

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

June 22, 2010

REVENUE MEMORANDUM CIRCULAR NO. 52-2010

SUBJECT: Publishing the full text of **JOINT ORDER No. 1-2010** dated April 5, 2010 by the Secretary of the Department of Finance (DOF) and Commissioners of Bureau of Customs (BOC) and Bureau of Internal Revenue (BIR), respectively, entitled **Valuation of Motor Vehicles**

TO : All Internal Revenue Officials, Employees and Others Concerned

For the information and guidance of all concerned, quoted hereunder is the full text of Joint Order No. 1-2010 dated April 5, 2010 by the Secretary of the Department of Finance and Commissioners of Bureau of Customs and Bureau of Internal Revenue:

"Republic of the Philippines
DEPARTMENT OF FINANCE
Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

JOINT ORDER No. 1-2010
April 5, 2010

Pursuant to the provision of Section 6 in relation to Sections 105, 106 and 149 of the National Internal Revenue Code (NIRC), Republic Act 9224 and Sec. 602 (a) of the Tariff and Customs Code of the Philippines (TCCP) in relation to Section 12 of the NIRC, the Commissioner of Internal Revenue and Commissioner of Customs hereby issue the herein regulations pertaining to the importation of automobiles, whether for personal use or for resale.

I. OBJECTIVES:

1. To insure the proper collection of duties, VAT, excise tax and other charges due on imported automobiles by providing a uniform basis in the appraisal thereof.

2. To expedite the processing, release and registration of said automobiles by simplification of the procedures involved.

II. COVERAGE:

This regulation shall apply to all imported motor vehicles, whether or not subject to payment of duties, VAT, excise tax and other charges under the TCCP and 149 of the NIRC as amended by RA 9224 imported under the following conditions:

1. Importation of brand new Completely Built Units which are allowed under CB Circular No. 92 Series of 1996.
2. Motor vehicles exempted from the coverage of Executive Order 156 and those automobiles imported under the no-dollar importation program administered by the DTI-BIS.
3. In case of duty and/or tax-free automobiles imported into the Philippines by person/s, entity/ies or agency/ies exempt from duty and/or tax which are subsequently sold or transferred or exchanged in the Philippines to non-exempt person or entities.
4. Importations under Section 105 of the Tariff and Customs Code of the Philippines, as amended.

III. DEFINITION OF TERMS:

For purposes of this Joint Order, the following words and phrases shall have the meaning as indicated below:

- a. Automobile – shall refer to any four (4) or more wheeled motor vehicle regardless of seating capacity, which is propelled by gasoline, diesel, electricity or any other motive power. Buses, trucks, cargo vans, jeeps, single cab, chassis and special purpose vehicles shall not be considered as automobiles.
- b. Special Purpose Vehicles – shall refer to a motor vehicle other than trucks, cargo van, jeep/jeepney, bus, single cab chassis designed for specific application such as cement mixer, fire truck, boom truck, ambulance and/or medical unit and off-road vehicles for heavy industries and not for recreational activities. For this purpose, “designed for specific application” shall mean the motor vehicle is designed in such a manner that it can only be used strictly for the intended purpose for which it was manufactured.

- c. Brand New Automobiles – an automobile shall be considered brand-new if the same is:
1. Of current or advance year model in the country of origin and/or manufacture; or
 2. Year model of the immediately preceding year in the country of origin and/or manufacture provided that
 - a. The motor vehicle has a mileage of not more than 200 kms. and
 - b. The motor vehicle has been acquired by the importer from the dealer as first owner.

A brand new motor vehicle with year model of the immediately preceding year shall not be accorded any depreciation allowance.

- d. Personally-Owned Motor Vehicles and/or for Personal Use – a motor vehicle shall be deemed personally-owned or for personal use if the invoice, bill of sale and bill of lading are made out in the name of a natural person provided that the number of units imported by that person shall not exceed two in any given twelve-month period. Should there be importations of automobiles made in the name of several buyers but represented by a single person/entity, such importation shall be deemed an importation of automobile for resale; therefore subject to ad valorem tax based on importer's selling price to be paid by such person/entity representing the individual buyers.
- e. Manufacturer's or Importer's Selling Price - The net manufacturer's or importer's selling price shall refer to the price, net of excise and value added taxes, at which locally manufactured/assembled or imported automobiles are offered for sale by the manufacturer/assembler or importer to the dealers, or to the public directly or through their sales agents, as reflected in the manufacturer's/assembler's or importer's sworn statement duly filed with the BIR, or in their sales invoices/official receipts, whichever is higher, Provided, that in computing the manufacturer's/assembler's or importer's selling price, it shall always include the value of car airconditioner, radio and mag wheels including the cost of installation thereof whether or not the same were actually installed in the automobile. Provided, further, that in no case shall the manufacturer's/assembler's or importer's selling price be less than the amount computed as follows:

$$80\% \times (\text{Suggested Retail Price} - \text{Excise Tax} - \text{Value-Added Tax}).$$

Provided, furthermore, that the manufacturer/assembler's or importer's selling price shall in no case be less than the cost of manufacture/assembly/importation plus the industry profit margin of ten percent (10%) and other expenses incurred before the automobiles are sold to the market, provided, finally that the suggested retail price shall not be less than the actual selling price of the automobiles when sold to the market.

IV. ADMINISTRATIVE PROVISIONS:

1. The rate of duty, ad valorem, excise taxes and VAT shall be the rate of duty, excise taxes and VAT applicable under existing laws, regulations at the time of filing of entry. The rate of exchange shall be the rate as of the date of the filing of entry.
2. For purposes of arriving at the total landed value, the following procedures shall be adopted:
 - 2.1 The proper description of the automobile pursuant to CAO 8-2007 shall be mandatory.
 - 2.2 In the determination of the country of origin, the first (1st) digit of the vehicle's identification number or VIN or chassis number, shall be used as the basis thereof. i.e.

US Manufacture Motor vehicles – 1, 2, etc.

European Manufactured - V, W

Japan manufactured - J

- 2.3 The country of origin shall determine what book value shall be used in the valuation of the automobile, i.e.

Japan - Auto Guide Market Report (AGMR)

US - US Red Book

Europe - KARO Book

Korea - Korean Book

China and Dubai – Red Book Asia Pacific.com

3. In the case of brand-new automobiles which value is not yet provided in any of the applicable reference books, the value reflected in the Invoice shall be adopted in computing the duties, VAT and excise-tax due thereon. The subject automobile shall be tentatively released under CMO 37-2001 subject to the submission by the importer of a written undertaking that he shall voluntarily submit his imported automobile to post-entry audit and pay the additional duties, VAT and excise tax due should the same be warranted after audit.

V. OPERATIONAL PROVISIONS:

- A. Importation of Personally-Owned Automobiles or Automobiles for Personal Use

1. Prior to assessment of the duty and taxes on the vehicle, including the computation of the excise tax, the Customs Examiner/Appraiser shall require the importer to present the Following documents:
 - Accomplished Bill of Lading
 - Invoice or Deed of Sale
 - Packing List
 - Income Tax Return or Audited Financial Statement (in case of corporations,) to buy/import such automobile
 - Affidavit or sworn statement stating that the imported motor vehicle is personally-owned and/or for personal use and shall not be disposed through sale or barter within three (3) years from the date of its importation and that importer undertakes to pay the adjusted excise tax due on said motorcycle should the same be disposed through sale or barter within the prohibited three-year period.
2. The assigned Customs Examiner/Appraiser shall examine the vehicle indicating the proper description as required under CAO 8-2007 and stencil the chassis and engine numbers as provided under existing procedures
3. The appraisal of imported personally-owned automobiles or those for personal use, for purposes of computing the duties, taxes, excise tax and other charges due thereon, shall be the invoice/transaction value or the book value, whichever is higher without prejudice to the importer availing of the provisions of CMO 37-2001 on tentative release and appeal to the Valuation and Classification Review Committee (VCRC) of the BOC.
4. Depreciation, if applicable, shall be computed using the straight line method of 10% for every year but in no case shall it exceed 50%. In case of damage as reflected in the entry a standard/reasonable percentage may be allowed depending on the facts obtaining in each particular case.
5. To expedite the processing of imported personally owned automobiles and/or those for personal use, the requirement of an Authority To Release Imported Goods (ATRIG) shall be dispensed with. The total landed value shall be used as the taxable base for purposes of computing the excise tax due which shall be determined pursuant to the provisions of this Order.
6. All personally-owned automobiles and/or automobiles for personal use shall be subject to 100% examination before release from the custody of the Bureau.

7. Payment of the assessed duties, taxes, excise taxes and other charges and the issuance of the Certificates of Payment (CP) and their transmittal to the Land Transportation Office (LTO) shall follow the current procedures under existing rules and regulations.
8. The BOC shall request the LTO that prior to the release of the Certificate of Registration (CR) for the subject motor vehicle, the same shall be annotated that the automobile covered by the CR shall not be sold or disposed within three (3) years from the date of its importation and that any sale or other mode of disposition within the three-year period shall be subject to the payment of the adjusted excise tax due thereon as may be computed by the BIR.
9. It is understood that the import clearance processing of personally-owned automobiles or those for personal use shall still be subject to compliance with other standards requirements applicable to a given importation, e.g. BIS authority for used motor vehicles, emission test, etc.

B. Importation of Automobiles for Sale

1. Prior to assessment of the duty, VAT and excise taxes due, the Customs Examiner/Appraiser shall require the importer to present the following documents:
 - Bill of Lading
 - Invoice or Deed of Sale
 - Packing List
 - Manufacturer's/Importer's Selling Price
2. All importation of automobiles for sale shall not be released from customs custody without payment of ad valorem tax and the appropriate Authority to Release Imported Goods (ATRIG) duly issued by the BIR office having jurisdiction over the importer's principal place of business.
3. To optimize the collection of revenues due, the BIR shall, every six months, provide the BOC with copies of the Manufacturer's/Importer's Sworn Statement filed to countercheck the veracity of the invoice/transaction value declared by the importer.
4. In the case of amended Sworn Statements, the same shall be provided the BOC within five (5) days from the filing thereof with the BIR office having jurisdiction.

VI. JOINT RECONCILIATION BY BOC AND BIR

1. A Joint Committee shall be created composed of BOC and BIR personnel from the following offices:
 - a. BOC
 - Representative from the Office of the Deputy Commissioner, AOCG,
 - Chief, Value and Classification Division
 - Chief, Certificate of Payment Encoding and Verification Office
 - Chiefs, Formal Entry Divisions of Port of Manila and MICP
 - Chiefs, Section 5 (Motor Vehicles) of POM and MICP
 - b. BIR
 - Representative from the Office of the Commissioner
 - Chief, National Investigation Division
 - Excise Tax Division
2. The Joint Committee shall meet on a quarterly basis or as may be needed and submit their findings to the Secretary of Finance, copy furnished the Presidential Adviser on Revenue Enhancement which finding shall include the valuations of automobiles for the assessment and payment of the duties, VAT, excise taxes and other charges to ensure that the collection efforts of the government are maximized.
3. The valuations submitted by the Joint Committee shall be used by the Bureau of Customs and the Bureau of Internal for a uniform basis in the computation of the duties, VAT and excise-tax due on all imported automobiles.

VII. SEPARABILITY CLAUSE

Provisions of existing rules and regulations in conflict with the provisions of this Order are hereby amended or repealed accordingly.

VIII. EFFECTIVITY

This Order shall take effect fifteen (15) days after its publication.

Recommending Approval:

Original Signed
NAPOLEON L. MORALES
Commissioner, BOC

Original Signed
JOEL TAN-TORRES
Commissioner, BIR

Approved by:

Original Signed
MARGARITO B. TEVES
Secretary”

All concerned are hereby enjoined to be guided accordingly and give this Circular a wide publicity as possible.

(Original Signed)
JOEL L. TAN - TORRES
Commissioner of Internal Revenue