



Republic of the Philippines
DEPARTMENT OF AGRICULTURE
NATIONAL TOBACCO ADMINISTRATION
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**RULES AND REGULATIONS GOVERNING
THE MANUFACTURE/PROCESSING OF TOBACCO PRODUCTS**

There had been reports on the apprehension of smuggled branded/non-branded tobacco products and the consequent confiscation of the same. Similarly, there had been reports on the manufacturing and sale of fake tobacco products. The genuineness of the smuggled/fake tobacco products are suspect. The components/materials used in the manufacture of the smuggled/fake tobacco products have not been subjected to quality controls of any kind, thus, exposing the smoking public to various hazards, particularly, those affecting health.

If the smuggling and manufacture of fake tobacco products continue and if the sale and distribution of the same, the smoking public will suffer; the cigarette manufacturing industry will ^{be} negatively affected; tax collection will not improve and the image of the government will be greatly tarnished.

In this regard, it is the opportune time that the National Tobacco Administration will impose and implement its regulatory authority on the manufacture/production of tobacco products as provided for in its Charter, Executive Order No. 245 (Series of 1987), more specifically Section, paragraph B(1) thereof which provides, -

"x x x

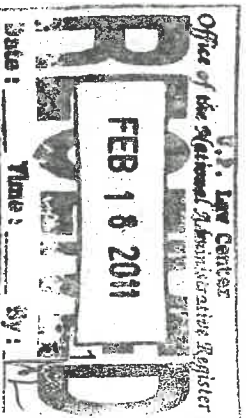
B. Specific Powers. — The NTA shall have the following specific powers and functions:

1. To promulgate and enforce rules and regulations on the production, standardization, classification, grading and trading of tobacco and tobacco products as may be necessary to attain its purposes and objectives and to pursue the policy of government on tobacco;
x x x"

NOW, THEREFORE, pursuant to its specific powers as afore-quoted, the NTA hereby promulgates this rules and regulations governing the manufacture/processing of tobacco products for the guidance of all concerned, to wit:

**REGULATION I
GENERAL PROVISIONS**

Rule 1. Short Title. This implementing rules and regulations shall be known as the "Rules and Regulations Governing the Manufacture/Processing of Tobacco Products".



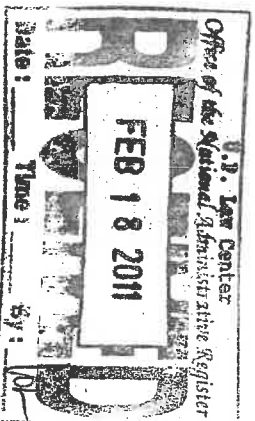
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Rule 2. Objective. This rules and regulations is promulgated to prescribe the procedure and guidelines for the accreditation, monitoring, regulation and supervision of existing and new manufacturers of tobacco products.

Rule 3. Coverage. This Rules and Regulations shall cover the manufacturing/processing of all types of tobacco products, whether or not located within the Freeport or special economic zones.

Rule 4. Definition of Terms. For purposes of this implementing rules and regulations, the following terms are defined as follows:

- a) **Distributor** - any person, natural or juridical, being a component of a chain of intermediaries, each passing the tobacco product down the chain to the next organization, before it finally reaches the consumer or end-user. Such term shall not include common carriers.
- b) **Exporter** - any person, natural or juridical, who brings tobacco and/or tobacco products to other countries outside the Philippines.
- c) **Importer** - any person, natural or juridical, who brings tobacco and/or tobacco products from other countries, into the Philippines, whether or not made in the course of his trade or business, including the clientele of shippers of merchandise or those for whose account benefit the shipment made. It shall also include the importer of record/consignee, agent of the persons effecting the importation in question or any other person or entity who knowingly causes the goods to be imported.
- d) **Manufacturer** - any person, natural or juridical, including a repacker, who makes, fabricates, assembles, processes, or labels a finished tobacco product.
- e) **Purchase Commitment** - is a duly notarized written undertaking issued by the manufacturer/processor in favor of the NTA to buy or caused to be procured a quantity of locally grown leaf tobacco (dried/pack weight) of at least 25% of its total production requirements and to pay liquidated damages to the NTA the amount of not less than one hundred percent (100%) of the value of the unpurchased quantity due to any reason, subject to allowance of 10% increase or decrease.
- f) **Tobacco Industry** - refers to a person, group, organization, or system who affects or can be affected by an organization's actions, who are involved in the production and trading of tobacco leaves, processing, manufacturing, sale and distribution of tobacco and tobacco products, including the stakeholders of the industry such as the tobacco farmers, traders, wholesale tobacco dealers, processors, manufacturers, exporters, importers, distributors and the NTA.
- g) **Tobacco Manufacturing/Processing** - method of converting tobacco into tobacco products. It is the industrial production, in which raw tobacco materials are transformed into tobacco products.



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- h) **Tobacco Product** - any product containing tobacco, including but not limited to cigarettes and cigars (in any form), cigarillos, pipe & chewing tobacco, snuff, bidis, other smokeless tobacco products, oral tobacco, tobacco extracts, tobacco dust and cut tobacco for rolling. The term shall include tobacco paper, homogenized/reconstituted tobacco, blended tobacco, cut filler, tobacco flavorings/ingredients and additives.

REGULATION II JURISDICTION AND GENERAL FUNCTIONS

For the effective enforcement of this rules and regulations in the manufacture/processing of tobacco products:

Rule 1.The NTA Board of Directors, upon recommendation of the NTA management, shall approve, issue, and adopt the proper rules and regulations, as recommended by the NTA Administrator.

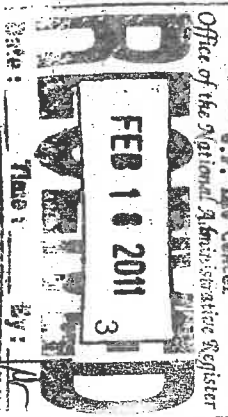
Rule 2.The NTA Administrator shall:

- a) Primarily responsible for the effective and efficient implementation of the herein rules and regulations, as approved by the NTA Board of Directors, after its complete publication in any newspaper of general circulation.
- b) Issue accreditation to manufacturers/processors of tobacco products, after compliance with all requirements prescribed under this rules and regulations;
- c) Coordinate with concerned Agencies/sectors for the effective implementation of the set rules and regulations; and
- d) Initiate civil and/or criminal actions in the proper court and/or impose administrative sanctions and/or fines for violation or non-compliance with the mandatory provisions of this rules and regulations.

REGULATION III ACCREDITATION/PERMIT TO MANUFACTURE/PROCESS TOBACCO PRODUCTS

Rule 1. Who shall apply for ACCREDITATION/PERMIT to Manufacture/Process Tobacco Products – Any person of legal age and having the legal capacity to enter into contract; a corporation; partnership; company; cooperative or any other juridical person, whether or not Freeport/economic/processing zone locators and/or existing or new manufacturers, duly licensed to do business in the Philippines, shall every January of each year or at any time before establishing a tobacco manufacturing business/plant, shall apply for accreditation/permit to manufacture/process tobacco products, subject to Rule 2 hereof and after paying the required accreditation/permit fees.

Rule 2.Requirements to Support the Application for Accreditation/Permit to Manufacture/Process Tobacco Products. A duly accomplished application form (NTA-RD Form No. M-1) for the accreditation/permit to manufacture/process tobacco products shall be filed through the NTA Central Office or any of its Branch



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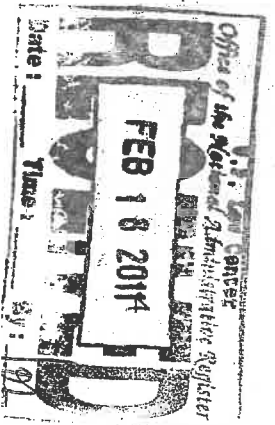
Offices, Attention: Regulation Department-Tobacco Product Regulation Division, where such entity is located and the same shall be supported by the following:

- a) Information sheet of the Applicant (NTA-RD Form No.M-2);
- b) Endorsement of the application attesting that the applicant submitted the complete documentary requirements, in the case of manufacturer/processor whose place of business is located within the jurisdiction of any NTA Branch Office (NTA-RD Form No. M-3).
- c) Confirmation Letter of the Company wherein the names and facsimile signatures of its authorized representatives to sign for and in behalf of the juridical entity is indicated/designated, (RD Form No. M-4).
- d) Duly notarized Purchase Commitment undertaking to procure a certain volume of locally produced leaf tobacco (RD Form No. M-5).
- e) Certified list of brands/kinds of tobacco products manufactured/processed, including their specific variants. For new brands/kinds of tobacco products, the list shall be submitted to the NTA before commercial production.
- f) Certified Photocopy of Articles of Incorporation and By-Laws, if the applicant is a corporation and/or Articles of Partnership, if duly registered as a Partnership or Business Name Registration in case of single proprietorship;
- g) Certified Photocopy of audited financial statements, and/or Income Tax Returns of the manufacturer/processor for the past two (2) preceding year, for existing corporations; and
- h) Certified Photocopy of the latest Mayor's Permit issued by the municipality/city where the business is located or Certification as a Registered Locator for applicants operating within PEZA-register or Freeport zones and/or proof of payment of fees to the concerned agencies if the permit/certificate has not been issued.

Rule 3. Annual Accreditation Fee. The amount to be paid for the accreditation shall be determined in accordance with the following table, to wit:

Number of sticks manufactured/ processed, per annum	Rate of Annual Accreditation (New or Renewal)
Less than 1 billion	PhP20,000.00
1 billion to less than 10 billion	PhP25,000.00
10 billion to less than 30 billion	PhP30,000.00
30 billion to less than 50 billion	PhP40,000.00
50 billion and above	PhP50,000.00

Rule 4. Issuance and Validity of Accreditation/Permit - After evaluation of the requirements submitted to support the application, an Accreditation/Permit shall be issued and shall be effective for one calendar year, from the date of issuance, unless sooner revoked or cancelled. The Accreditation/Permit shall be issued within five (5) days from receipt if all the requirements under Rule 2 herein are duly submitted. The Accreditation/Permit shall be renewed every January of each year, subject to payment of the above fee.



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the Regulation Department, all recorded data and other information and/or document for policy determination and reference. The manufacturer/processor, in lieu of the aforesaid production of records, shall submit to the NTA all books and reports being submitted to the Bureau of Internal Revenue (BIR) pursuant to Revenue Regulations No. V-39, dated September 29, 1954, as amended, at reasonable intervals which coincides with the date of submission of such reports and books to the BIR.

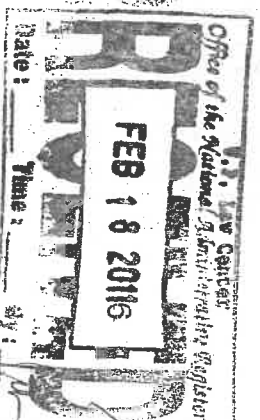
REGULATION VII MISCELLANEOUS PROVISIONS

Rule 1. Incidental Purposes. The NTA shall from time to time promulgate amendments to this rules and regulations. It shall:

- a. Promulgate effective measures to prevent smuggling and manufacture of fake cigarette, cigars and other tobacco products.
- b. Impose reasonable fees on the total volume of tobacco products subjected to physic-chemical evaluation, which shall be used by the NTA for the following projects:
 1. for the implementation of effective measures/strategies to prevent smuggling, production and/or distribution of counterfeit tobacco products.
 2. for production of quality and quantity tobacco to be used in the manufacture of cigar/cigarette and other similar products, thru the provision of modern facilities, human resource and manpower development/enhancement, updates of technology, trainings and researches.
 3. for research, development and commercialization of other uses of tobacco or other products from tobacco.
 4. for the development and enhancement of the NTA Website and provision for Internet subscription so that the NTA can be easily reached and information can be speedily and accurately disseminate to manufacturers/processors and vice versa and for the processing of on-line applications for licenses/permits, with IT updates/trainings/enhancement for concerned NTA staff.
- c. To confiscate and burn all smuggled and counterfeit tobacco products.
- d. To institute criminal, civil and/or administrative charges against violators of these rules, pursuant to existing laws on the matter.

Rule 2. Periodic Review. The NTA shall review the foregoing rules and regulations, in consultation with the concerned manufacturers/processors, every two (2) years or for a shorter period as may be necessary if circumstance so warrants.

Rule 3. Sanctions. Any person, whether juridical or natural, found to be violating any of the provisions of this implementing rules and regulations shall be imposed a fine of not less than Php20,000.00 and/or cancellation/revocation/suspension of Certificate of Accreditation, without prejudice to the filing of appropriate charges before the proper courts and/or administrative bodies pursuant to existing laws, rules and regulations.



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