘precious metals’ shall include platinum, gold, silver, and other metals of similar or greater value. The terms ‘imitations thereof’ shall include platings and alloys of such metals; (b) Perfumes and toilet waters; (c) Yachts and other vessels intended for pleasure or sports. <p>[Sec. 150 of RA No. 8424 (approved December 11, 1997, effective January 1, 1998)]</p> <p>2. Non-essential services:</p> <ul style="list-style-type: none"> (a) On invasive cosmetic procedures, surgeries, and body enhancements directed solely towards improving, altering, or enhancing the patient’s appearance and do not meaning

Sales Tax Regime	Excise Tax Regime
<p>(e) Automobiles (except motor vehicles classified as trucks, jeeps and utility vehicles). A sale of an automobile shall, for purposes of this section, be considered as a sale of the chassis and of the body, together with parts and accessories with which the same is usually equipped, including the other parts and accessories permanently attached thereto at the time of the original sale.</p> <p>(f) Parts and accessories of automobiles which are primarily for ornamentation or embellishment.</p> <p>(g) Yachts and other vessels intended for pleasure or sports.</p> <p>(h) Harpsichords, accordions, pianos and electric or electronic musical organs.</p> <p>(i) Firearms and cartridges or other forms of ammunition.</p> <p>(j) Household-type electric vacuum cleaners or polishers.</p> <p>(k) Washing machines, clothes dryers and combination washing machine and clothes dryers of all types.</p> <p>(l) Textiles wholly or in chief value of silk, wool, or linen nylon or other synthetic and/or chemical fabrics not intended for clothing, wool and silk hats; and furs and manufacturers thereof.</p> <p>(m) Electricity and/or battery operated beauty equipment and accessories.</p> <p>(n) Electricity and/or battery operated toys.</p>	<p>fully promote the proper function of the body or prevent or treat illness or disease.</p> <p>[Sec. 150-A of RA No. 10963 (approved December 19, 2017; effective January 1, 2018)]</p>

Sales Tax Regime	Excise Tax Regime
<p>(o) Television sets, phonographs or gramophones, combination radio-phonograph sets, tape recorders, video tape recorders, tape decks, car stereos, cassette radios, and similar articles for reproducing and/or recording music, sound and images and any combination thereof.</p> <p>(p) Air-conditioning units.</p> <p>(q) Similar or analogous articles, substances or preparations to those enumerated above as determined by the Commissioner of Internal Revenue based on the essentiality of the articles.</p>	<p>[Sec. 2 of EO No. 36 (approved July 30, 1986; effective August 1, 1986)]</p>

Annex B1
Historical Taxation of Non-Essential Goods and Services (Sales Tax Regime)

Statutory Basis	Non-essential goods / services	Tax Base	Tax Rate	Taxpayer
Commonwealth Act (CA) No. 466 (approved June 15, 1939; effective July 1, 1939)	<p>Sec. 184. Percentage tax on sales of jewelry, automobiles, toilet preparations, and others. – x x x</p> <p>(a) All articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical instruments or silver-plated ware, or frames or mountings for spectacles or eyeglasses); opera glasses, and lorgnettes;</p> <p>(b) Automobile chassis and bodies, the selling price of which exceeds two thousand five hundred pesos each. A sale of automobile shall, for the purposes of this section, be considered to be a sale of the chassis and of the body together with parts and accessories of which the same are usually equipped.</p> <p>(c) Perfumes, essences, extracts, toilet matters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, and any similar substance, article, or preparation, by whatsoever name known or distinguished, except tooth and mouth washes, dentifrices, tooth paste, and talcum or medicated toilet powders; and any of the above which are used or</p>	Gross selling price or gross value in money of the articles sold, bartered, exchanged, or transferred	10%	Manufacturer, producer, or importer

Statutory Basis	Non-essential goods / services	Tax Base	Tax Rate	Taxpayer
	applied or intended to be used or applied for toilet purposes: x x x	of the articles sold, bartered, exchanged, or transferred		Manufacturer, producer, or importer
Sec. 185. Percentage tax on sales of automobiles, sporting goods, refrigerators, musical instruments, and others. – x x				
(a)	Automobile chassis and bodies, the selling price of which does not exceed two thousand five hundred pesos each. A sale of automobile shall, for the purposes of this section, be considered to be a sale of the chassis and of the body together with parts and accessories with which the same are usually equipped;			
(b)	Watches and clocks, the value of which exceeds twenty pesos each, marine glasses, field glasses, binoculars, cameras, camera lenses, and cinematographic films of not more than sixteen millimeters in width;			
(c)	Polo mallets and balls; golf bags, clubs and balls; fishing rods and reels; chess and checker boards and pieces; dice and mahjong sets;			
(d)	Beauty parlor equipment;			
(e)	Household type refrigerators (for single or multiple cabinet installations) operated with electricity, gas, kerosene, or other means;			

Statutory Basis	Non-essential goods / services	Tax Base	Tax Rate	Taxpayer	
Presidential Decree (PD) No. 69 (approved November 24, 1972; effective January 1, 1973)	<p>(f) Musical instruments, phonographs, combination radio and phonograph sets, and phonograph records; and</p> <p>(g) Cartridges or other forms of ammunition, (except those for caliber .22 firearms): Provided, however, That no tax shall be collected on cartridges or other forms of ammunition sold and delivered directly to the Philippine Constabulary or Philippine Army for their actual use or issue.</p>	<p>Sec. 184. Percentage tax on sales of jewelry, toilet preparation, and others. – X X X</p> <p>All articles commonly or commercially known jewelry, whether real or imitation, pearls, precious and semi-precious stones, and imitations thereof; articles made of, or enumerated, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical instruments, silver-plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other precious metals used in filling, mounting or fitting of the teeth); opera glasses, and lorgnettes. The term "precious metals" shall include platinum, gold, silver, and other metals of similar or greater value. The term "imitations thereof" shall include platings and alloys of such metals.</p> <p>(b) Perfumes, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, aromatic cachous, toilet</p>	Gross value in money of the articles sold, bartered, exchanged, or transferred	70%	Manufacturer or producer

Statutory Basis	Non-essential goods / services	Tax Base	Tax Rate	Taxpayer
	<p>powders, and any similar substance, article, or preparations, by whatsoever name known or distinguished; and any of the above which are used or applied or intended to be used or applied for toilet purposes; except tooth and mouth washes, dentifrice, tooth paste; and talcum or medicated toilet powders.</p> <p>(c) Dice, mahjong sets and playing cards, except those locally manufactured;</p> <p>(d) Beauty parlor equipment and accessories; and</p> <p>(e) Polo mallets and balls, gold bags, clubs and balls, and chess and checker boards and pieces.</p>	<p>Gross selling price or gross value in money of the articles sold, bartered, exchanged or transferred</p>	40%	Manufacturer or producer

Sec. 185-A. Percentage tax on sales of refrigerators, air-conditioners, beverage coolers, ice cream cabinets, and others. – x x x

- (a) Refrigerators of all types;
- (b) Beverage coolers, ice cream cabinets, water coolers, food and beverage storage cabinets, ice-making machine, and mild cooler cabinets, each such articles having, or being primarily designated for use with, mechanical refrigerating unit operated by electricity, gas, kerosene, or other means; and
- (c) Air-conditioning units

Statutory Basis	Non-essential goods / services	Tax Base	Tax Rate	Taxpayer
PD No. 1358 (approved and effective April 21, 1978)	<p>Sec. 194. Percentage tax on sales of non-essential articles. – X X X</p> <p>(a) All articles commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical and dental instruments, silver plated wares, frames or mounting for spectacles or eyeglasses, and dental gold or gold alloys and other precious metals used in filling, mounting or fitting of the teeth); opera glasses, and lorgnettes. The term "precious metals" shall include platinum, gold, silver, and other metals of similar or greater value. The term "imitation thereof" shall include plating and alloys of such metals.</p> <p>(b) Perfumes, essences, extracts, toilet waters, cosmetics, hair dressings, hair dyes, hair restoratives, aromatic cachous, toilet powders, except tooth and mouth washes, dentifrice, tooth paste, talcum and medicated toilet powders, hair oils and pomades.</p> <p>(c) Dice, mahjong sets and playing cards;</p> <p>(d) Juke boxes.</p> <p>(e) Similar or analogous articles, substances or preparations to those enumerated above as determined by the Secretary of Finance upon the recommendation</p>	Gross value in money of the articles sold, bartered, exchanged or transferred	50%	Manufacturer or producer

Statutory Basis	Non-essential goods / services	Tax Base	Tax Rate	Taxpayer
of the Commissioner of Internal Revenue based on the inherent essentiality of the product. – x x x	Sec. 196. Percentage tax on sales of semi-essential articles.	Gross selling price or gross value in money of the articles sold, bartered, exchanged or transferred	25%	Manufacturer or producer
	(a) Luggage, trunks, valises, traveling bags, suitcases, satchels, overnight bags, hat boxes for use of travelers beach bags, bathing suit bags, brief cases made of leather or imitation leather, and salesman's sample and display cases; handbags, card, pass and key cases; toilet cases and other cases, bags and kits (without regard to size, shape, construction, or material from which made) for use in carrying toilet articles of wearing apparel;			
	(b) Harpsicord and accordions;			
	(c) Firearms and cartridges or other form of ammunitions;			
	(d) Electric, gas or oil water heaters; electric gas or oil appliances, other than stoves and ranges, of the type use for cooking, warming, or keeping warm food or beverage for consumption on the premises; electric mixers, whippers, and juicers; and household type electric vacuum cleaners or polishers;			
	(e) Washing machines, cloth dryers and combination washing machines and cloth dryers of all types;			
	(f) Mechanical lighters;			

Statutory Basis	Non-essential goods / services	Tax Base	Tax Rate	Taxpayer
	<p>(g) Textiles wholly or in chief value of silk, wool, linen; nylon or other synthetic and/or chemical fabrics except those primarily intended for clothing; wool and silk hats; and furs and manufacturers, thereof;</p> <p>(h) Toys and playthings of all sorts;</p> <p>(i) Beverage coolers, ice cream cabinets, water coolers, food and beverage storage cabinets, ice-making machines, and mild cooler cabinets, each having, or being primarily designated for used with a mechanical refrigerating unit operated by electricity, gas, kerosene or other means;</p> <p>(j) Air-conditioning units;</p> <p>(k) Electricity and/or battery operated beauty equipment and accessories;</p> <p>(l) Pianos, electric or electronic musical organ; and</p> <p>(m) Similar or analogous article to those enumerated above, as determined by the Secretary of Finance upon recommendation of the Commissioner of Internal Revenue based on the inherent essentiality of the product.</p>	Gross value in money of the articles sold, bartered, exchanged or transferred	50%	Manufacturer or producer

PD No. 1994
 (Approved November
 5, 1985; effective
 January 1, 1986)

Sec. 163. Percentage tax on sales of non-essential articles.

Statutory Basis	Non-essential goods / services	Tax Base	Tax Rate	Taxpayer
	<p>(a) All articles commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical and dental instruments, silver plated wares, frames or mounting for spectacles or eyeglasses, and dental gold or gold alloys and other precious metals used in filling, mounting or fitting of the teeth); opera glasses, and lorgnettes. The term "precious metals" shall include platinum, gold, silver, and other metals of similar or greater value. The term "imitations thereof" shall include plantings and alloys of such metals</p> <p>(b) Perfumes, essences, extracts, toilet waters, cosmetics, hair dressings, hair dyes, hair restoratives, aromatic cachous, toilet powders, except tooth and mouth washes, dentifrice, tooth paste, talcum and medicated toilet powders, hair oils and pomades.</p> <p>(c) Dice, mahjong sets and playing cards.</p> <p>(d) Jukeboxes.</p> <p>(e) Manufactured parts and accessories of automobiles which are principally for ornamentation or embellishment.</p> <p>(f) Similar or analogous articles, substances or preparations to those enumerated above as determined by the Secretary of Finance upon the recommendation</p>			

Statutory Basis	Non-essential goods / services	Tax Base	Tax Rate	Taxpayer
of the Commissioner of Internal Revenue based on the inherent essentiality of the product.				
Executive Order (EO) No. 36 (approved July 30, 1986; effective August 1, 1986)	<p>Sec. 163. Percentage tax on original sales of articles. – x x</p> <p>x</p> <p>(1) Non-essential articles</p> <p>(a) All articles commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical and dental instruments, silver-plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other precious metal used in filing, mounting or fitting of the teeth); opera glasses, and lorgnettes. The term ‘precious metals’ shall include platinum, gold, silver, and other metals of similar or greater value. The term ‘imitations thereof’ shall include platings and alloys of such metals.</p> <p>(b) Perfumes, essence, extracts, toilet waters, cosmetics, hair dressing, hair dyes, hair restoratives, aromatic cachaos, toilet powders, (except tooth and mouth washes, dentifrice,</p>	Gross selling price or gross value in money of the articles sold, bartered, exchanged or transferred	30%	Manufacturer, producer or importer

Statutory Basis	Non-essential goods / services	Tax Base	Tax Rate	Taxpayer
	<p>talcum and medicated toilet powders, hair oils and pomades).</p> <p>(c) Dice, mahjong sets and playing cards.</p> <p>(d) Jukeboxes.</p> <p>(e) Automobiles (except motor vehicles classified as trucks, jeeps and utility vehicles). A sale of an automobile shall, for purposes of this section, be considered as a sale of the chassis and of the body, together with parts and accessories with which the same is usually equipped, including the other parts and accessories permanently attached thereto at the time of the original sale.</p> <p>(f) Parts and accessories of automobiles which are primarily for ornamentation or embellishment.</p> <p>(g) Yachts and other vessels intended for pleasure or sports.</p> <p>(h) Harpsichords, accordions, pianos and electric or electronic musical organs.</p> <p>(i) Firearms and cartridges or other forms of ammunition.</p> <p>(j) Household-type electric vacuum cleaners or polishers.</p>			

Statutory Basis	Non-essential goods / services	Tax Base	Tax Rate	Taxpayer
(k) Washing machines, clothes dryers and combination washing machine and clothes dryers of all types.	(l) Textiles wholly or in chief value of silk, wool, or linen nylon or other synthetic and/or chemical fabrics not intended for clothing; wool and silk hats; and furs and manufacturers thereof.	(m) Electricity and/or battery operated beauty equipment and accessories.	(n) Electricity and/or battery operated toys.	(o) Television sets, phonographs or gramophones, combination radio-phonograph sets, tape recorders, video tape recorders, tape decks, car stereos, cassette radios, and similar articles for reproducing and/or recording music, sound and images and any combination thereof.

(p) Air-conditioning units.

(q) Similar or analogous articles, substances or preparations to those enumerated above as determined by the Commissioner of Internal Revenue based on the essentiality of the articles.

Annex B2
*Historical Taxation of Non-Essential Goods and Services
 /Value Added Tax (Vat) and Excise Tax Regime/*

Statutory Basis	Features	Tax Base	Tax Rate	Taxpayer
EO No. 273 (Approved July 25, 1987; effective January 1, 1988)	VAT on sale and importation of goods (Secs. 100 and 101) Imposed a 10% VAT on sale and importation of goods in addition to the excise tax imposed under Sec. 150.	<u>Domestic sale – Gross selling price or gross value in money of the goods, sold, bartered or exchanged</u>	10%	Seller or transferor
		<u>Importation – Total value used by the Bureau of Customs (BOC) in determining tariff and customs duties, plus custom duties, excise taxes, if any, and other charges</u>		Importer Manufacturer, producer or importer
	Excise tax on non-essential goods (Sec. 150) (a) All goods commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof; goods made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical and dental instruments, silver- plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other	Wholesale price or the value of importation used by the Bureau of Customs (BOC) in determining tariff and customs duties; net of excise tax and VAT	20%	Importer

Statutory Basis	Features	Tax Base	Tax Rate	Taxpayer
	<p>precious metals used in filling, mounting or fitting of the teeth); opera glasses and lorgnettes. The term ‘precious metals’ shall include platinum, gold, silver, and other metals of similar or greater value. The terms ‘imitations thereof’ shall include platings and alloys of such metals;</p> <p>(b) Perfumes and toilet waters;</p> <p>(c) Yachts and other vessels intended for pleasure or sports.</p>	<u>Domestic sale – Gross selling price or gross value in money of the goods, sold, bartered or exchanged</u>	10%	Seller or transferor
Republic Act (RA) No. 8424 (approved December 11, 1997; effective January 1, 1998)	VAT on sale and importation of goods (Secs. 106 and 107) Retained the 10% VAT on sale and importation of goods in addition to the 20% excise tax on non-essential goods imposed under EO 273	<u>Importation – Total value used by the Bureau of Customs (BOC) in determining tariff and customs duties, plus custom duties, excise taxes, if any, and other charges</u>		Importer
	Excise tax on non-essential goods (Sec. 150)	Wholesale price or the value of importation used by the Bureau of	20%	Manufacturer, producer or importer

Statutory Basis	Features	Tax Base	Tax Rate	Taxpayer
(a) All goods commonly or commercially known as jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof; goods made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical and dental instruments, silver-plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other precious metals used in filling, mounting or fitting of the teeth); opera glasses and lorgnettes. The term 'precious metals' shall include platinum, gold, silver, and other metals of similar or greater value. The terms 'imitations thereof' shall include platings and alloys of such metals;		Customs (BOC) in determining tariff and customs duties; net of excise tax and VAT	10%	Seller or transferor
(b) Perfumes and toilet waters;				Importer
(c) Yachts and other vessels intended for pleasure or sports.				
RA No. 9337 (Approved May 24, 2005; effective November 1, 2005)	Authorizing the President of the Philippines upon the recommendation of the Secretary of Finance to raise the VAT rate from 10% to 12% after meeting certain conditions.	<u>Domestic sale</u> – Gross selling price or gross value in money of the goods, sold, bartered or exchanged <u>Importation</u> – Total value used by the Bureau of Customs (BOC) in determining	10%	

Statutory Basis	Features	Tax Base	Tax Rate	Taxpayer
Revenue Memorandum Circular (RMC) No. 7-2006 (issued January 31, 2006; effective February 1, 2006)	Published the full text of the Memorandum approving the recommendation of the Secretary of Finance to increase the VAT rate from 10% to 12%	tariff and customs duties, plus custom duties, excise taxes, if any, and other charges	Domestic sale – Gross selling price or gross value in money of the goods, sold, bartered or exchanged	Seller or transferor Importer
Revenue Regulations No. 5-2013 (issued April 22, 2013)	Prescribes the rules on the advance payment of business and income taxes and actual payment of excise tax by those who sell jewelry, gold and other metallic minerals to nonresident individuals not engaged in business within the Philippines and/or to nonresident foreign corporations	Importation – Total value used by the Bureau of Customs (BOC) in determining tariff and customs duties, plus custom duties, excise taxes, if any, and other charges	12%	

Statutory Basis	Features	Tax Base	Tax Rate	Taxpayer
RA No. 10963 (approved December 19, 2017; effective January 1, 2018)	Sec. 150-A. Non-essential services. – On invasive cosmetic procedures, surgeries, and body enhancements directed solely towards improving, altering, or enhancing the patient's appearance and do not meaning fully promote the proper function of the body or prevent or treat illness or disease	Gross receipts derived from the performance of services	5%	

Annex C
Taxation of Qualified Vis-A-Vis Non-Qualified Jewelry Enterprises Pursuant to RA No. 8502

Particulars	Non-QJE	QJE
1. On Fine and Imitation Jewelry		
Import Duty	<ul style="list-style-type: none"> • Importation of articles of fine jewelry and imitation jewelry 	<ul style="list-style-type: none"> • Importation of articles of fine jewelry and imitation jewelry
	<ul style="list-style-type: none"> ➤ 3% or 10% Most Favored Nation (MFN) or 0% ASEAN Trade in Goods Agreement (ATIGA) import duty based on the dutiable value of the imported item 	<ul style="list-style-type: none"> ➤ Same provision as Non-QJE
[Tariff Heading Nos. 71.13 and 71.17 of AHTN 2012]		
Excise Tax	<ul style="list-style-type: none"> • On sale and importation 	<ul style="list-style-type: none"> • On sale and importation
	<ul style="list-style-type: none"> ➤ 20% excise tax based on the following: 	<ul style="list-style-type: none"> ➤ Exempt from the imposition of excise tax
	<ul style="list-style-type: none"> ✓ For <u>domestic sale, consumption or for any other disposition</u> – wholesale price on the removal of manufactured jewelry from its place of production or factory 	[Sec. 3(b) of RA No. 8502]
	<ul style="list-style-type: none"> ✓ For <u>importation</u> – value of importation used by the BOC in determining tariff and customs duties, net of excise tax and VAT 	
[Sec. 150(A), NIRC of 1997, as amended]		

Particulars	Non-QJE	QJE
VAT	<ul style="list-style-type: none"> • On domestic sale of VAT-registered Non-QJE or those with gross sales exceeding the threshold amounting to Three million pesos (PHP3,000,000) ➤ 12% VAT based on the gross selling price (<u>including excise tax</u>) of the jewelry sold domestically (output tax) ➤ The taxpayer is allowed to claim for the credit/refund of the input tax on his purchases of VATable goods, properties or services <p>[Sec. 106(A), NIRC of 1997, as amended]</p> <ul style="list-style-type: none"> • On importation ➤ 12% VAT based on total value used by the BOC in determining tariff and customs duties on the imported items, plus the customs duty <u>and excise tax</u> <p>[Sec. 107(A), NIRC of 1997, as amended]</p> <ul style="list-style-type: none"> • On export sale ➤ 0% VAT on export sales <p>[Sec. 106(A)(2)(a)(1), NIRC of 1997, as amended]</p>	<ul style="list-style-type: none"> • On domestic sale of VAT-registered QJE or those with gross sales exceeding the threshold amounting to PHP3,000,000 ➤ 12% VAT based on the gross selling price (<u>excluding excise tax</u>) of the jewelry sold domestically (output tax) ➤ The taxpayer is allowed to claim for the credit/refund of the input tax on his purchases of VATable goods, properties or services <p>[Sec. 106(A), NIRC of 1997, as amended]</p> <ul style="list-style-type: none"> • On importation ➤ 12% VAT based on total value used by the BOC in determining tariff and customs duties on the imported items, plus the customs duty <u>less excise tax (exempt)</u> <p>[Sec. 107(A), NIRC of 1997, as amended]</p> <ul style="list-style-type: none"> • On export sale ➤ Same provisions as Non-QJE

Particulars	Non-QJE	QJE
	<ul style="list-style-type: none"> ➤ The taxpayer is allowed to claim for the credit/refund of: ✓ The input tax on his purchases of VATable goods, properties or services <p>[Sec. 112, NIRC of 1997, as amended]</p>	<ul style="list-style-type: none"> ✓ The excise tax paid, if any, on the locally produced articles exported whether so exported in their original state or as part of the manufactured product exported <p>[Sec. 130(D), NIRC of 1997, as amended]</p>
Percentage Tax	<ul style="list-style-type: none"> • On the sale of jewelry not exceeding the threshold set by the Tax Code and existing issuances, currently in the amount of PhP3,000,000 ➤ 3% percentage tax based on quarterly gross sales or receipts 	<ul style="list-style-type: none"> • On the sale of jewelry not exceeding the threshold set by the Tax Code and existing issuances, currently in the amount of PhP3,000,000 ➤ Same provisions as Non-QJE
Income Tax	<ul style="list-style-type: none"> • Sellers of jewelry 	<ul style="list-style-type: none"> • Sellers of jewelry ➤ For individual taxpayers, rates prescribed under Sections 24 and 25 of the NIRC, as amended ➤ Same provisions as Non-QJE except for those who are entitled to an income tax holiday (ITH) under EO No. 226

Particulars	Non-QJE	QJE
	► For corporations, rates prescribed under Sections 27 and 28 of the NIRC, as amended	
2. On Materials, Supplies and Capital Equipment		
Import Duty	<ul style="list-style-type: none"> • On imported raw materials and supplies ► 0% to 15% MFN or 0% ATIGA as per ASEAN Harmonized Tariff Nomenclature (AHTN) Book 2012 • On imported capital equipment, tools and spare parts ► 1% to 10% MFN or 0% ATIGA as per ASEAN Harmonized Tariff Nomenclature (AHTN) Book 2012 [Tariff and Customs Code of the Philippines (TCCP)] 	<ul style="list-style-type: none"> • On imported raw materials and supplies ► 0% duty on raw materials and supplies enumerated in Annex A of the Joint DTI-BOC-BIR Administrative Order No. 01s. 2004 • On imported capital equipment, tools and spare parts ► 0% duty on imported jewelry equipment, tools and spare parts enumerated in Annex B of the Joint DTI-BOC-BIR Administrative Order No. 01s. 2004 <p>[Rule III, Sec. 1(a) and (c), Joint DTI-BOC-BIR Administrative Order No. 01 Series of 2004]</p>
Excise Tax	<ul style="list-style-type: none"> • On local purchase and importation of raw materials and supplies 	<ul style="list-style-type: none"> • On local purchase and importation of raw materials and supplies

Particulars	Non-QJE	QJE
VAT	<ul style="list-style-type: none"> ➤ 4% on all non-metallic and metallic minerals such as but not limited to diamonds, gold, silver and platinum based on the value used by the BOC in determining tariff and customs duties, net of excise tax and VAT <p>[Sec. 151(A)(2) & (3), NIRC of 1997, as amended]</p>	<ul style="list-style-type: none"> ➤ Exempt from excise tax on imported raw materials and supplies enumerated in Annex C of the Joint DTI-BOC-BIR Administrative Order No. 01s. 2004 <p>[Rule III, Sec. 1(b), Joint DTI-BOC-BIR Administrative Order No. 01 Series of 2004]</p>
	<ul style="list-style-type: none"> • On domestic purchase of capital equipment, raw materials and supplies ➤ 12% VAT based on gross selling price <p>[Sec. 106(A), NIRC of 1997, as amended]</p>	<ul style="list-style-type: none"> • On domestic purchase of capital equipment, raw materials and supplies ➤ 12% VAT based on gross selling price (excluding excise tax if purchased from another QJE) <p>[Sec. 106(A), NIRC of 1997, as amended]</p>
	<ul style="list-style-type: none"> • On importation of capital equipment, raw materials and supplies ➤ 12% VAT based on total value used by the BOC in determining tariff and customs duties on the imported items, plus the customs duty and excise tax <p>[Sec. 107(A), NIRC of 1997, as amended]</p>	<ul style="list-style-type: none"> • On importation of capital equipment, raw materials and supplies ➤ 12% VAT based on total value used by the BOC in determining tariff and customs duties on the imported items, plus the customs duty and excise tax (less excise tax if listed in Annex A, B and C of Joint DTI-BOC-BIR Administrative Order No. 01s. 2004) <p>[Sec. 107(A), NIRC of 1997, as amended]</p>

Annex D
Comparative Taxation of Non-Essential Goods and Services in ASEAN Member-Countries

Member States	Particulars	Tax Rate
Philippines <i>Excise Tax</i>	<u>Non-essential goods</u> (1) Jewelry, whether real or imitation, pearls, precious and semi-precious stones and imitations thereof: goods made or, ornamented, mounted or fitted with, precious metals ¹ or imitations thereof ² or ivory (not including surgical and dental instruments, silver-plated wares, frames or mountings for spectacles or eyeglasses, and dental gold or gold alloys and other precious metals used in filling, mounting or fitting the teeth); opera glasses and lorgnettes; (2) Perfumes and toilet waters; (3) Yachts and other vessels intended for pleasure or sports.	20%
	<u>Non-essential services</u> Invasive cosmetics procedures, surgeries, and bode enhancements directed solely towards improving, altering or enhancing the patient's appearance and do not meaning fully promote the proper function of the bode or prevent or treat illness or disease.	5%
Brunei <i>Excise Duty</i>	(1) Instant coffee/tea (extract, essences and concentrates)/ coffee mate	5%

¹ The term “precious metals” shall include platinum, gold, silver and other metals of similar or greater value

² The term “imitations thereof” shall include plantings and alloys of such metals.

Member States	Particulars	Tax Rate
Cambodia <i>Specific Tax on Certain Merchandise and Services</i>	(2) Carpet and other textile floor covering	5%
	(3) Headgear and parts thereof	10%
	(4) Cosmetic, perfumes, toilet waters, other preparations for use on the hair	5%
	(5) Electrical goods	5%
	(6) Auto parts	5%
	(7) Articles of apparel and clothing accessories, of leather or of composition leather	5%
	(8) Jewelry including imitation jewelry	15%
	(9) Clocks and watches and parts thereof	10%
Indonesia <i>Luxury Sales Tax</i>	(1) Local and international air tickets sold in Cambodia	10%
	(2) Entertainment services	10%
	(3) Local and international telecommunications services	3%
	(4) Air conditioners, cosmetics and camera equipment	10%
	(1) Luxury houses and town houses non-strata title with selling price of IDR 20 billion	20%
	(2) Apartments, condominiums, town houses strata title and the likes with selling price of IDR 10 billion and above	20%
	(3) Air balloons and unpowered aircrafts	40%

Member States	Particulars	Tax Rate
(4)	Bullets of fire arms and other types fire arms, except for nation's use	40%
(5)	Luxury cruisers, ferries and yachts, except for nation and commercial's use	75%
(6)	Aircrafts and helicopters, except for nation and commercial's use	50%
(7)	Firearms, revolvers, pistols except for nation's use	50%
(8)	Special purpose vehicles for golf	50%
(9)	Special purpose vehicles to be used in the snow, beach, mountains and the like	60%
(10)	Caravan trailer and semi-trailer for housing and camping	125%
Lao PDR		
<i>Excise Tax</i>		
(1)	Crystal items or crystal adornments	20%
(2)	All kinds of carpets at the price of 1,000,000 kip and higher	15%
(3)	Furniture sets (sofas) with the value 10,000,000 kip and over	15%
(4)	Perfume and cosmetics	20%
(5)	Playing cards and gambling materials	90%
(6)	Trading rockets, fireworks, crackers	80%
(7)	Decoration accessories	20%
(8)	Speed boats, yachts, sport engine boats including their spare parts and accessories	20%

Member States	Particulars	Tax Rate
(9)	Satellite television signal receivers, audio-video players, cameras, telephones, audio-video recorders, musical instruments including their components and accessories	20%
(10)	Electrical appliances including air-conditioners, washing machines, vacuum cleaners	20%
(11)	Billiard tables, snooker tables, bowling equipment, football playing tables	30%
(12)	All kinds of game players	35%
	Services of:	
(1)	Entertainment Night Clubs. Discotheques, karaoke	20%
(2)	Bowling services	10%
(3)	Beauty services	10%
(4)	Use of services for mobile phones, digital television, cable television, internet	10%
(5)	Golfing services	10%
(6)	Lottery services	25%
(7)	Casino services, poker machines	35%
Malaysia Excise Duty	(1) Playing cards (2) Mahjong tiles, of wood or of paper or of plastics (3) Other mahjong tiles	10% per pack 10% per pack 5% per pack

Member States	Particulars	Tax Rate
Myanmar Special Goods Tax	<ul style="list-style-type: none"> (1) Wood logs and wood cuttings (2) Raw jade (3) Raw rubies, sapphires, emeralds and other raw gemstones (4) Processed jade, rubies, sapphires, diamonds, emeralds and other processed gemstones; jewelry made from processed jade, rubies, sapphires, diamonds, emeralds and other processed gemstones 	<ul style="list-style-type: none"> 5% 15% 10% 5%
Singapore	-	-
Thailand Excise Tax	<ul style="list-style-type: none"> (1) Electronic lamp and chandelier for mounted on ceilings or walls but not including those for providing light (2) Battery (3) Lead crystal glass and other crystal glass (4) Yacht and water vehicle used for recreational activities (5) Perfume, perfume oil and essential oil (6) Carpet and other floor covering textiles (7) Halogenated hydrocarbon derivatives type of ozone depleting substance (8) Playing cards 	<ul style="list-style-type: none"> 30% 30% 30% 50% 20% 30% 30% 60% per value and 500 Baht per one hundred cards

Member States	Particulars	Tax Rate
(9)	Other products are not mentioned as prescribed by the royal decree	50% per value and 100 Baht per unit, net weight or net volume
(10)	Nightclub, discotheque, pub, bar, cocktail lounge including places that provide food and alcoholic beverages and arrange for music show or other shows for entertainment and close after 24.00 am	30% per value and 3000 Baht per square meter
(11)	Bathing, sauna and massage facility	30% per value and 1000 Baht per time
(12)	Horse racing track	30%
(13)	Lottery	30%
(14)	Gold course	50%
(15)	Telecommunication business	30%
(16)	Other services not mentioned as prescribed by the royal decree	30%
Vietnam		
<i>Special Consumption Tax</i>		
(1)	Airplane	30%
(2)	Yacht	30%
(3)	Air conditioning capacity of 90,000 BTU or less	10%
(4)	Post cards	40%
(5)	Votive, code	70%
(6)	Discotheque business	40%

Member States	Particulars	Tax Rate
(7)	Trading in massage, kaolin	30%
(8)	Business casino, prize-winning electronic games	35%
(9)	Betting business	30%
(10)	Golf business	20%
(11)	Lottery business	15%

Notes. (Brunei Darussalam National Single Window, n.d.); (Cambodia Tax Booklet Update , 2017); (World Tax Guide, 2018); (Amended Tax Law No. 70/NA, 2015); (Excise Act 1976, 2017); (Pyidaungsu Hluttaw Law No.4 , 2017); (Excise Act, B.E. 2560 , 2017); (Law No. 70/2014 / QH13, 2014)