

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

February 15, 2013

REVENUE MEMORANDUM CIRCULAR NO. 18-2013

SUBJECT : Further Clarifying the Taxability of Distilled Spirits Provided under Revenue Memorandum Circular No. 3-2013

TO : All Internal Revenue Officers and Others Concerned

This Circular is hereby issued to amend Revenue Memorandum Circular (RMC) No. 3-2013 in so far as ethyl alcohol is concerned.

For this purpose, the importation of ethyl alcohol or ethanol intended for re-sale or for the manufacture of compounded liquors shall be subject to excise tax unless the importer thereof is a holder of a Permit to Operate as importer of ethyl alcohol or ethanol or as a manufacturer of compounded liquors, as the case may be, duly issued by this Bureau and has posted a surety bond, in addition to the importer's bond prescribed under Section 160 of the National Internal Revenue Code (NIRC) of 1997, as amended. The amount of the surety bond shall be equivalent to the average total value of ethyl alcohol or ethanol imported for a two-month (2) period computed by the estimated total value of ethyl alcohol or ethanol imported during the year divided by six (6) months. The value referred herein shall be that value used by the Bureau of Customs in determining tariff and customs duties.

In case of domestic sale of ethyl alcohol or ethanol by duly registered manufacturers thereof, otherwise known as distilleries, the sale and delivery of ethyl alcohol or ethanol directly to manufacturers of compounded liquors shall be subject to excise tax, unless a surety bond shall be posted by the distillery, in addition to the manufacturer's bond prescribed under Section 160 the NIRC of 1997. The amount of surety bond shall be equivalent to the total value, per sales invoice, of ethyl alcohol or ethanol sold to the manufacturers of compounded liquors for a two-month (2) period computed by the estimated total value of ethyl alcohol or ethanol sold during the year divided by six (6) months. Moreover, the sale and delivery of ethyl alcohol or ethanol without the payment of the excise tax to be used as raw material in the manufacture of compounded liquors shall not be allowed unless the buyer thereof is a holder of a Permit to Operate as manufacturer of compounded liquors duly issued by this Bureau.

The removal of ethyl alcohol from the distilleries for purposes other than the manufacture of compounded liquors such as for use as blending component for gasoline under RA No. 9367, otherwise known as the "Biofuel Act of 2006", or for industrial and pharmaceutical purposes, shall be denatured according to existing rules and regulations on denaturation in order that the same shall not be subject to excise tax. However, the removal of ethyl alcohol or ethanol from distilleries for purposes of rectification shall be conditionally tax-exempt and the excise tax due on the rectified alcohol shall be paid by the rectifier pursuant to the provisions of Section 137 of the NIRC of 1997, as amended, and implementing rules and regulations thereof. In case the rectifier shall remove and deliver the rectified alcohol to manufacturers of compounded liquors, such removal shall not be subject to excise tax provided that a surety bond in an amount similar to that provided above for distilleries shall have been posted by the rectifier.

Provided, however, that in case the amount of the surety bond herein prescribed shall be less than the amount of excise tax due on the total actual importations or sales, as the case may be, of ethyl alcohol for the two-month period, the difference which is not covered by the surety bond shall be immediately paid by the above-mentioned persons concerned to the Bureau of Internal Revenue (BIR) without prior notice of demand.

The duly registered importer of ethyl alcohol or ethanol intended for resale shall be liable to the excise tax on sale and delivery thereof to persons or entity other than to manufacturers of compounded liquors. The said importer shall submit a notarized liquidation statement containing the dates of receipt, Bill of Lading number and volume of imported ethyl alcohol or ethanol, the dates, names of all its customers, whether or not manufacturers of compounded liquors and corresponding total volume of the said product sold and delivered during the two-month period of operation to the appropriate office of the BIR within ten (10) days immediately following the end of every two-month period. The excise tax due on sale and delivery to non-manufacturers of compounded liquors shall be paid simultaneously with the payment, if any, of the excise tax not covered by the surety bond mentioned in the preceding paragraph.

Considering that all existing manufacturers of compounded liquors are now liable to pay the excise tax on every removal of compounded liquors from its place of production pursuant to RA No. 10351, the amount of the initial manufacturer's bond prescribed under Section 160 of the NIRC of 1997, as amended, shall be equivalent to the excise due on the total volume of compounded liquors that have been actually removed from the place of production in the immediately previous year of operation.

With respect to the tolling, bottling and other sub-contracting agreements prescribed under Section 21 of R.R. No. 3-2006 of alcohol products, the owner of the alcohol products shall be the person liable to pay the excise tax before removal thereof from the place of production of the toller or sub-contractor.

The excise tax that has already been paid on ethyl alcohol or ethanol pursuant to RMC No. 3-2013 shall not be entitled to tax credit/refund or shall not be deducted from the total excise tax due on compounded liquors.

All revenue officials concerned are requested to give this Circular as wide a publicity as possible.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue