

PART 3

# Excise



# Tax

ON  
ALCOHOL PRODUCTS

Updated under **RR No. 7 - 2021** of Sec. 3A  
Revised Rates and Bases of Excise Tax on  
Alcohol Products

## CHAPTER 3: EXCISE TAX ON ALCOHOL PRODUCTS

**ALCOHOL PRODUCTS** – shall refer to the fermented liquors, proof spirits, wines and/or spirits or distilled spirits as defined by these regulations.

### **SEC. 141 DISTILLED SPIRITS**

- This is the substance known as ethyl alcohol, ethanol or spirits of wine, including dilutions, purification and mixtures thereof, from whatever source, by whatever process produced and shall include whisky, brandy, rum, gin and vodka and other similar products and mixtures.
  
- Distilled spirits have an additional ad valorem tax of 20% of the NRP applicable from 2019 – 2020, excluding the value added tax and excise tax. The specific tax per proof liter is subject to 4% adjustment every January 1 of each year.
  
- January 1, 2019 20% 23.40

<b>Excise Tax Due = Ad valorem tax + Specific tax</b>		
<b>Date of effectivity (start date)</b>	<b>Ad valorem tax [based on the net retail price per proof (excluding the excise and value-added taxes)]</b>	<b>Specific tax (per proof liter)</b>
January 1, 2020	20%	₱24.34
January 23, 2020	22%	₱42.00
January 1, 2021	22%	₱47.00
January 1, 2022	22%	₱52.00
January 1, 2023	22%	₱59.00
January 1, 2024	22%	₱66.00
2025 Onwards	22%	specific tax rate shall be increased by 6% and every year thereafter

### **NET RETAIL PRICE**

- Shall mean the price at which the distilled spirits is sold on retail in at least 5 major supermarkets in Metro Manila.
- For distilled spirits marketed outside Metro Manila, the NRP shall mean the price at which the distilled spirits is sold in at least 5 major supermarkets in the region.

### **PROOF LITER**

- Means a liter of a proof spirits, a proof means 50% of alcohol content. Thus, 70 proof means 70/2 or 35% alcohol content.

## HOW TO COMPUTE EXCISE TAX ON DISTILLED SPIRITS?

### Illustration 1:

Harvey Brewery produces its famous Hagod Whisky of 60 proof 750 ml-bottle sold at net retail price of 100/bottle. During the year of 2019, it produced a total of 15,000 bottles. 25,000 bottles for January 1, 2020, and 30,000 bottles for 2021.

### Requirements:

1. Compute the excise tax in the year of 2019.
2. Compute the excise tax in the year of 2020.
3. Compute the excise tax in the year of 2021.

Computations:  $\text{Excise Tax} = \text{Specific Tax} + \text{Ad Valorem Tax}$

#### 1. Year of 2019

Alcohol content – 60 proof (60/2)	30%
Total alcohol content in liters (30% x .75L x <b>15,000 bottles</b> )	3,375
Total proof liters = 3,375 alcohol x 2	6,750
Specific tax (6,750 proof liter x <b>23.40</b> )	P157,950
Ad valorem tax (15,000 bottles x 100/bottle) x <b>20%</b>	<u>P300,000</u>
<b>Total excise tax</b>	<b>P457,950</b>

#### 2. Year of 2020

Alcohol content – 60 proof (60/2)	30%
Total alcohol content in liters (30% x .75L x <b>25,000 bottles</b> )	5,625
Total proof liters = 5,625 alcohol x 2	11,250
Specific tax (11,250 proof liter x <b>24.34</b> )	P273,825
Ad valorem tax (25,000 bottles x 100/bottle) x <b>20%</b>	<u>P500,000</u>
<b>Total excise tax</b>	<b>P773,825</b>

#### 3. Year of 2021

Alcohol content – 60 proof (60/2)	30%
Total alcohol content in liters (30% x .75L x <b>30,000 bottles</b> )	6,750
Total proof liters = 6,750 alcohol x 2	13,500
Specific tax (13,500 proof liter x <b>47</b> )	P634,500
Ad valorem tax (30,000 bottles x 100/bottle) x <b>22%</b>	<u>P660,000</u>
<b>Total excise tax</b>	<b>P1,294,500</b>

## SEC. 142 WINES

- ❑ *Wines* normally have carbon dioxide on them due to the fermentation process.
- ❑ *Sparkling wines* have sugar and yeast on them which makes them bubbly due to continuous fermentation even after bottling.
- ❑ A *carbonated wine* is one which is artificially added with carbon dioxide to influence character or taste of the wine.
- ❑ *Fortified wines* means natural wines to which distilled spirits are added to increase their alcohol strength. It contains more than 25% of alcohol and shall be taxed as distilled spirits.

### ❑ January 1, 2019

1. Sparkling wines/ Champagnes: NRP per 750ml bottle:
  - a. P500 or less P316.33
  - b. More than P500 P885.73
2. Still wines and carbonated wines
  - a. 14% alcohol by volume or less P37.96/L
  - b. More than 14% but not more than 25% P75.92/L

Date of effectivity (start date)	Specific tax (per liter)
<p style="text-align: center;"><b>January 1, 2020</b></p> <p>Sparkling wines/champagnes where the NRP (excluding the excise and VAT) per bottle of 750 ml volume capacity, regardless of proof is:</p> <p>a. Php 500 or less P328.98</p> <p>b. More than Php 500 P921.15</p> <p>Still wines and carbonated wines containing 14% of alcohol by volume or less P39.48</p> <p>Still wines and carbonated wines containing more than 14% of alcohol by volume but not more than 25% of alcohol by volume P78.96</p> <p>Fortified wines containing more than 25% of alcohol by volume Taxed as distilled spirits</p>	
January 23, 2020*	P50.00
January 1, 2021	P53.00
January 1, 2022	P56.18
January 1, 2023	P59.55
January 1, 2024	P63.12
2025 Onwards	specific tax rate shall be increased by 6% and every year thereafter

**Note: \*Beginning January 23, 2020, the classification of wines was removed pursuant to RA No. 11467. All types of wines are subject to specific excise tax rates per liter.**

## HOW TO COMPUTE EXCISE TAX ON WINES?

*Illustration 1:*

Laguna Winery produces various wines packed in cases of 12 bottles. It produced the following during **a month in 2019**.

CLASS	BOTTLE	SRP	Total case produced
Champagne	750ml	P1,600	20 cases
Carbonated wine – 50 proof	750ml	200	150 cases
Fortified wine – 60 proof	1L	120	80 cases

*Requirement: Compute for the total excise tax.*

*Computations:*

<b>(a)</b> Champagnes (20 cases x 12 bottles/case x <b>P885.73</b> )	P212,575.20
<b>(b)</b> Carbonated wines (150 x 12 x 750/1000) x <b>75.92</b> )	102,492.00
<b>(c)</b> Fortified wine: (Taxed as distilled spirits)	
Specific tax: <b>(30% x 80 x 12) x 23.40</b>	P6,739.20
Ad Valorem tax: (P120 x 80 x 12) x <b>20%</b>	23,040.00
	<u>29,779.20</u>
<b>Total excise tax</b>	<b>P344,846.40</b>

*Notes:*

*(a) The excise tax on champagnes applies for 750ml bottle regardless of proof. The champagne's net retail price is higher than P500, computed as follows:*

Ultimate retail price	P1,600.00
Divide: VAT inclusive rate	<u>112%</u>
Selling price net of VAT	1,428.57
Less: Excise tax	<u>855.73</u>
Indicated Net Retail price	542.84

*(b) Carbonated wine = 50 proof / 2 = 25%, Meaning it contains more than 14% alcohol in volume but not more than 25% , so that subject to specific tax rate of 75.92 per liter.*

*(c) Fortified wine = 60 proof / 2 = 30%, Meaning, subject to excise tax as distilled spirits, so that it s subject to specific tax rate of 23.40 per proof liter and ad valorem tax of 20%.*

*Illustration 2:*

Catanduanes Winery produces various wines packed in cases of 24 bottles. It produced the following during **the month in 2021**.

<b>CLASS</b>	<b>BOTTLE</b>	<b>SRP</b>	<b>Total case produced</b>
Champagne	750ml	P1,400	30 cases
Carbonated wine - 50 proof	750ml	350	200 cases

*Requirement:* Compute for the total excise tax.

*Computation:*

Champagnes (30 cases x 24 bottles/case x <b>53</b> )	P38,160
Carbonated wine (200 x 24 x 750/1000) x <b>53</b>	<u>190,800</u>
<b>Total excise tax</b>	<b>228,960</b>

*Note:*

*Pursuant to RA No. 11467, beginning January 23, 2020, the classification of wines was removed, in this case all types of wines are subject to specific tax rates per liter. Based on the problem above the applicable specific tax rate per liter in 2021 is Php53.*

## **SEC. 143 FERMENTED LIQUOR**

It includes beer, lager beer, ale, porter and similar products *except tuba, basi, tapuy and similar products.*

### **January 1, 2019**

- a. If brewed and sold at pub and restaurants 35.43/L  
b. Others 25.42/L

<b>Date of effectivity (start date)</b>	<b>Specific tax (per liter)</b>
January 1, 2020	₱26.43
January 23, 2020	₱35.00
January 1, 2021	₱37.00
January 1, 2022	₱39.00
January 1, 2023	₱41.00
January 1, 2024	₱43.00
2025 Onwards	specific tax rate shall be increased by 6% and

## HOW TO COMPUTE EXCISE TAX ON FERMENTED LIQUORS?

*Illustration 1:*

San Mig ferments beer from imported malt or ale and sells them in 500ml bottles at P32/bottle final retail price. The beers are sold in cases containing 24 bottles each. 300 cases of beers are produced in January 5, 2021.

*Requirement:* Compute the total excise tax.

*Computation:*

Total cases produced	300
<i>Multiply by:</i> Bottles/per case	<u>24</u>
Total bottles	7,200
<i>Multiply by:</i> ml bottle	<u>500</u>
Total ml produced	3,600,000
<i>Divide:</i> ml/L	<u>1,000</u>
Total liters produced	3,600
<i>Multiply:</i> Excise tax per liter	<b>37.00</b>
<b>Total excise tax</b>	<b>P 133,200</b>

## References

National Internal Revenue Code of 1997 as amended

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

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