REVENUE REGULATIONS NO. 20-2018 issued on August 22, 2018 provides the implementing rules and guidelines on the imposition of Excise Tax on sweetened beverages pursuant to the provisions of Republic Act (RA) No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion (TRAIN) Law”.

Sweetened beverages refer to non-alcoholic beverages of any constitution (liquid, powder, or concentrates) that are pre-packaged and sealed in accordance with the Food and Drug Administration (FDA) standards, that contain caloric and/or non-caloric sweeteners added by the manufacturers, and shall include, but not be limited to sweetened juice drinks; sweetened tea; all carbonated beverages; flavored water; energy and sports drinks; other powdered drinks not classified as milk, juice, tea, and coffee; cereal and grain beverages; and other non-alcoholic beverages that contain added sugar.

There shall be levied, assessed and collected, effective January 1, 2018, a specific tax on sweetened beverages, in accordance with the following:

<table>
<thead>
<tr>
<th>Product Description</th>
<th>Tax Rate (per liter of volume capacity)</th>
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<tbody>
<tr>
<td>Using purely caloric sweeteners, and purely non-caloric sweeteners, or a mix of caloric and non-caloric sweeteners</td>
<td>₱ 6.00</td>
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<tr>
<td>Using purely high fructose corn syrup or in combination with any caloric or non-caloric sweetener</td>
<td>₱ 12.00</td>
</tr>
<tr>
<td>Using purely coconut sap sugar and purely steviol glycosides</td>
<td>Exempt</td>
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</tbody>
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Coconut sap sugar shall comply with specifications as stated in the Philippine National Standard/Bureau of Agricultural and Fisheries Products Standards (BAFPS) 76:2010 ICS 67.180 or latest updated standards, while Steviol glycoside specified shall comply with the Joint FAO/WHO Expert Committee on Food Additives (JECFA) specifications.

Liable for the payment of Excise Tax on sweetened beverages are the following: i) For Locally Manufactured Sweetened Beverages - all manufacturers of sweetened beverages and persons having possession of domestically manufactured sweetened beverages removed from the place of production without the payment of the tax; and ii) For Imported Sweetened Beverages - all owners or importers of sweetened beverages and persons having possession of imported sweetened beverages removed from customs custody without the payment of the tax.

The Excise Tax shall be paid by the owner or importer of the sweetened beverages or by any person who is found in possession of any untaxed sweetened beverages, including any person other than the one legally entitled to exemption from the Excise Tax in the proper case.

In the case of sweetened beverages brought or imported tax-free into the country by persons, entities, or agencies exempt from tax and are subsequently sold, transferred, or exchanged in the Philippines to non-exempt persons or entities, including the introduction and re-introduction into customs territory of said sweetened beverages intended for exclusive use within the freeport zones, the purchaser or transferee, owner/possessor thereof shall be considered as the importer, and shall be liable for the Excise Tax due on such importation.

Provided, that toll manufacturers, bottlers and other sub-contractors of manufacturers or importers of sweetened beverages shall not be subject to Excise Tax. Provided further, in such cases, the manufacturer or importer shall be liable to pay the Excise Tax on sweetened beverages.
For locally-manufactured sweetened beverages, a separate return (BIR Form No. 2200-S) shall be filed for each place of production with the concerned Revenue District Office (RDO) where the Head Office is duly registered and the Excise Tax shall be paid before removal of domestically-manufactured sweetened beverages from place of production and the return shall be filed and the Excise Tax paid at any Authorized Agent Bank (AAB), Revenue Collection Officer or duly authorized City or Municipal Treasurer in the Philippines under Section 130 (A)(2)(3) of the NIRC, as amended.

For imported sweetened beverages, all importers/traders of excisable sweetened beverages, whether importing raw materials of any constitution (liquid, syrups, powder, or concentrates) or finished goods, shall apply for an Authority to Release Imported Goods (ATRIG) with Excise LT Regulatory Division (ELTRD), BIR National Office and pay the corresponding Excise Tax based on the equivalent yield in liters of volume capacity of the imported articles. The Excise Tax on imported finished goods shall be paid before release from customs custody. However, for imported raw materials which will be used in the production of excisable sweetened beverages, the Excise Tax due thereon shall be paid before removal of the finished goods from place of production.

The following products, are not subject to Excise Tax:

a. All milk products, including plain milk, infant formula milk, follow-on milk, growing up milk, powdered milk, ready-to-drink milk, flavored milk, and fermented milk;

b. Soymilk and flavored soymilk;

c. One Hundred Percent (100%) Natural Fruit Juices;

d. One Hundred Percent (100%) Natural Vegetable Juices;

e. Meal Replacement and Medically Indicated Beverages; and

f. Ground coffee, instant soluble coffee, and pre-packaged powdered coffee products.

Dairy products are not synonymous with milk products. Only milk products are covered by the exemption.

The manufacturers of sweetened beverages subject to tax herein shall not be allowed to transfer or remove raw materials from place of production, except when the transfer or removal thereof is intended for further processing to its other registered production or toll-manufacturing plants and shall be accompanied by an Excise Taxpayer’s Removal Declaration (ETRD).

Semi-processed goods, such as syrups/puree/concentrates sold to fast food chains where the syrups/puree/concentrates are mixed with carbonated water and dispensed through soda vending or juice dispensing machines, shall be considered as finished goods subject to Excise Tax, notwithstanding that the same are in their semi-processed state. The Excise Tax shall be computed using a pre-determined formula in arriving at the equivalent yield in liters of volume capacity submitted by the manufacturer as approved by the FDA.

Sweetened beverages that are produced or manufactured and are subsequently consumed within the place of production shall be subject to the payment of Excise Tax by the manufacturer. The corresponding volume in liter and the Excise Tax due thereon shall be declared in the Excise Tax returns and shall be paid, in the same manner as that prescribed for ordinary removals of excisable sweetened beverages.

Sweetened beverages products intended for exports may be removed from the place of production without the prepayment of Excise Tax, subject to the conditions stated in the Regulations.

The guidelines in securing a permit to engage in business as manufacturer, importer of sweetened beverages as well as the administrative requirements to be complied with are specified in the Regulations. The rules and procedures to be observed in tolling, bottling and other sub-contracting agreements are likewise indicated in the Regulations.
Starting June 1, 2018, the FDA shall require all manufacturers and importers of sweetened beverages covered by the Act to indicate on the label the type of sweetener used, and on sweetened beverages in powder form to indicate on the label the number of liters per pack size (net weight volume).

The FDA shall also conduct post-marketing surveillance of the sweetened beverages on display in supermarkets, groceries or retail stores and/or inspection of manufacturing sites to determine compliance with the requirements of Section 150-B of the NIRC, as amended. Violations of the provisions of the Act, including but not limited to, mislabeling or misbranding, shall, to the extent applicable, be punishable under existing laws. A summary list of registered sweetened beverages together with the required details and information shall be provided by the FDA.

The Transitory Provisions as well as the Penalties for violation of the provisions of the Regulations are prescribed in the Regulations, which are effective beginning January 1, 2018, the effectivity of the TRAIN Law.