

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

January 29, 2003

**REVENUE REGULATIONS NO. 4-2003**

**SUBJECT :** Amending Certain Sections of Revenue Regulations No. 14-97, as Amended by Revenue Regulations No. 14-99, Otherwise Known as the Revenue Regulations Governing the Imposition of Excise Tax on Automobiles.

**TO : All Internal Revenue Officers and Others Concerned.**

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**SECTION 1. SCOPE.** - Pursuant to the provisions of Section 244 in relation to Section 245 of the Tax Code of 1997 (Code), these Regulations are hereby promulgated to implement the provisions of Section 149 of Title VI of the said Code, imposing an excise tax on automobiles.

**SEC. 2. THE DEFINITION OF TERMS.** - Section 2 of Revenue Regulations No. 14-97, as amended by Revenue Regulations No. 14-99, is hereby further amended to read as follows:

“(a) AUTOMOBILE – shall refer to any four- (4) or more-wheeled vehicle, other than a truck, pick-up, jeep/jeepney, bus, or vehicle used for special purpose, which is propelled by gasoline or diesel and specially designed to transport persons and not primarily to transport freight or merchandise. The term automobile shall also include utility vehicles and Light Commercial Vehicles (LCVs) designed to carry both passenger and cargo, except when the seating capacity thereof is at least 10 or more adult passengers, including the driver, subject to the criteria used in determining the seating capacity herein prescribed;

*Provided* that, notwithstanding any contrary rule, closed or covered *four-wheel* drive vehicle, primarily designed to carry passengers, regardless of the number of seats, shall be considered and taxed as an automobile for purposes of these Regulations.

*Provided*, finally, that ocular inspection must be conducted in all cases, taking careful consideration of the criteria stated in this sub-

**paragraph (a) for the proper determination as to whether or not said vehicle is an automobile. A written report of each ocular inspection must be prepared by the inspecting officer to enable the reviewing officer to determine whether the inspected vehicle meets the criteria of an automobile as defined in these Regulations.**

**The passenger seats must conform to the following rules and area specifications for the uniform application of the number of seats criterion:**

- 1. Each seat shall be of a horizontal rectangular area with seat and feet space of not less than thirty-five centimeters (35 cm.) wide and sixty centimeters (60 cm.) long for each passenger, and fifty centimeters (50 cm.) wide and sixty centimeters (60 cm.) long for the driver or operator. Provided, in cases of contoured and bucket type-seats or with shapes other than the conventional horizontal rectangular form, seat width shall be measured at the middle portion thereof. Provided further, that for the corresponding space that will be occupied by any obstruction such as, but not limited to, doorside built-in armrest, overhead air condition duct, protruding amplifier box or wheel house, an imaginary straight line along the obstructed space shall be drawn, measured and deducted from the total width of the seat. The length of seats located at the front row shall be measured from the lowest point of the backrest in a straight and level line up to the dashboard. Moreover, the distance between the passenger shoulder level and the backrest of the seat in front shall always approximate the minimum length measurement prescribed herein. In cases of passenger seats facing opposite each other, the length of each passenger seat, representing one half (1/2) of the entire distance between the points where the inner edge of each seat will intersect with the lowest part of its backrest, shall likewise meet the prescribed minimum length.**
- 2. The number of seats of an automobile as defined by these Regulations shall be determined by counting the number of seat spaces that meet the minimum area specifications prescribed herein. Half-seat shall not be counted as one passenger seat even if there are**

**multiples of half-seats.** Thus, a utility vehicle with nine (9) and one-half ( $\frac{1}{2}$ ) seat or nine (9) and two (2) half-seats and so on shall be considered as an automobile subject to ad valorem tax. A contiguous row of seats shall have as many number of passenger seats as there are seat spaces that meet the minimum prescribed measurements. However, any seat space in excess of the aforesaid area specifications, if any, shall not be counted as one seat even if it meets the half-seat specifications of seventeen and one-half ( $17 \frac{1}{2}$ ) wide. In cases of contiguous row of seats with shapes other than the conventional horizontal rectangular form, each seat shall be treated individually applying the minimum prescribed measurements for such type of seats.

3. Aside from meeting the aforesaid measurements, the seat area must include the corresponding feet spaces, leg and head rooms as described herein that will afford an average-built adult passenger to sit. Any seat space without the corresponding feet spaces, leg and head rooms, even if it meets the area measurements, shall not be counted as a passenger seat.

For this purpose, the feet space shall refer to the corresponding floor area of a passenger seat, upon which a sitting passenger normally rests both his feet. A passenger seat whose corresponding feet space is obstructed by a gear box shall be considered without seat space. Leg room shall mean that the passenger seat shall have enough elevation from the floor so as to allow the normal bending of the knees and positioning of the legs of a seated passenger. A seat laid down directly on the floor with only the seat itself providing its elevation from it or whose elevation is lower than the rest of the passenger seats thereby depriving the passenger to seat normally, shall be considered without leg room. Head room shall refer to the unobstructed ceiling space of a passenger seated upright. It shall be considered without head room if the ceiling or any side of the vehicle touches any part of the head of a passenger seated upright. These requirements shall be applicable to all seats of the vehicle.

All seats, whether or not these are jump seats, fold-away or fold-down seats, shall be considered passenger seats if the intended passengers thereof will have access thereto through the side door(s) of the motor vehicle and that they are factory installed and meet the area specifications prescribed in these regulations; provided, that seats located at the rear portion of the vehicle normally utilized as cargo compartment and accessible through the back door shall not be considered as passenger seats if these are foldable or adjustable to allow for cargo storage even if the same are factory installed and meet the area specifications.

4. A factory-installed seat shall be considered as a seat if the intended passenger is seated comfortably thereat with his back, including his shoulder, fully rested on the back rest of the seat. Accordingly, a seat without its own back rest shall not be counted notwithstanding that such seat is factory installed and complies with the requirements on seat measurements, feet spaces, leg and head rooms.

(b) **LIGHT COMMERCIAL VEHICLE (LCV)** - shall refer to a motor vehicle, whether four-wheel drive or not, such as commuter vans; utility vehicles; Sports Utility Vehicles (SUVs); and the like, except pick-ups.

(c) **VEHICLE USED FOR SPECIAL PURPOSE** - shall refer to a vehicle designed and used for a special purpose or for a specific application such as cement mixer, fire truck, ambulance and/or medical unit, armored military vehicle, crane, hearse, and the like.

(d) **TRUCK** - shall refer to a motor vehicle of 3.5 tons gross vehicle weight or more of any configuration that is primarily designed for the carriage of goods and with any number of wheels and axles.

(e) **JEEP/JEEPNEY** - shall refer to a locally assembled military type vehicle manufactured by local firms with no foreign affiliation, which is similar in appearance to the MacArthur or Eisenhower type with canvas or hard top shell. It shall also include locally assembled variant of the said vehicle primarily used for transport of passengers.

**(f) BUS - shall refer to a motor vehicle of 3.5 tons gross vehicle weight or more of any configuration, which is generally accepted and specially designed for the public transportation of persons and with any number of wheels and axles.”**

Items (e) to (n) of Revenue Regulations No. 14-97, as amended by Revenue Regulations No. 14-99, are accordingly re-numbered as Items (g) to (p).

**SEC. 3. AMENDATORY PROVISION ON AUTOMOBILES SUBJECT TO EXCISE TAX.** - Section 4 of Revenue Regulations No. 14-97, as amended by Revenue Regulations No. 14-99, is hereby further amended to read as follows:

**“SECTION. 4. AUTOMOBILES SUBJECT TO EXCISE TAX.** – The excise tax under Section 149 of the Tax Code of 1997 shall be imposed on the production, assembly or importation of automobiles, including LCVs as herein defined, payable before removal from place of production/assembly or from Bureau of Customs’ custody.”

**SEC. 4. AMENDATORY PROVISION ON THE REGISTRATION OF BRAND NAMES UNDER RR 14-97.** - Section 10 of RR 14-97 is hereby amended to read as follows:

**“SEC.10. REGISTRATION OF BRANDS/MODELS AND VARIANTS .** – Every manufacturer, assembler, producer, and importer of automobiles shall, before commencement of actual manufacture, assembly, production or importation, file with the appropriate BIR Office having jurisdiction over the taxpayer-registrant an application for brand/model registration. In cases where previously registered brands/models are modified, any modification shall be compared with the international version thereof as reflected in the original assembler’s/manufacturer’s certification and the published international catalogue, brochure or other advertising materials to determine whether or not such modified version conforms to the requirements of these Regulations. Accordingly, such modified version shall thereafter be registered with the appropriate BIR Office having jurisdiction over the taxpayer-registrant.”

“xxx xxx xxx.”

**SEC. 5. AMENDATORY PROVISION ON MANUFACTURER’S OR IMPORTER’S BOND.** - Section 12 (a) of Revenue Regulations No. 14-97, as amended by Revenue Regulations No. 14-99, is hereby further amended as follows:

## **“SEC. 12. MANUFACTURER'S AND IMPORTER'S BOND.-**

Every manufacturer/assembler and/or importer of automobiles for sale shall post a surety bond which shall be conditioned upon the faithful compliance with laws and regulations relating to such business and for the satisfaction of all fines and penalties imposed by the Code.

### **(a) Basis of surety bond to be posted. -**

**(1) Initial Bond. -** In case of initial bond, the amount shall be equal to one hundred thousand pesos (P100,000): Provided, however, that if after six (6) months of operation, the amount of the initial bond is less than the amount of the total excise tax paid during the period, the amount of the bond shall be adjusted to twice the tax actually paid for the period.

**(2) Bond for the Succeeding Years of Operation. -** The bonds for the succeeding years of operation shall be based on the actual total excise tax paid during the year immediately preceding the year of operation.”

“xxx xxx xxx.”

## **SEC. 6. TRANSITORY PROVISIONS. -**

- (a) The provisions of Revenue Regulations No. 14-97, as amended by Revenue Regulations No. 14-99 shall be applicable to all automobiles completely assembled or imported (Completely-Built-Up (CBU) units, including Completely-Knocked-Down (CKD) and Semi-Knocked-Down (SKD) units), that are still in the custody of the Bureau of Customs or in the place of production, assembly plant or warehouse, as the case may be, as of the date immediately preceding the date the Regulations become effective.
- (b) For this purpose, the following must be complied with:
  - (i) All importers and/or assemblers shall submit a duly notarized list of inventory on-hand of completely assembled automobiles or CBUs, including Completely-Knocked-Down (CKD) and Semi-Knocked Down (SKD) units, that are located within the assembly plant or warehouse or the customs' premises as of the date immediately preceding the date of effectivity of these Regulations, indicating 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 ten (10) days from the date of effectivity of these Regulations. Failure to submit the inventory list on the part of the importers/assemblers

shall be construed that said importers/assemblers do not have any inventory on hand of CBUs, CKDs and SKDs as of the date immediately preceding the effectivity of these Regulations.

- (ii) 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.
- (iii) Prior to the date of effectivity of these Regulations per Section 8 hereof, an ocular inspection and measurement shall be conducted on the different brands/models of vehicles to determine whether or not such brands/models are considered automobiles as defined under the provisions of these Regulations.

**SEC. 7. REPEALING CLAUSE.** – Subject to the provisions of Section 6 (b) (iii) hereof, any provision of Revenue Regulations No.14-97, as amended by Revenue Regulations No.14-99, or portions thereof which are inconsistent herewith are hereby amended accordingly.

**SEC. 8. 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