

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

September 16, 2003

REVENUE REGULATIONS NO. 25-2003

SUBJECT : Amended Revenue Regulations Governing the Imposition of Excise Tax on Automobiles pursuant to the Provisions of Republic Act No. 9224, An Act Rationalizing the Excise Tax on Automobiles, Amending for the Purpose the National Internal Revenue Code of 1997, and For Other Purposes.

TO : All Internal Revenue Officers and Others Concerned.

CHAPTER I - SCOPE AND DEFINITION

SECTION 1. SCOPE. - Pursuant to the provisions of Section 244 in relation to Section 245 of the National Internal Revenue Code of 1997 (NIRC), these Regulations are hereby promulgated to amend, update and consolidate the existing revenue regulations on automobiles in the light of the enactment of Republic Act No. 9224, An Act Rationalizing the Excise Tax on Automobiles, amending the provisions of Section 149 of the National Internal Revenue Code of 1997.

SEC. 2. DEFINITION OF TERMS. – For purposes of these Regulations, the following words and phrases shall have the meaning indicated below:

- (a) ACT** – shall refer to Republic Act No. 9224.
- (b) 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; provided that, for purposes of these Regulations, buses, trucks, cargo van, jeeps/jeepneys/jeepney substitutes, single cab chassis, and special purpose vehicles as herein defined shall not be considered as automobiles.

Any motor vehicle, though referred to or otherwise denominated as truck, cargo van, jeep/jeepney/jeepney substitute, bus, single cab chassis, or special purpose vehicle, but not falling within the purview of the definitions stated in these regulations shall be classified as automobile and therefore subject to excise tax.

- (c) **TRUCK/CARGO VAN** - shall refer to a motor vehicle of any configuration and with any number of wheels and axles that is exclusively designed for the carriage of goods and actually used and registered as such with the Land Transportation Office; provided, that pick-ups shall not be considered as trucks or cargo van.
- (d) **JEEP/JEEPNEY/JEEPNEY SUBSTITUTES** - shall refer to the "Philippine jeep or jeepney" which are of the jitney type locally designed and manufactured generally from surplus parts and components. It shall also include jeepney substitutes that are manufactured for brand new single cab chassis or cowl chassis and locally customized rear body that has continuous sideway row seats with open rear door and without retractable glass windows.
- (e) **BUS** – shall refer to a motor vehicle of any configuration with gross vehicle weight of four (4) tons or more with any number of wheels and axles, which is generally accepted and specially designed for mass or public transportation.
- (f) **SINGLE CAB CHASSIS** – shall refer to a motor vehicle with complete engine power train and chassis equipped with a cab that has a maximum of two (2) doors and only one (1) row of seats.
- (g) **SPECIAL PURPOSE VEHICLE** – shall refer to a motor vehicle, other than truck, cargo van, jeep/jEEPNEY/jEEPNEY SUBSTITUTE, bus, single cab chassis as defined herein, designed for specific applications 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 applications" 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.
- (h) **TOTAL LANDED VALUE** – shall refer to the total of the (i) market value of the motor vehicles imported as indicated in the motor vehicle reference books, such as the Japanese and U.S. Red Book, Karo and World Car Book on automobile utility vehicles and other motor vehicles, or the dutiable value as defined in Sec. 201 of the Tariff and Customs Code of the Philippines as amended, whichever is higher; (ii) customs duties paid on the imported goods; and (iii) all other charges arising from, or incident to, the importation.
- (i) **MANUFACTURER/ASSEMBLER** – shall refer to any person or group of persons, juridical or otherwise, who produces, assembles, fabricates, or otherwise manufactures a motor vehicle by combining body frame/chassis, engine, drive-train, suspension and other automotive parts, or one who alters any part of a motor vehicle to meet the specification of an automobile and render it fit for registration with the Land Transportation Office. It shall also include any person which manufactures, assembles, or fabricates motor vehicles from surplus and/or used parts.

- (j) IMPORTER** – shall refer to any person bringing motor vehicles into the country from a foreign country for the purpose of sale, for personal use or for use in business. It shall also refer to persons/enterprises duly registered with legislated freeport zones who purchase motor vehicles from establishments located within the customs territory. This shall also include owner/possessor/purchaser or transferee of motor vehicles intended for exclusive used within the freeport zone but are introduced or re-introduced into the customs territory.
- (k) COMPLETELY KNOCKED DOWN (CKD)** – shall refer to parts and components for assembly purposes that are imported in disassembled condition. The CKD pack, however, may include not only parts and components but also sub-assemblies and assemblies such as engine, transmission, axle assemblies, chassis and body assemblies.
- (l) SEMI-KNOCKED DOWN (SKD)** – shall refer to parts and components for assembly purposes that are imported in partially assembled condition. SKDs include semi-assembled vehicles, for purposes of ad valorem tax the same shall be treated as CBU.
- (m) COMPLETELY BUILD UP (CBU)** – shall refer to vehicles imported in completely assembled form and ready for use by the consumers.

CHAPTER II – COVERAGE, BASES AND RATES OF TAX

SEC. 3. PERSONS LIABLE. – The following persons shall be liable for the payment of ad valorem tax on automobiles:

- a. On locally manufactured/assembled automobiles

The excise tax shall be paid by the manufacturer/assembler of automobiles. Should domestically manufactured/assembled automobiles be removed from the place of manufacture/assembly without the payment of the tax, the dealer/trader, owner, or person having possession thereof shall be liable for the excise tax due thereon. In case of transfer of locally manufactured/assembled automobiles from a tax-exempt person to a non-tax exempt individual or entity, the transferee or possessor thereof shall be the one liable for the excise tax.

- b. On imported automobiles

The excise tax shall be paid by the owner or importer of the automobile or by the dealer/trader, or by any person who is found in possession of any untaxed automobiles including any person other than the one legally entitled to exemption from the ad valorem tax in the proper case. In cases where automobiles are 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 automobiles intended for exclusive use within the freeport zones, the purchaser or transferee, owner/possessor of the automobiles shall be considered as the importer, and shall be liable for the excise tax due on such importation.

Should a locally manufactured/assembled or imported motor vehicle originally classified as truck, jeep/jeepney/jeepney substitute, single cab chassis and special purpose vehicle as defined under Section 2(c), (d), (f) and (g) of these Regulations is converted at anytime from its removal from the place of manufacture/assembly or release from customs custody into a type of motor vehicle subject to ad valorem tax, the owner/possessor shall be liable to the ad valorem tax on such converted motor vehicle based on acquisition price plus cost of conversion and shall be subjected to applicable penalties.

SEC. 4. RATES AND BASES OF THE AD VALOREM TAX ON AUTOMOBILES. There shall be levied, assessed and collected an ad valorem tax on automobiles based on the manufacturer's/assembler's or importer's selling price, net of excise and value-added tax, in accordance with the following schedule:

Net Manufacturer's/Importer's Selling Price	Tax Rate
Up to P600,000.00	2%
Over P 600,000.00 to P 1,100,000.00	P 12,000.00 plus 20% of the value in excess of P600,000.00
Over P 1,100,000.00 to P 2,100,000.00	P 112,000.00 plus 40% of the value in excess of P1,100,000.00
Over P 2,100,000.00	P 512,000.00 plus 60% of the value in excess of P2,100,000.00

SEC. 5. 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.

The value of other factory-installed accessory or optional equipment such as wheel covers, or any other attachment installed on the unit removed or sold, or previously removed and returned for purposes of installation thereof, as well as the costs of installation of the accessory, shall likewise form part of the manufacturer's/assembler's or importer's selling price. in cases where accessories are installed outside the production/ assembly plant or after the release from the customs custody but before the actual sale of the imported automobile, as the case may be, and the costs of such accessories and the cost of the installations shall form part of the expenses of the manufacturer/assembler or importer, all subsequent billings therefor by the manufacturer/assembler or importer to the dealer or customer shall form part of the selling price.

SEC. 6. INDEXATION OF THE MANUFACTURER'S OR IMPORTER'S SELLING PRICE – The brackets reflecting the manufacturer's/assembler's or importer's selling price, net of excise and value-added taxes, shall be indexed once every two (2) years if the change in the exchange rate of the Philippine Peso against the United States (U.S.) dollar is more than ten percent (10%) from the date of effectivity of the Act or from the last revision date in the case of subsequent adjustment, which shall be referred to as an ordinary indexation.

Provided, that in case the change in the exchange rate of the Philippine Peso against the U.S. dollar is at least twenty percent (20%) for a continuous period of at least ten (10) days at anytime within the said two-year period, an indexation, referred to as extraordinary indexation, of the manufacturer's/assembler's or importer's selling price, net of excise and value-added taxes, shall be effected.

The determination of the percentage of change in the exchange rate shall cover the period from the date of effectivity of this Act, for the initial indexation, or from the last indexation, in case of a subsequent revision, to the intended year of indexation. The manufacturer's/assembler's or importer's selling price, net of excise and value-added taxes, shall be indexed by the full rate of the peso depreciation or appreciation, as the case may be. For purposes of determining the percentage change of exchange rate of Philippine Peso against the U.S. dollar, the official Bangko Sentral ng Pilipinas (BSP) publication of exchange rates shall be used.

Ordinary or extraordinary indexation shall be implemented through an issuance of Revenue Regulations by the Secretary of Finance upon recommendation of the Commissioner of Internal Revenue.

SEC. 7. TAX TREATMENT ON IMPORTATION OF AUTOMOBILES NOT INTENDED FOR SALE. – In case of automobiles that are imported for personal use and not for sale by the importer, the excise tax shall be computed based on the total landed value.

Importation of more than one automobile unit by the same importer or the sale or transfer of an imported automobile within a twelve (12)-month period shall not be considered as importation not intended for sale for purposes of the preceding paragraph of this section.

Should there be importations of automobiles made in the name of several buyers but represented by a single person/entity, such importations 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.

SEC. 8. TAX TREATMENT ON SUBSEQUENT SALE, TRANSFER OR EXCHANGE OF TAX-EXEMPT AUTOMOBILE BY A TAX-EXEMPT PERSON/ENTITY TO A NON-EXEMPT PERSON/ENTITY. – In cases where a tax-exempt person/entity acquired an automobile, whether locally purchased or imported, without payment of the tax by reason of his/their exemption, the purchase thereof by a non-exempt person/entity shall be subjected to the ad valorem tax based on the higher of (i) actual consideration between the tax-exempt person/entity and the non-exempt person/entity; or (ii) the depreciated value of the automobile at the time of sale, transfer, or exchange which depreciation rate shall be at ten percent (10%) per year, but in no case shall the total amount of depreciation be more than fifty percent (50%) of the original cost or value.

However, in case where the automobile was acquired by the tax-exempt person or entity prior to but sold after the effectivity of the Act, the computation of the ad valorem tax shall be governed by the Act.

Where a tax-exempt automobile subsequently sold, transferred or exchanged by a tax-exempt person or entity was determined to be originally acquired by such person or entity primarily for the purpose of avoiding the payment of the excise tax, the ad valorem tax shall be computed based on the original purchase price or value of importation of such motor vehicle at the time of its original purchase or importation by such tax-exempt person or entity without the benefit of any deduction for depreciation otherwise allowed under existing rules and regulations.

SEC. 9. TAX-EXEMPT REMOVALS OF AUTOMOBILES. The following removals of locally manufactured/assembled or release of imported automobiles from the place of production or from customs' custody, respectively, are exempt from the payment of the appropriate excise taxes subject to certain conditions.

a. Removals for Export

No ad valorem tax shall be collected on locally manufactured/assembled automobiles which shall be removed for exportation and are actually exported without returning to the Philippines subject to the following conditions:

- (1) Permit to Export – Immediately before removal, exporters of automobiles shall apply in writing for a written permit from the Commissioner of Internal Revenue, stating the brand/model, number of units and value per unit of the automobiles to be exported, country of destination, name of the vessel, consignee, and the place of loading. The discovery of any of such unit in-transit or which have actually been exported without the issuance of the appropriate permit shall be deemed *prima facie* evidence of illegal removal of the same and the ad valorem tax shall be due immediately upon demand.

- (2) Direct delivery to vessel – Automobiles for export shall be loaded direct from the place of production/assembly to the vessel or means of transportation carrying them outside the Philippines and the same shall be under the supervision of authorized internal revenue officer. A certification to this effect shall be duly issued by the Bureau of Customs immediately after loading and departure of the vessel or other means of transportation from the Philippine territory.
- (3) Proof of exportation – Exporters of automobiles are required to submit proof of exportation satisfactory to the Commissioner of Internal Revenue within thirty (30) days from the date of removal from the place of assembly/production. The proofs of exportation shall consist of the following documents.
 - i. Statement from the Bangko Sentral ng Pilipinas (BSP) or any of its accredited banks that the proceeds of the sale in acceptable foreign currency have been inwardly remitted and accounted for in accordance with the existing banking rules and regulations;
 - ii. Certified true copy of the bill of lading or airway bill;
 - iii. Commercial invoice issued by the manufacturer/assembler-exporter to the foreign consignee; and
 - iv. An Export Entry and a Certificate of Inspection and Loading issued by the Bureau of Customs officer who had supervised the actual loading of the automobile units into the vessel.

In cases where the proofs of exportation are not submitted within the thirty-day period, or where such proofs are submitted within the period but the same are not satisfactory to the Commissioner of Internal Revenue, the manufacturer/assembler-exporter shall be required to pay the ad valorem tax including the applicable penalties. Such payment shall be entered in the Official Register Book stating the date of payment and validation number of the official receipt covering the payment.

- (4) Exporter's bond – when deemed necessary, an exporter shall be required to give a bond for an amount equivalent to the removal of the same for export shipment, conditioned upon the exportation of the same in good faith.

b. Delivery to tax-exempt persons or entities

Manufacturers/assemblers or importers of automobiles are hereby allowed to sell to tax-exempt persons or entities without the pre-payment of ad valorem tax subject to certain conditions.

1. Tax exempt persons or entities

- (a) Embassies of foreign governments subject to the principle of reciprocity.
- (b) Tax-exempt organizations such as the Asian Development Bank (ADB) pursuant to special laws and subject to existing rules and regulations.
- (c) Other tax-exempt entities or agencies covered by tax treaties, conventions, and international agreements to which the Philippines is a signatory subject to reciprocity.

The above persons or entities may also remove imported automobiles from customs custody without the pre-payment of the ad valorem tax subject to existing rules and regulations.

2. Requirements in the sale of automobiles to tax-exempt entities

No automobiles shall be removed from the assembly plant or place of production or release from customs custody for sale to tax-exempt agencies without prior written approval from the Commissioner of Internal Revenue. The tax-exempt customer of the manufacturers/assembler or importer shall apply in writing for the approval of such exemption submitting, among others, favorable indorsement from concerned government agency (e.g., Department of Foreign Affairs for tax exempt purchase of automobile by foreign embassies for their official use); an authenticated true copy of the purchase order indicating the description of the automobiles to be purchased; the chassis and engine numbers; and the place or location of the point of delivery of the automobiles.

The written approval of the Commissioner of Internal Revenue or his duly authorized representative shall be forwarded by the tax- exempt customer to the manufacturer/assembler, through the dealer and thereafter, the automobile may be removed and delivered, free from excise tax, to the dealer. Such written approval is valid only for the particular transaction applied for by the tax exempt customer.

3. Tax credits/refunds by tax-exempt persons or entities.

In cases where the tax-exempt persons or entities purchased automobiles in which the ad valorem tax due thereon was paid or where the ad valorem tax had been erroneously or illegally collected, such tax-exempt persons or entities may file a claim for tax refund or tax credit with the Commissioner of Internal Revenue under existing rules and regulations, submitting the following:

- a) Authenticated copy of the Certificate of Tax Exemption;
- b) Original and duplicate copies of sales invoices; and
- c) Certified photocopies of proof of payment of the ad valorem tax.

The claim for tax credit/refund for erroneous payment of ad valorem tax should be filed within two (2) years from date of payment of the ad valorem tax. Processing of claims for tax refund/credit shall be done by the BIR but the actual issuance of Tax Credit Certificate/refund shall come from the agency where the actual payment was made.

- c. Removals for delivery and use exclusively within the freeport zone.** – For purposes of these Regulations, automobiles imported directly into the legislated freeport zones from abroad or purchased from establishments located within the customs territory for use exclusively within the freeport zone shall be exempt from the imposition of the excise tax. Therefore, in the event that the automobile is, by whatever mode, introduced into the customs territory, in case where the automobile was directly imported, or re-introduced into the customs territory in case the automobile was purchased from establishments located within the customs territory, the same shall be deemed an importation into the Philippines subject to customs duties, taxes, and charges, including excise and value-added taxes.
- d. Removal of automobiles for test run** – Should an automobile be removed for test run, prior notice of the test should be given to the appropriate BIR Office that may allow the test run; provided, that the unit under the test run shall be returned to the plant on the same day. In the event that the manufacturer/assembler failed to return the said unit to the manufacturing/assembly plant within the prescribed period, the ad valorem tax otherwise due thereon shall be immediately due and demandable.

CHAPTER III – TIME, PLACE AND MANNER OF FILING OF RETURN AND PAYMENT OF THE AD VALOREM TAX

SEC. 10. TIME, PLACE AND MANNER OF FILING RETURN AND PAYMENT OF AD VALOREM TAX ON AUTOMOBILES. –

a. On locally manufactured/assembled automobiles

- (1) Time of filing of return and payment of the ad valorem tax – Any person who is liable to pay the ad valorem tax on locally produced or assembled automobiles shall file in triplicate for each place of production a separate consolidated excise tax return and pay the ad valorem tax before removal thereof from the place of production/assembly.

In case of payment of ad valorem tax by any person other than the local automobile manufacturer/assembler, the excise tax return shall likewise be accomplished and filed by such person indicating all the pertinent information therein.

- (2) Advance payment or deposit – Every person liable to the ad valorem tax imposed herein may, at his option, pay to the Bureau of Internal Revenue an

advance deposit, and be allowed to remove automobiles from the place of production/assembly without prior filing of the prescribed excise tax returns provided that he has sufficient balance of deposits with the BIR to cover full payment of the ad valorem tax due on said removals. The prescribed excise tax return shall be used in remitting the advance payment or deposit to the BIR.

- (3) Where to file and pay – The excise tax return shall be filed with, and the ad valorem tax due be paid to a bank duly accredited by the Commissioner of Internal Revenue under the jurisdiction of the BIR Office where the taxpayer is registered or required to be registered. In places where there are no duly accredited agent bank within the municipality or city, the excise tax return shall be filed with and any amount due paid to the duly authorized collection agent under the jurisdiction of the Revenue District Office where the taxpayer is registered or required to be registered; or to the duly authorized Treasurer of the City or Municipality where the assembly/production plant is located or the person in possession of untaxed automobiles is registered or required to be registered.

b. On imported automobiles

All importation of automobiles whether for sale or not shall not be released from customs custody without payment of ad valorem tax and presentation to the Collector of Customs of the original copy of the appropriate Authority to Release Imported Goods (ATRIG) duly issued by the BIR office having jurisdiction over the importer's principal place of business.

CHAPTER IV – OTHER COMPLIANCE REQUIREMENTS

SEC. 11. REGISTRATION OF THE BUSINESS OF ASSEMBLY/MANUFACTURE, IMPORTATION OR SALE AS DEALER OF AUTOMOBILES. – For excise tax purposes, any person who desires to engage in business as an assembler/manufacturer, importer or dealer of automobiles shall, before the start of the business operations, be required to register with the BIR Office having jurisdiction over his intended place of business and/or place of assembly/production or warehouse.

a. Application for a Permit to Engage in Business as Assembler, Manufacturer, Importer or Dealer of Automobiles – Every applicant shall file a written application for the Permit, together with the following supporting documents:

- (1) Certificate of Registration issued by the BIR;
- (2) Certificate of Registration from the Department of Domestic Trade and Industry (DTI), in case of individuals;
- (3) Certificate of Registration from the Securities and Exchange Commission together with Articles of Incorporation and By-laws, in case of corporation and partnership;

- (4) Plat and Plan of the production/assembly plant or the importer's or dealer's warehouse;
- (5) Location map of the production/assembly plant or the importer's or dealer's warehouse;
- (6) Bond prescribed under Section 160 of the National Internal Revenue Code (NIRC); and
- (7) Dealership Agreement between Manufacturer/Assembler or Importer and Dealer, in the case of dealer.

b. Processing of Application for Registration to Engage in Business

Upon receipt of the application, together with the required documents attached thereto, the Commissioner of Internal Revenue or his duly authorized representative shall conduct ocular inspection of the desired place of production/assembly and/or warehouse.

The production plant where the automobiles are manufactured/assembled shall be enclosed and shall have only one entry/exit so as to eliminate unlawful removal of manufactured/assembled automobiles. This entry/exit point shall at all times be easily accessible to all authorized revenue officers.

If the Commissioner of Internal Revenue is satisfied that the intended place where the automobiles are manufactured/assembled and/or stored as well as the bond posted by the applicant comply with the requirements of the law, the application to engage in business as such shall be approved.

No person shall engage in business as manufacturer, assembler, producer or importer or dealer of automobiles unless the premises upon which the business is to be conducted shall have been approved by the Commissioner or his duly authorized representative.

c. Assessment numbers of manufacturers/assemblers, importers and dealers of automobiles

Every manufacturer/assembler, importer and dealer of automobiles shall, for each and every production plant or storage place, be assigned a permanent and official assessment number, distinct for each plant or storage place. This assessment number must be indicated in its Permit to Operate as an excise taxpayer. This number shall likewise be stamped in the Official Register Books (ORBs) that will be issued to him by the Commissioner of Internal Revenue or his duly authorized representative. No two manufacturers/assemblers, importers or dealers operating under the same plant or storage place shall be given the same assessment number. For manufacturers/assemblers, importers or dealers operating more than one assembly plant, a separate assessment number shall be assigned for each and every place of

production/warehouse. When a manufacturer/assembler, importer or dealer retires from business, his assessment number shall be dropped from the assessment roll. When there is a change in ownership of the production or assembly plant by reason of sale, transfer, or otherwise, the Commissioner of Internal Revenue shall not allow the new owner or transferee thereof to use the old assessment number of his vendor or transferor, even if the right to use the said assessment number has been included in the sale or transfer. Such assessment number, when dropped from the roll, shall no longer be allowed to be reissued to another production plant or establishment. The BIR Office having jurisdiction over the taxpayer's place of production/assembly and/or warehouse shall keep, a chronological assessment roll per plant or storage place of the manufacturers/assemblers, importers and dealers of automobiles in their respective territories.

SEC. 12. REGISTRATION OF BRAND/MODEL AND VARIANTS THEREOF.

– Every manufacturer, assembler or importer of automobiles shall, before commencement of actual manufacture, assembly or importation, file with the BIR office where it is required to be registered an application for brand registration showing the brand name and the specific and technical description thereof. The application shall be accompanied by the manufacturer's/assembler's or importer's sworn statement described in the herein succeeding section.

Manufacturers or assemblers desiring to phase-out or cease production of an existing registered brand and model shall inform the BIR office of such intention by informing the appropriate BIR office within 30 days prior to the date of phase-out.

SEC. 13. MANUFACTURER'S/ASSEMBLER'S OR IMPORTER'S SWORN STATEMENT. – Every manufacturer/assembler or importer of automobiles shall file with the Commissioner of Internal Revenue or his authorized representative on or before the end of months of June and December of every calendar year, or for every proposed registration of a new brand of automobiles, including its variants, a sworn statement showing, among others, the following information:

- a. Name, address, TIN, and Assessment Number of the manufacturer/assembler or importer;
- b. The names and variants of the different models manufactured/assembled or imported;
- c. Wholesale price of each model and variants to dealers;
- d. Suggested retail price of each model and variants;
- e. Production/assembly/importation costs and all other expenses incurred or to be incurred until the automobile is finally sold (e.g., materials, labor, overhead, selling and administrative expenses, etc.) per brand or model; and
- f. Value of car airconditioners, radio and mag wheels including the cost of their installation.

The manufacturer/assembler or importer shall file an amended sworn statement of the selling price of any brand/model of automobiles whenever there is a change on the actual selling price thereof. The amended sworn statement shall be filed before the said brand/s or model/s of automobiles may be removed from the place of production or assembly for sale to dealer or the public at the new selling price or before removal thereof from the customs

custody. No changes in the selling price of the automobiles shall be allowed unless the corresponding amended sworn statement shall have been submitted to the Commissioner of Internal Revenue.

The sworn statement shall be subject to verification by the Commissioner of Internal Revenue or his duly authorized representative to determine its correctness and/or accuracy. For this purpose, the Commissioner of Internal Revenue or his duly authorized representative may examine and/or require the production of the manufacturer's/assembler's or importer's books of accounts or such other documents from which the accuracy and correctness of the sworn statement may be determined. In case it is determined that the sworn statement does not accurately and correctly reflect the prices of automobiles, the taxpayer shall be assessed of the deficiency excise tax, inclusive of surcharges and interests.

SEC. 14. PROHIBITION AGAINST CHANGES OR ALTERATIONS. – No changes, alterations, or new constructions shall be made in the establishment as per plat and plan originally approved by the Commissioner of Internal Revenue or his duly authorized representative, nor alterations of new equipment, transferring or putting up of new warehouse or storage facilities, or any other form of changes or alterations, shall be made without first securing the necessary permit from the Commissioner of Internal Revenue or his duly authorized representative. In case any changes shall be made, the plat and plan, as amended, shall be submitted for approval.

SEC. 15. REQUIREMENTS BEFORE REMOVAL OF AUTOMOBILES. – Prior to every actual removal of automobiles, the following provisions shall be required to be complied with:

a. Preparation of Withdrawal Certificate

The BIR Office having jurisdiction over the production/assembly plant shall prepare an official Withdrawal Certificate for every removal of automobile units from the place of production, irrespective of destination, and shall indicate therein the establishment's schedule, paragraph and assessment number; the name, address and TIN of the manufacturer/assembler of automobiles; the name, address and TIN of the consignee; the date of removal; the intended place of destination of the shipment; the quantity and description of the type or model removed; the ad valorem tax paid, where applicable. The manufacturer/assembler or his duly authorized representative shall attest to the correctness of the entries therein. The Withdrawal Certificates shall be issued in the consecutive numbers and the corresponding entries in the Official Register Books shall be made immediately after the issuance thereof.

b. Alteration of Prepared Withdrawal Certificates

In case a change in the prepared Withdrawal Certificate is necessary, the manufacturer/assembler shall request for the issuance of a new Withdrawal Certificate in lieu thereof. The old or previously issued Withdrawal Certificate shall be surrendered to and officially cancelled by the BIR Office or the internal revenue officer assigned at the establishment immediately after the replacement certificate has been issued therefore. The said internal revenue officer shall render

a report to the Commissioner of Internal Revenue on the matter and such will form part of his monthly report.

c. Withdrawal Certificate to accompany shipment.

The Withdrawal Certificate shall at all times accompany the shipment of the automobiles which it covers and shall be attached to the bill of lading if the said units are shipped through a conveyance or mode of transportation not owned or operated by the manufacturer/assembler-consignor.

Any shipment of automobiles not properly accompanied by the prescribed Withdrawal Certificates shall be deemed *prima facie* evidence of illegal removal thereof.

SEC. 16. SUPERVISION AND CONTROL OF THE ASSEMBLY PLANT OR PLACE OF PRODUCTION. – For internal revenue purposes, the place of production or assembly plant and storage of automobiles are under the joint custody of the Bureau of Internal Revenue and the manufacturer/assembler or importer concerned.

a. Operations of the Establishment

The manufacturing/assembly plants of automobiles shall remain closed until the authorized internal revenue officer on duty thereat is present and no assembled units or raw materials shall be removed from their respective premises in the absence of such internal revenue officer. Unless otherwise especially allowed by the Commissioner of Internal Revenue, automobiles shall be removed from the place of production/assembly either between 7:00 a.m. to 4:00 or 8:00 a.m. to 5:00 p.m.

b. Assignment of Revenue Officers

The Commissioner of Internal Revenue or his duly authorized representative may assign internal revenue officer(s) as the need so requires for an effective supervision of the operations of automobile, for excise tax purposes. The duties of revenue officer(s) assigned thereat shall be, but not limited to, the following functions:

- (1) To monitor receipts of raw materials, transfers of raw materials to production, and the actual production of assembled automobiles, and check that such transactions are properly recorded in the Official Register Books. No receipts, transfers or removals of such materials and finished goods shall be allowed without the presence of internal revenue officers assigned thereat who shall check and verify the brand/model, number of units and source of raw materials/finished goods being received, transferred and/or removed.
- (2) To check whether or not the excise tax due on each and every removal of automobiles are duly paid by verifying the covering delivery invoice, the duly validated excise tax return evidencing payment of the excise tax. In case where the removals of automobiles are exempt from excise tax, the assigned

internal revenue officer shall check and verify whether the tax-exempt removals are properly covered by the requisite permits.

- (3) To issue the prescribed Withdrawal Certificates to document authorized removals of raw materials and finished goods from the place of production or storage.
- (4) To maintain independent auxiliary books and records of the movements of raw materials and finished goods within the production or storage plant and ensure up-to-date entries thereto. These records shall always be made available to any other authorized internal revenue officers tasked to conduct surprise audit in the maintenance thereof.
- (5) To check, at the first hour of the business day, the actual stocks of raw materials and finished units and determine whether they tally with the balances in the corresponding Official Register Book maintained by the taxpayer and the auxiliary books he keeps for the purpose.
- (6) To receive the prescribed Manufacturer's Sworn Declaration to be filed by the manufacturer/assembler concerned; to administer the oath of affiant or signatories thereon; and forward the same to the concerned BIR Office having jurisdiction over the manufacturing/assembly plant.
- (7) To render his report to his superior any violation of the laws and regulations that he may uncover together with the evidence necessary to prosecute the case.
- (8) To submit weekly and monthly reports of production and removals of automobiles and the collection of ad valorem taxes; and
- (9) To perform such other functions as may be required by the Commissioner of Internal Revenue or any of his authorized revenue officials.

The manufacturer/assembler shall provide suitable office space and equipment for the use of the internal revenue officers assigned thereat, who shall render eight (8) hours service daily, excluding Saturdays, Sundays and holidays. Such office space shall be strategically located in a place that is adjacent to the production and removal areas. It shall be designed in such a manner that the assigned revenue officers can have a clear and unobstructed view of the taxpayer's production and removal activities. Should overtime services be required, an advance notification to that effect should be filed with the concerned BIR Office.

c. Loading and unloading of automobiles and raw materials

No loading and unloading of automobiles or raw materials to and from the storage premises or warehouses of the manufacturing/assembly plants shall be made without the presence of the internal revenue officers assigned at the said plant

who shall verify and check the brand/model and number of units of the automobiles or raw materials loaded or unloaded.

d. Physical transfers of raw materials

Transfers of raw materials from one production plant to another production premises shall not be allowed unless, in addition to the requisite permits and other documentations required under existing laws and regulations, these are accompanied by an authorized internal revenue officer specifically designated for the purpose with the following specific duties, among others, to wit:

- (1) To check whether or not the transfer of raw materials from the place of source to place of destination is covered by the requisite permit granted by the appropriate BIR Office.
- (2) To check whether the Withdrawal Certificate and other documents covering such delivery or transfer indicate the correct number of units authorized to be transferred.
- (3) To accompany shipment of raw materials or finished units from the place of origin to intended destination and to have the receipt thereof acknowledged by the owner/operator of the said establishment or his duly authorized representative.

SEC. 17. TRANSFER OR SALE OR DISPOSITION OF RAW MATERIALS, SEMI-PROCESSED AND/OR INTERMEDIATE UNITS. - No person or entity engaged in the manufacture/assembly of automobiles shall remove, transfer, sell, loan or dispose such raw materials without prior approval from the Commissioner of Internal Revenue.

Upon prior permit from the Commissioner of Internal Revenue, raw materials, semi-processed and/or intermediate units may be transferred under bond, filed on a case-to-case basis, by the assembler or manufacturer to any processing plant for initial assembly or further assembly into finished units. The bond shall answer for any internal revenue tax arising out of losses, or in such event that the manufactured/assembled automobiles are not returned to the original transferor within a reasonable time after it is manufactured/assembled. Such transfer shall only be allowed if the sub-contractor or sub-assembler is duly registered as such with the BIR and is a holder of a valid Permit to Operate as an excise taxpayer. For this purpose, the sub-contractor or sub-assembler shall likewise be subjected to all the administrative requirements of these Regulations.

SEC. 18. RE-ASSEMBLY/REPAIR OF “OFF-SPEC” OR DAMAGED AUTOMOBILES. - No automobiles which are below specification or damaged shall be returned from the assembly plant or place of manufacture/assembly for repair or re-assembly without prior written permit from the Commissioner of Internal Revenue or his duly authorized representative. The request for permit shall contain the following:

- a. Model, number of units, engine and chassis numbers of “off-spec” or damaged automobiles;

- b. Certified photocopy of the Withdrawal Certificate covering the removal of the original shipment; and
- c. Other information the applicant may wish to state in the request.

The return of the automobiles for re-assembly or repair in the assembly plant shall be supervised by the internal revenue officer who will submit to the BIR Office having jurisdiction over the manufacturing/assembly plant a certificate duly confirmed as correct by the authorized representative of the manufacturing/assembly plant stating, among others, the number of units, model, engine and chassis number, and date of return to the plant.

The total number of units of returned automobiles for re-assembly or repair received in the manufacturing/assembly plant must be entered in the Official Register Books as “Raw Material Received” in the column provided for. The ad valorem tax for the removal of re-assembled or repaired automobiles must be paid in the same manner as regularly removed finished products.

SEC. 19. STORAGE OF TAX-PAID AUTOMOBILES. - When the ad valorem tax has been paid on the automobiles, the same shall not thereafter be stored or permitted to remain in the manufacturing/assembly plant or place of production. All automobiles subjected to ad valorem tax that are stored or allowed to remain in the place of manufacture or assembly plant after the tax thereon has been paid shall be forfeited.

SEC. 20. REGISTRATION OF AUTOMOBILES. - No automobile, whether locally manufactured/assembled or imported, shall be accepted for original registration or for registration of subsequently sold, transferred or exchanged automobile by a tax-exempt person or entity to a non-exempt person or entity with the Land Transportation Office unless proper tax clearances shall have been secured from the Bureau of Internal Revenue or the Bureau of Customs, as the case maybe.

SEC. 21. BOOKS AND RECORDS TO BE KEPT AND MAINTAINED. – Every person or entity engaged in the manufacture/assembly or importation or sale as dealers of automobiles shall keep Official Register Books and such other forms or records that may be required by the Commissioner of Internal Revenue, which must be kept within the place of production/importer’s warehouse and shall at all times be made available for inspection by duly authorized internal revenue officer(s).

a. Installation of Official Register Books

There shall be entered in the fly leaf of the initial Official Register Books at the time of delivery to each manufacturer, assembler, or importer of automobiles the following information:

- (1) The date of delivery of the books, the name, address, TIN, paragraph, schedule and assessment number of the establishment;
- (2) The beginning inventory, whenever applicable; and

- (3) A certificate signed by the internal revenue officer delivering the same and attested to by the owner or manager that all the pertinent provisions of the law and regulations governing the operations of establishment, the use of the said Official Register Books, and the manner of handling the units in the factory or warehouse have been fully explained to such manager and owner and that he fully understands the same and knows the penalties imposed for the disregard thereof. The original copy of this certification shall be forwarded to the concerned BIR Office, the duplicate copy shall be attached permanently and shall form part of the Official Register Books.

b. Records to be kept by the manufacturers/assemblers of automobiles

The Official Register Books to be kept and maintained by the manufacturers/assemblers of automobiles shall basically consist of the following:

(1) Raw Materials Account

- (a) Debit Side – On this side shall be recorded all raw materials such as, but not limited to CKD and other local raw materials received and intended to form part of, or to be used in the manufacture or assembly of automobiles. This Account shall reflect the kind of raw materials received, the date of receipt, the name and address of the supplier, the model of the vehicle for which the raw material is intended. For this purpose, raw material ledgers of the manufacturer/assembler shall form part of this Account as subsidiary books.
- (b) Credit Side – On this side, shall be recorded the date of requisition, document reference, number of units issued and the model of the vehicle for which the raw material issued is intended. Any sale, transfer or removal of raw materials other than issuances for use in the manufacturing shall be separately recorded in the credit column.

(2) In-Process Account

- (a) Debit Side – On this side shall be recorded all raw materials issued to production and the date of issuance thereto.
- (b) Credit Side – On this side shall be recorded the date of completion of manufacture/assembly and the quantity of manufactured/assembled automobiles

(4) Production and Removals Account

- (a) Debit Side – On this side, for every type or model of completely manufactured/assembled automobiles, on which the same excise tax rate will apply, there shall be maintained a separate production and removals account. The beginning inventory taken upon installation of the Official Register Books shall be the initial entry on the production and the date the vehicle was received or removed from the manufacturing/assembly premises.

- (b) Credit Side – On this side, removal of vehicles from the place of production shall be recorded indicating therein the date of removal, the number of units, the model, engine displacement, engine number, body/chassis number, name of collection agent bank and the bank validation number, date paid and amount paid, or if removed free of tax, the date of the issuance of Certificate of Exemption or permit granted by the Commissioner of Internal Revenue.
- (c) Resume – Totals of the beginning balances, production during the month, removals for the month, and the ending balances of automobiles per brand/model.

c. Records to be kept by importers for resale

Every person or entity engaged in the importation of automobiles for purposes of resale shall keep an Official Register Book wherein shall be entered the following:

- (1) On the Debit Side – Date of arrival of importation, subsidiary document reference (e.g. Customs Formal Entry Declaration), description of automobiles, number of units actually received, amount of ad valorem taxes paid, number/validation of the covering payment at BOC, and date of payment.
- (2) On the Credit Side – Date of removal/sale, name and address of consignee, description of the automobile removed, number of units and remarks.
- (3) Resume - Totals of the beginning balances, importation during the month, sale for the month, and the ending balance per brand/model of automobiles.

d. Records to be kept by automobile dealers

Every person or entity engaged in the business as dealer of automobiles shall keep and maintain an Official Register Book containing the following information:

- (1) On the Debit Side – Date of purchase of automobiles, document reference (e.g. Sales Invoice/Delivery Receipt), description of automobiles and number of units actually received and the name and address of supplier.
- (2) On the Credit Side – Date of sale, name and address of buyer, actual selling price and description of automobiles sold and number of units sold.
- (3) Resume – Totals of the beginning balances, purchases during the month, sales for the month, and the ending balances of automobiles per brand/model.

e. Monthly Transcript Sheets to be Rendered

Every manufacturer/assembler, importer or dealer of automobiles shall prepare in three (3) sets a true and exact transcript of all entries made on both the debit and credit sides of his Official Register Book during the preceding month, including all entries made by the internal revenue officer, and shall strike a balance in said books and on said transcript sheets showing the balance of the stocks on hand, if any. Said balance of stock shall be carried over as the first entry from the next month of the Official Register Books. The original or the first set should be transmitted and received by the concerned BIR Office not later than the 8th day of the succeeding month. The second set shall be submitted to the Chief, LT Field Operations Division, BIR National Office, and the third set to remain on file with the manufacturer/assembler, importer or dealer.

Each manufacturer/assembler, importer or dealer or his duly authorized representative, shall certify at the foot of each page of his Official Register Books and copies of transcript sheets that the entire entries therein are true and correct and are exact copies of the entries contained in the original records and subsidiary papers of the establishment.

With the attestation of the manager or his representative therein, the revenue officer assigned in the establishment shall submit, together with the transcript sheets, a summary of operations indicating therein the number of units removed per brand/model and the taxes paid thereon. A comparative statement of excise tax collection during the month shall likewise be prepared and submitted by the concerned revenue officer, analyzed with that of the same month of the previous year with his remarks and recommendations annotated therein. These reports shall be distributed in the same manner as the monthly transcript sheets of the Official Register Books.

CHAPTER V – CONDUCT OF STOCKTAKING, VERIFICATION AND INSPECTION

SEC. 22. STOCKTAKING. – After every six (6) months reckoned from the date of the initial or last stocktaking, the BIR shall conduct a general or total physical inventory by actual count and/or volume of the entire stock of raw materials (including in-process or intermediate units) and finished automobiles then existing and on hand, in the presence of the representative of the manufacturer/ assembler or importer concerned who shall jointly attest to the fact of witnessing and verifying the results thereof by affixing their signatures on the attestation clause in the inventory certificate.

Any overage or shortage found upon the reconciliation of the results with the balances reflected in the Official Register Book as of the date and hour of stocktaking should be debited or credited, as the case maybe, on the proper column of the Official Register Book and signed by the internal revenue officer. The corresponding written report and recommendation on the results of each and every stocktaking conducted shall be submitted to the Commissioner of Internal Revenue or his duly authorized representative.

Notwithstanding the foregoing routine schedule of stocktaking, the Commissioner of Internal Revenue may, at any time, cause a general or total stocktaking to be conducted. Moreover, a limited or partial physical inventory of certain manufactured/assembled brands or raw materials may be caused to be undertaken at any time it is deemed necessary. The manufacturer/assembler, importer or dealer shall extend all the necessary assistance to the duly authorized revenue officers to facilitate the stocktaking.

SEC. 23. BOOKS AND RECORDS TO OPEN TO INSPECTION. – All the books and records required by these regulations to be kept by manufacturers/assemblers, importers and dealers of automobiles shall be kept at all times in the place of production or place of business, whenever applicable, subject to inspection by any authorized internal revenue officer, and upon demand, shall be immediately produced and submitted to such inspection. All entries in the said books and records shall be made in ink in a neat and legible manner. The manufacturer, assembler, importer or dealer shall give the necessary explanations regarding the entries contained in the books and records inspected, when so required by the internal revenue officer making the inspection. Said establishments shall also allow any authorized internal revenue officer making any inspection to enter any place where said units are manufactured/assembled, stored or kept and shall, upon demand, produced said articles for inspection for purposes of these Regulations.

CHAPTER VI – OTHER PROVISIONS

SEC. 24. TRANSITORY PROVISIONS. – In light of the amendment by the Act of Sec 149 of the NIRC, all manufacturer's/assembler's or importers are hereby required to file an updated manufacturer's/assemblers or importer's sworn statement for each brands/models of automobiles as of the day immediately before the date of effectivity of these Regulations. The updated manufacturer's/assembler's or importer's sworn statement shall be submitted to the Commissioner of Internal Revenue, thru the Chief, Large Taxpayer's Assistance Division II within seven working (7) days from the date of effectivity of these Regulations. This sworn statement shall likewise be subjected to verification as required in Section 13 of these Regulations.

All manufacturers/assemblers or importers shall submit a duly notarized list of inventory on-hand of completely built-up (CBU) automobiles, including Completely-Knocked-Down (CKD) and Semi-Knocked Down (SKD) units, that are located within the manufacturing/assembly plant or warehouse or the customs' premises for which import entries have been filed as of the day immediately before the date of effectivity of these Regulations, indicating therein the engine, body and chassis numbers thereof. The list shall be submitted to the Commissioner of Internal Revenue, thru the Chief, Large Taxpayers Assistance Division II within seven working (7) days from the date of effectivity of these Regulations. Failure to submit the inventory list on the part of the manufacturers/assemblers/ importers shall be construed that the said manufacturers/assemblers/ importers do not have any inventory on hand of CBUs, CKDs and SKDs as of the day immediately before the date of effectivity of these Regulations; and

A stocktaking of the aforesaid inventories shall be conducted by the Bureau of Internal Revenue for purposes of validating the said list, within five (5) days from the date of submission thereof.

Likewise, the BIR shall establish the price indices at the time of the effectivity of these Regulations to serve as the basis for the initial adjustment or revision of the brackets of the manufacturer's/assembler's or importer's selling price.

SEC. 25. PENAL CLAUSE – Violations of these regulations shall be subjected to the pertinent penalties under Title X of the National Internal Revenue Code of 1997, as amended.

SEC 26. REPEALING CLAUSE. – Revenue Regulations No. 14-97, 14-99 and 4-2003 as amended are hereby revoked. All existing rulings, orders, issuances, or portions thereof which are inconsistent with the provisions of these Regulations are also hereby revoked or modified accordingly.

SEC. 27. EFFECTIVITY CLAUSE. - These Regulations shall take effect after fifteen (15) days following publication in a newspaper of general circulation.

(Original Signed)
JOSE ISIDRO N. CAMACHO
Secretary of Finance

Recommending Approval:

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue