



Bringing In Revenues  
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REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE



OCT 16 2025

REVENUE REGULATIONS NO. 027 - 2025

**SUBJECT:** Amends Section 8 of Revenue Regulations No. 25-2003 on the Tax Treatment on Subsequent Sale, Transfer or Exchange of Tax-Exempt Automobile by a Tax-Exempt Person/Entity to a Non-Exempt Person/Entity

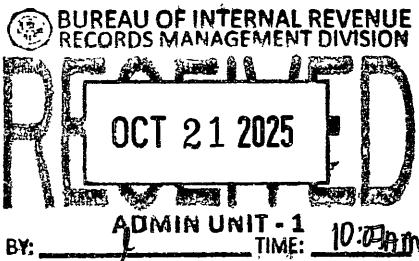
**TO:** All Internal Revenue Officials, Employees and Others Concerned

**SECTION 1. SCOPE.** – Pursuant to Sections 244 and 245 of the National Internal Revenue Code of 1997, as amended, these Regulations are hereby promulgated to amend Section 8 of Revenue Regulations (RR) No. 25-2003 modifying the allowable depreciation rate for vehicle transfers from tax-exempt persons/entities to non-tax-exempt buyers in order to ensure equitable tax computation and alignment with market-based valuation.

**SECTION 2. AMENDMENT.** – Section 8 of RR No. 25-2003 is hereby amended to read as follows:

**“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, whichever is higher of, (i) the 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 sixteen percent (16%) per year, but in no case shall the total amount of depreciation be more than eighty percent (80%) 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.

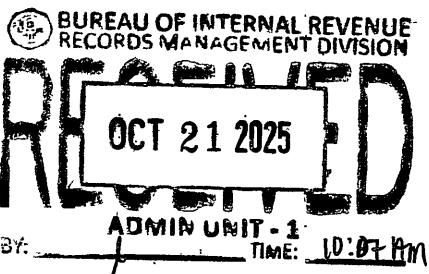


Where a tax-exempt automobile is subsequently sold, transferred, or exchanged by a tax-exempt person/entity, and it is determined that such acquisition was primarily intended to avoid the payment of excise tax, the applicable ad valorem tax shall be assessed based on the original purchase price or value of importation at the time of acquisition, without any allowance for depreciation.

A finding that the acquisition of an automobile was primarily to circumvent the payment of excise tax may be based on any of the following circumstances, unless evidence to the contrary is shown that the sale, transfer or exchange of the automobile is bona fide and at arm's length:

1. The automobile is sold, transferred, or exchanged within a short period (e.g., within one year) from acquisition without sufficient justification or compelling reason (e.g., operational need, accident, or change in mission);
2. A pattern is observed where a tax-exempt person/entity repeatedly acquires automobiles under exemption and subsequently disposes of them shortly after, suggesting a business practice rather than bona fide institutional use;
3. The automobile is transferred to an officer, employee, relative, or closely affiliated entity without arm's length transaction terms or documented fair market value;
4. Records (e.g., mileage logs, maintenance records) show that the automobile was hardly used for the entity's official operations before its disposal;
5. Evidence exists of prior agreements, verbal or written, indicating intent to sell or transfer the automobile even before or shortly after acquisition;
6. The tax-exempt person/entity's nature, operations, or size does not justify the acquisition of a luxury or high-value automobile under the exemption;
7. The automobile was never registered in the name of the tax-exempt person/entity without valid justification, or use was predominantly by persons not employed by or affiliated with the tax-exempt person/entity; or
8. Any other circumstance taken alone or in combination with the above factors clearly indicates that the automobile was acquired not for bona fide institutional use but primarily to circumvent the payment of excise tax.”

**SECTION 3. REPEALING CLAUSE.** – All other issuances, rules and regulations or parts thereof which are contrary to and inconsistent with the provisions of these Regulations are hereby repealed, amended or modified accordingly.



**SECTION 4. EFFECTIVITY.** — These Regulations shall take effect fifteen (15) days following publication in the Official Gazette or the BIR's official website, whichever comes first.

*Recommending Approval:*

**ROMEO D. LUMAGUI, JR.**  
Commissioner of Internal Revenue



RALPH G. RECTO  
Secretary of Finance

1-5 OCT 2025

