

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

July 7, 2014

REVENUE REGULATIONS NO. 7-2014

SUBJECT : Prescribing the Affixture of Internal Revenue Stamps on Imported and Locally Manufactured Cigarettes and the Use of the Internal Revenue Stamp Integrated System (IRSIS) for the Ordering, Distribution and Monitoring Thereof.

TO : All Internal Revenue Officials and Others Concerned

BACKGROUND

The provisions of Section 8 of the National Internal Revenue Code of 1997, as amended by Republic Act No. 10351, popularly known as the Sin Tax Law, specifically stipulates that the Commissioner of Internal Revenue is mandated to prescribe, provide, and distribute, among others, internal revenue stamps with adequate security features for affixture on each pack of cigars and cigarettes. Pursuant thereto, the production of these stamps was initiated and the Internal Revenue Stamp Integrated System was developed to cover the ordering, distribution and real-time monitoring thereof. Accordingly, these Revenue Regulations are hereby issued to implement the said mandate and initiatives.

SECTION 1. SCOPE. – Pursuant to the provisions of Section 8, in relation to Sections 244 and 245 of the National Internal Revenue Code (NIRC) of 1997, as amended, these Regulations are hereby promulgated to prescribe the affixture of new internal revenue stamps on imported and locally manufactured cigarettes, whether for domestic sale or for export, and the use of the Internal Revenue Stamp Integrated System (IRSIS) for the ordering, distribution and monitoring thereof.

SEC. 2 DEFINITION OF TERMS. – For purposes of these Regulations, the following words and phrases shall be defined as follows:

- (a) APO – shall refer to APO Production Unit, Inc., a government entity to undertake the base printing of secured internal revenue stamps and, together with the winning contractor, develop and maintain IRSIS;
- (b) Bad Order stamps – shall refer to internal revenue stamps damaged while at the APO plant involving a deviation in any of the following specifications: (1) Quick Reference Code; (2) Unique Identifier Code; (3) latent image; (4) color; (5) core; and (6) dimension;
- (c) Internal Revenue Stamp – shall refer to the BIR-issued stamp with a dimensional size of 23 millimeters (mm) by 43 mm containing multi-layered security features and an IRSIS-assigned Unique Identifier Code and a Quick Reference Code containing information pertinent only to the cigarette container (e.g. pack) to which the internal revenue stamp is affixed. The internal revenue stamp comes in

six different color designs according to whether the cigarettes are packed by hand or by machine (with colors for high or low tax bracket), for locally manufactured cigarettes; or imported cigarettes with different colors (for high or low tax bracket) or for export. Internal Revenue Stamps may be ordered in banderols or pre-cut/stack according to the machine requirements of the importer or the local manufacturers.

- (d) IRSIS (Internal Revenue Stamp Integrated System) - shall refer to the web-based application system for ordering and distribution of internal revenue stamps, as well as, for real-time monitoring of the said stamps upon its affixture on the cigarette products, and for generating the required reports;
- (e) Quick Reference (QR) Code – shall refer to a two dimensional bar code that holds information on the internal revenue stamp;
- (f) Spoiled Stamps – shall refer to damaged internal revenue stamps where the UIC is still visible or QR Code is still verifiable by the machine; and
- (g) Unique Identifier Code (UIC) – shall refer to the code/serial number that represents an internal revenue stamp;

SEC. 3. ENROLLMENT OF CIGARETTE IMPORTERS AND MANUFACTURERS WITH IRSIS. – A letter of intent for enrollment and registration with IRSIS shall be filed by the importer and/or local manufacturer of cigarettes with the Chief, Excise LT Field Operations Division (ELTFOD) of the BIR, together with a duly notarized Board Resolution, in case the taxpayer is a juridical entity, or a Special Power of Attorney (SPA), in case of a sole proprietor stating, among others, the names of its/his representatives who are authorized, in behalf of the taxpayer, to maintain a user account for purposes of using the IRSIS . In case of changes of the taxpayer's authorized representative, a separate Board Resolution or SPA shall be issued by the taxpayer for this purpose.

The taxpayer, through its authorized user, shall subsequently proceed to the BIR website at www.bir.gov.ph and access the IRSIS icon displayed therein for purposes of initiating the enrollment process. All the fields as represented by blank boxes provided in the enrollment form screen shall be filled up and all instructions shall be complied with in order to complete the enrollment process. Thereafter, the taxpayer, through its authorized representative, shall receive an electronic mail (email) notification validating the receipt and approval of the application. For this purpose, the email address to be used by the concerned taxpayers shall be the official business email address, in case of corporations or partnerships, or the personal email address, in case of sole proprietorships. However, for sole proprietorships, the individual registered taxpayer may authorize his/her subordinate employees to use their respective personal email accounts; provided, that the latter's submission shall be deemed the submission of the individual registered taxpayer himself/herself. Accordingly, in case of violations committed by such subordinate employees, the individual registered taxpayer shall be liable for the corresponding penalties therefor.

The BIR shall ensure that necessary briefings/trainings on IRSIS are conducted to concerned taxpayers or its authorized representatives, including BIR's duly authorized revenue personnel, prior to the actual implementation of these Regulations in order to provide and clarify the details of the aforesaid enrollment and usage of the IRSIS.

SEC. 4. ORDERING OF INTERNAL REVENUE STAMPS THROUGH IRSIS AND BIR APPROVAL THEREOF. – Each and every order shall be placed only through the stamp ordering module of IRSIS by the authorized user. All orders submitted on or before twelve o'clock noon (12:00 nn) shall be processed by BIR within the said working day. Accordingly, all orders submitted after 12:00 nn of the working day shall be processed the following working day.

Upon approval by BIR of the order, an email notification shall be received by the said authorized user confirming the order with the date of release of the internal revenue stamps from the APO-designated plant. The internal revenue stamps shall be released by APO to the importer/local manufacturer of cigarettes not later than fifteen (15) calendar days from the date of approval by the BIR of the submitted order.

All orders of internal revenue stamps, after having been duly approved by the BIR, are no longer allowed by IRSIS to be cancelled or changed by the authorized users of importers and manufacturers of cigarettes. Accordingly, the authorized users shall ensure that the correct information is encoded prior to the submission thereof in the ordering module of IRSIS.

SEC. 5. PRIOR PAYMENT OF EXCISE TAX ON ORDERS OF INTERNAL REVENUE STAMPS. – Each and every order of internal revenue stamp submitted by the authorized user of the importer or local manufacturer of cigarettes shall be approved by the BIR: *Provided, however,* That the excise tax due on the total number of internal revenue stamps ordered has been paid by the importer or local manufacturer of cigarettes.

For purposes of placing the order of internal revenue stamps, through IRSIS, the excise tax payment shall only be made through the Electronic Filing and Payment System (eFPS) of the BIR. Accordingly, the importer or local manufacturer of cigarettes shall be enrolled with the eFPS.

In cases of eFPS downtime or unavailability, the excise tax return (BIR Form No. 2200-T) shall be manually filed and the excise tax payment be made through the duly Authorized Agent Banks (AABs) of the BIR where the importer or local manufacturer of cigarettes are enrolled. The copies of duly received excise tax return and proof of the excise tax payment shall be submitted to the Chief, ELTFOD for purposes of encoding the details of payment in IRSIS.

With respect to locally manufactured cigarettes intended for export, the details of payment of the excise tax due thereon through the Product Replenishment Debit Memo (PRDM) prescribed under Revenue Regulations (RR) No. 3-2008 shall be encoded in IRSIS by the authorized personnel of the ELTFOD: *Provided, however,* That in case of any additional excise tax paid through BIR Form No. 0605 pursuant to RR No. 3-2008, the said payment form shall strictly contain the phrase "Product Replenishment" in the boxes specifically provided for "Others/Specify" under the "Manner of Payment" thereof. Moreover, the following Alphanumeric Tax Codes (ATCs) shall, likewise, be provided in the said BIR form:

- XT040 – for cigarettes packed by hand;
- XT140 – for low-priced cigarettes packed by machine; or
- XT150 – for high-priced cigarettes packed by machine.

Failure to provide the exact phrase and ATC in the said BIR form shall not be considered as a valid excise tax payment in IRSIS.

SEC. 6. PAYMENT OF THE PRICE OF INTERNAL REVENUE STAMPS. ESCALATION PROVISIONS. – After the approval of the order of internal revenue stamps and prior to its release from the APO designated plant, the price thereof shall be paid by the importer or local manufacturer of cigarettes to APO in the amount of THIRTEEN CENTAVOS (P0.13) per piece of internal revenue stamp.

Based on the order reference number issued by IRSIS, the price of the said stamps shall be paid by the importer or local manufacturer of cigarettes through the on-line payment facility, over-the-counter, or bills-payment on-line facility of APO: *Provided, however,* That, in cases of discrepancy between the said taxpayer's own record and the database of IRSIS, the latter shall prevail, after prior consultation with the concerned parties, for purposes of payment of the total price due on the internal revenue stamps that were previously ordered.

In case of occurrence of inflation, escalation and/or decrease in costs of raw materials and equipment to be used by APO, the BIR shall accordingly adjust the price of internal revenue stamps, subject to prior consultation with all concerned stakeholders and the issuance of the amendatory revenue regulations for the effective implementation thereof.

It shall be understood that payment of the price of internal revenue stamps shall be subject to the existing tax laws, rules and regulations governing withholding taxes.

SEC. 7. RELEASE OF INTERNAL REVENUE STAMPS FROM APO. – The internal revenue stamps shall be released and received personally by the authorized representatives of the importer or local manufacturer of cigarettes directly from the APO-designated plant, within fifteen (15) calendar days from the scheduled date of its release as indicated in the email notification. Failure to claim the internal revenue stamps from the said period shall authorize APO to charge the said taxpayer for the reasonable storage fees. The said authorized representatives shall be able to present their identification cards duly issued by the importer or manufacturer of cigarettes.

The authorized BIR personnel shall always be present to witness and monitor the actual release by APO of the internal revenue stamps to the said taxpayer's authorized representatives. Accordingly, the BIR personnel shall attest thereto by affixing his or her signature on the release document issued for the purpose.

Upon receipt of the internal revenue stamps by the said authorized representatives, the ownership and responsibility thereon shall be transferred in favor of the importer or local manufacturer of cigarettes. Any damage to or loss of internal revenue stamps after release thereof shall be for the account of the importer or local manufacturer of cigarettes.

SEC. 8. SPOILED INTERNAL REVENUE STAMPS, BAD ORDERS, LOSSES AND REPLACEMENTS THEREOF. – In cases where the internal revenue stamps already in the possession of the local manufacturer of cigarettes became spoiled, were damaged or rendered unfit for affixture to the cigarette products or found to be bad orders, the said stamps shall be surrendered to the BIR within fifteen (15) calendar days immediately after end of the month of production but not later than three (3) months from the date of release by APO. In the case of spoiled stamps and bad orders in the possession of the importers, the same shall be surrendered to the BIR within five (5) months immediately after receipt thereof from APO:

Provided, that the importer shall report the same in accordance with the provisions of Section 10 of these Regulations.

Bad Orders or spoiled stamps to be surrendered to the BIR by the importers or local manufacturers of cigarettes shall be affixed and properly arranged in rows and columns on the sheet of paper specifically provided for the purpose by APO.

The replacement of spoiled stamps shall be allowed only upon approval by the BIR using the online facility of IRSIS, with the corresponding payment of the price prevailing at the time when the spoiled stamps were originally ordered.

With respect to bad orders of internal revenue stamps, the price for the replacement thereof shall no longer be paid by the importer or manufacturer of cigarettes, subject to prior verification by APO upon the surrender thereof.

In no case shall replacement be allowed under the following instances:

- (a) Failure by the importer or manufacturer of cigarettes to surrender any spoiled stamp or bad order.
- (b) Unaccounted internal revenue stamps, except in cases of losses due to *force majeure* or other fortuitous events beyond the control of man.
- (c) Spoiled internal revenue stamps that were surrendered to the BIR that do not bear their respective UIC or QR Codes.
- (d) Spoiled internal revenue stamps that were surrendered to the BIR containing their respective UIC or QR Codes but no longer verifiable by the mobile device.

SEC. 9. AFFIXTURE OF STAMPS. – Subject to the transitory provisions of Section 13 hereof, all importations and removals from the place of production of cigarettes shall be affixed with the internal revenue stamps prescribed by these Regulations.

In case of removals of cigarettes intended for exportation, the following requirements shall be strictly observed:

- (a) If the country of destination requires the affixture of its own stamps, the local manufacturer-exporter shall submit to the Chief, Excise LT Regulatory Division (ELTRD) of the BIR prior to the importation of the foreign country's stamps a certification duly issued by the appropriate regulatory agency of the country of destination specifically stating that the requirement of the affixture of their own stamps on imported cigarettes is required by their country's laws and/or regulations, and specifically providing therein a reference to and forming part of the certification the following documents:
 - (i) Copy of the country's laws and/or regulations requiring such requirements
 - (ii) Sample of the foreign country's stamps and written description of the security features thereof.
 - (iii) Process flow chart of the procedures on the ordering, release, delivery of their stamps, including the reportorial requirements thereof.

Provided, however, That only the range of UICs of internal revenue stamps previously ordered, thru IRSIS, intended for affixture to the cigarettes for export

shall be released to the local manufacturer. *Provided, further,* That the price of Three Centavos (P0.03), per piece of internal revenue stamp on such cigarettes for export, shall be paid by the local manufacturer-exporter. The payment thereof shall be considered constructive affixture of the internal revenue stamps on such cigarettes for export: *Provided, finally,* That the range of UICs that were released to the local manufacturer-exporter shall be reported to the BIR, thru IRSIS, pursuant to the provisions of the following Section of these Regulations.

In the event of failure to comply with the aforementioned documentary requirements, the internal revenue stamps prescribed by these Regulation shall be duly affixed on the packs of cigarettes before removal from the place of production and subsequent exportation thereof.

- (b) If the country of destination does not require the affixture of its own stamps, the local manufacturer-exporter shall affixed the Internal Revenue Stamp as required hereunder and shall be subject to the rules and regulations for cigarettes manufactured and/or imported for the domestic market as contained herein. It shall pay for the Internal Revenue Stamp at the same price as those for cigarettes manufactured and/or imported for the domestic market.

The internal revenue stamp shall be affixed at the upper portion of the immediate container of the cigarettes (e.g., hard pack, soft pack, tin can, etc.), regardless of the number of sticks contained therein, overlapping the intended opening of the immediate container in such a manner as to effectively seal the container and prevent the removal of the sticks of cigarettes without breaking the said stamp, before the immediate container is wrapped in cellophane or transparent wrapper. However, for containers of cigarettes with pictogram, the internal revenue stamp may be affixed at the side overlapping the intended opening of the immediate container in a manner as to effectively seal the container and prevent the removal of the sticks of cigarettes without breaking the said stamp, before the immediate container is wrapped in cellophane or transparent wrapper. Moreover, the internal revenue stamp shall be affixed on the cigarette container in a manner without violating the health warning requirements prescribed under existing laws, rules and regulations.

In order to facilitate the monitoring of internal revenue stamps duly issued to the importers and local manufacturers by the BIR, through APO, the stamps shall be affixed to the immediate containers of cigarettes on a first-in-first-out (FIFO) basis.

SEC. 10. REPORTING REQUIREMENTS FOR AFFIXTURE OF STAMPS, REMOVALS OF CIGARETTE PRODUCTS WITH AFFIXED STAMPS, INCLUDING SPOILED OR LOST STAMPS AND BAD ORDERS. – The importers and local manufacturers of cigarettes shall submit the monthly reports enumerated below through the IRSIS reporting facilities within the deadlines prescribed as follows:

Type of Report	Deadline of Submission
a. Affixture of Stamps	Within five (5) working days from the end of the month of affixture In the case of imported cigarettes, date of affixture shall refer to date of release from Customs custody

b. Removal of Cigarette Products	Within ten (10) working days from the date of removal from the finished goods warehouse (A-5), for local manufacturers, and/or tax-paid depots, for importers
c. Spoiled and Lost Stamps	Within ten (10) working days immediately after end of the month of its operations In the case of importers, within three (3) months from receipt of the previously ordered stamps from APO
d. Bad Orders Stamps	Within ten (10) working days immediately after end of the month of production In the case of importers, within three (3) months from receipt of previously ordered stamps from APO

SEC. 11. MONITORING OF STAMPS AND CIGARETTES PRODUCTS THROUGH MOBILE VERIFICATION DEVICES. – For purposes of verification of the authenticity of internal revenue stamps, as well as the determination of whether or not the proper excise taxes were paid on domestically manufactured or imported cigarettes, the BIR, through its authorized representatives, shall conduct on-the-spot surveillance of cigarette products either in the place of production, storage facilities, or in the domestic market, as the case may be, through the use of mobile verification devices issued for the purpose.

In case of discrepancies found during the conduct of surveillance, the appropriate excise taxes shall be assessed and collected after verification from all persons who are found liable thereto, inclusive of the appropriate penalties, without prejudice to the confiscation and forfeiture of any untaxed cigarette products and the filing of the appropriate criminal case.

SEC. 12. PROHIBITION AGAINST POSSESSION AND/OR ACCUMULATION PREVIOUSLY AFFIXED INTERNAL REVENUE STAMPS OR USED/CONSUMED PACKS OF CIGARETTES WITH AFFIXED INTERNAL REVENUE STAMPS. – The possession and/or accumulation, sale, transfer or delivery of previously affixed internal revenue stamps, or of used/consumed packs of cigarettes with internal revenue stamps affixed thereto, shall be prohibited. It shall be a *prima facie* evidence that the previously affixed internal revenue stamps are re-used or affixed on untaxed cigarette packs, or that the used/consumed cigarette packs are recycled, reprocessed or refilled with cigarettes sticks for subsequent sale or removal from the place of production, for purposes of avoiding the payment of excise tax for which it is due. Accordingly, any person who shall violate the said prohibition and the importer or cigarette manufacturer, as buyer-transferee thereof, who shall re-use or affix the previously affixed internal revenue stamps on untaxed cigarette packs or, who shall recycle, reprocess or refill used/consumed cigarette packs, shall be jointly and severally liable for the excise tax otherwise due on such cigarette packs, without prejudice to the filing of the appropriate criminal actions against them.

SEC. 13. TRANSITORY PROVISIONS. – The following transitory provisions shall be strictly observed:

- (a) Upon the effectivity of these Regulations, the BIR shall conduct stocktaking of all cigarettes held in possession in the Finished Goods warehouse (A-5 Account) of the local manufacturers. With respect to imported cigarettes, the importers thereof shall submit a written report of inventory of all internal revenue stamps issued by the BIR before the

effectivity of these Regulations using the format in Annex “A” hereof. The said inventory report shall be submitted to the Chief, LT Excise Regulatory Division within fifteen (15) calendar days immediately after the effectivity of these Regulations.

- (b) All concerned importers and local manufacturers of cigarettes shall enroll with IRSIS and the orders for the NEW internal revenue stamps prescribed herein may be submitted for approval by the BIR not later than fifteen (15) before the effectivity of these Regulations.
- (c) No later than October 1, 2014, all locally manufactured packs of cigarettes shall be affixed with the internal revenue stamps prescribed by these Regulations.
- (d) With respect to imported cigarettes, no importation and subsequent release of cigarette from the customshouse shall be allowed unless the new stamps shall have been affixed thereto effective January 1, 2015.
- (e) Effective February 1, 2015, all cigarettes manufactured in the Philippines and/or imported in to the Philippines shall be affixed with the said stamps.
- (f) The BIR shall upload the balances of the excise tax deposit/payments, including the balances of Product Replenishment Certificates, of all concerned taxpayers covered by these Regulations in the respective taxpayer ledger balances of IRSIS not later than five (5) days before the effectivity of these Regulations.

SEC. 14. PENALTIES. – Any violation of these Regulations shall be subject to the corresponding penalties under the pertinent provisions of the NIRC of 1997, as amended, and applicable regulations issued by the BIR.

The corresponding excise tax due shall be computed, assessed and collected, inclusive of penalties, under the following instances:

- (a) Subject to the pertinent provisions prescribed under the preceding Section of these Regulations, any seller, importer or local manufacturer of cigarettes who are found in possession of fake, spurious or old internal revenue stamps or the same are affixed to their cigarette products whether found in the storage facility and/or place of production, or in the domestic market.
- (b) Removal of cigarettes from the place of production or release from the customshouse without the corresponding internal revenue stamps prescribed by these Regulations duly affixed on the said products.
- (c) Failure of the importer or local manufacturer to account lost or missing internal revenue stamps.
- (d) Failure of the local manufacturer-exporter to affix the stamps prescribed by the country of destination to the packs of cigarettes for export before the removal from the place of production and subsequent exportation thereof.

In addition to the said excise tax liabilities, the provisions of Section 265 of the NIRC of 1997, as amended, shall likewise be applied, in so far as applicable, to wit:

“SEC. 265. Offenses Relating to Stamps. – Any person who commits any of the acts enumerated hereunder shall, upon conviction thereof, be punished by

a fine of not less than twenty thousand pesos (P20,000.00) but not more than Fifty thousand pesos (P50,000.00) and suffer imprisonment of not less than four (4) years but not more than eight (8) years:

- (a) Making, importing, selling, using or possession without express authority from the Commissioner, any die for printing or making stamps, xxx;
- (b) Erasing the cancellation marks of any stamp previously used, or altering the written figures or letters or cancellation marks on internal revenue stamps;
- (c) Possessing false, counterfeit, restored or altered stamps, xxx or causing the commission of any such offense by another;
- (d) Selling or offering for sale any box or package containing articles subject to excise tax with false, spurious or counterfeit stamps or xxx or selling from any such fraudulent box, package or container as aforementioned; or
- (e) Giving away or accepting from another, or selling, buying or using containers on which the stamps are not completely destroyed.”

SEC. 15. CLOSE CIRCUIT TELEVISION. – After the effectivity of this Regulation, the BIR shall conduct a study and cause the installation of a system of Close Circuit Television Monitoring system on all production and withdrawals point in the premises of the proper affixture of internal revenue stamps and payment of excise taxes.

SEC. 16. SEPARABILITY CLAUSE. - If any provision of these Regulations is declared invalid by a competent court, the remainder of these Regulations or any provision not affected by such declaration of invalidity shall remain in force and effect.

SEC. 17. REPEALING CLAUSE. – The provisions of any existing regulations, rulings or orders, or portions thereof inconsistent with the provisions of these Regulations are hereby revoked, repealed or amended accordingly.

SEC. 18. EFFECTIVITY. – These Regulations shall take effect fifteen (15) days immediately after publication thereof in leading newspaper of general circulation.

(Original Signed)
CESAR V. PURISIMA
Secretary of Finance

Recommending Approval:

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

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