

**[BIR REGULATIONS NO. 14-97, November 05,
1997]**

**REVENUE REGULATIONS GOVERNING THE IMPOSITION OF
EXCISE TAX ON AUTOMOBILES AND OTHER MOTOR VEHICLES**

**Chapter I
Scope and Definition of Terms**

SECTION 1. Scope. — Pursuant to the provisions of Section 245 in relation to Section 4 of the National Internal Revenue Code, as amended, 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 and other motor vehicles.

SECTION 2. Definition of Terms. — For purposes of these regulations and for a more effective enforcement and monitoring of excise tax collection, the following words and phrases shall have the sense and meaning indicated hereunder:

a. *Automobile* — shall be defined as a four (4) or more wheeled vehicle other than trucks as defined under R.A. 4136 and R.A. 1188 which is propelled by gasoline, diesel, or any other motive power and specially designed for the transport of persons and not used primarily for carrying of freight and merchandise: Provided, That its seating capacity shall be less than ten (10) adult passengers including the driver: Provided, further, That the sizes of the passenger seats shall not be less than 35 centimeters wide and 60 centimeters long. It shall include utility or light commercial vehicles designed for passenger use with seating capacity of less than ten (10) adult passengers, including the driver.

For the uniform application of the seating capacity criterion, the passenger seats should conform to the following area specifications:

1 For each adult passenger, a horizontal rectangular area, including seat and feet space not less than thirty-five centimeters (35 cm.) wide and sixty centimeters (60 cm.) long, except in the front seat, which shall allow an area of fifty centimeters (50 cm.) wide for the driver or operator.

2 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 (1/2) seats or nine (9) and two (2) half-seats and so on shall be considered as automobile subject to ad valorem tax.

3 The number of seats in a utility vehicle shall be determined by counting the number of seat spaces that meet the horizontal rectangular area specifications of fifty centimeters (50 cm.) wide by sixty centimeters (60

cm.) long for the driver, and thirty five centimeters (35 cm.) wide by sixty centimeters (60 cm.) long for each passenger. A contiguous row of seats shall have as many number of passenger seats as there are seat spaces that meet the thirty five centimeters (35 cm.) by sixty centimeters (60 cm.) 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 centimeters (17 1/2 cm.) wide.

4 Aside from meeting the aforesaid measurements, the seat area must include the corresponding feet spaces, leg and head rooms that will afford an average-built adult passenger to seat comfortably. Any seat space without the corresponding feet spaces, leg and head rooms, even if it meets the area specifications, 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; by leg room means 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; and head room refers to the unobstructed ceiling space of a passenger seated upright.

A passenger seat whose corresponding feet space is obstructed by a gear box shall be considered without seat space; a seat laid down directly on the floor with only the seat itself providing its elevation from it shall be considered without leg room; and it shall also be considered without head room if the ceiling or sides of the vehicle touches any part of the head of a passenger seated upright.

5 The seats in the rear cargo/luggage compartment shall not be counted as passenger seats even if these are factory installed and meet the area specifications. Jump-seats, fold-away or fold-down seats shall also be treated in the same manner.

b. *Light Commercial Vehicle (LCV)* — shall refer to a motor vehicle other than an AUV that may be classified as a light truck such as commuter van, or any four-wheel drive vehicle with gross vehicle weight of up to three (3) tons which are used primarily for carrying of passenger.

c. *Asian Utility Vehicle (AUV)* — shall mean an originally Philippine designed low-cost utility vehicle with a higher-local content than an LCV and a gross vehicle weight of up to three (3) tons.

d. *Special Purpose Vehicle* — shall refer to a vehicle for specific applications such as cement mixer, fire truck, ambulance and/or medical unit, armored military vehicle, crane truck, off-road vehicle, luxury tourist bus with specialized body, etc.

e. *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.

f. *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.

g. *Completely-Built-Up (CBU)* — shall refer to vehicles imported in completely assembled form and ready for use by the consumers.

h. *Manufacturer's or Importer's Gross Selling Price* — shall refer to the price, net of value-added tax, at which locally assembled and/or imported automobiles are offered for sale at wholesale to the dealers or through their sales agents to the public, as fixed by the assembler or importer. If the manufacturer or importer also sells or allows such automobiles to be sold at wholesale in another establishment of which he is the owner or in the profits of which he has an interest, the wholesale price in such establishment shall constitute the gross selling price. Should such price be less than the cost of manufacture/importation plus expenses incurred until the automobiles are finally sold, then a proportionate margin or profit, not less than ten percent (10%) of such manufacturing/importation costs and expenses, shall be added to constitute the gross selling price.

i. *Place of Production* — shall refer to an area designated by a manufacturer or assembler as depicted in the factory plat and plan submitted to and approved by the Commissioner of Internal Revenue or his duly authorized representative, wherein the process of manufacturing or assembling of the motor vehicles are done until the same shall have been completely finished and ready for sale.

j. *Assembler/Manufacturer* — shall refer to the person who combines body frame/chassis, engine, drive train, suspension and other automotive parts or one who alters any part of a vehicle to render it fit for the transport of passengers or vehicle that meet the specifications of an automobile ready for use as defined herein in such a manner as to render a vehicle fit for registration with the Land Transportation Office.

k. *Importer* — shall refer to any person bringing in from a foreign country automobiles which are intended for sale, for personal use, or for use in business.

l. *Wholesaler/Distributor/Dealer* — any person, natural or juridical, with whom or in which the manufacturer or importer has no proprietary interest, directly or indirectly, who purchases the automobiles from the manufacturer or importer for purposes of sale or subsequent distribution to the end-user or ultimate consumer.

m. *Brand and Model* — shall refer to the name or trademark used to identify a product or group of products of a particular manufacturer or importer and duly registered with the BIR.

n. *Primary Raw Materials* — shall refer to key materials, such as engine, chassis, or other main assemblies, used in the production or assembly of automobiles.

Chapter II

Coverage, Bases and Rates of Tax

SECTION 3. Persons Liable to the Tax. — 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 or assembler of automobiles. Should domestically produced or assembled products be removed from the place of production 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 transfers of locally 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 therefor.

b. On imported automobiles.

The excise tax shall be paid by the owner or importer of the goods or by the dealer/trader, or by any person who is found in possession of any untaxed articles other than the one legally entitled to exemption therefrom. In cases where the tax-free automobiles are brought or imported 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, the purchaser or transferee of automobiles shall be considered as the importer, and shall be liable for the excise tax due on such importation.

SECTION 4. Vehicles Subject to Ad Valorem Tax. — The ad valorem tax under Section 6 of these Regulations shall be imposed on the production, assembly or importation of conventional automobiles, including LCVs or utility vehicles classified as automobiles under Section 2(a) hereof. For purposes of these regulations, the following four or more wheeled vehicles shall be exempt from ad valorem tax:

- a. Public passenger transport type vehicles with seating capacity of ten (10) or more persons, including the driver.
- b. Vehicles classified as light trucks designed primarily for transport of cargoes such as delivery vans, pick-ups, etc. regardless of seating capacity
- c. Special purpose vehicles.

SECTION 5. Exemption from Payment of Ad Valorem Tax. — The following removals of locally assembled/manufactured or imported automobiles from place of production or from customs custody, respectively, are exempt from the payment of the appropriate excise taxes subject to certain conditions:

a. Removals of Goods for Export.

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

(1) Permit for Export Shipment. — Immediately before removal, exporters of automobiles shall apply in writing for a written permit from the Commissioner of

Internal Revenue, stating the kind, quantity and value of the automobiles to be exported, country of destination, name of the vessel, consignee, and place of loading. The discovery of any such product in transit or products 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) Delivery direct to vessel. — Automobiles for export shall be loaded direct from the place of 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 of actual exportation duly attested to by the internal revenue officer shall be filed by the exporter to the Revenue District Office 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 production. The proofs of exportation shall consist of the following documents:

(a) Statement from the Bangko Sentral ng Pilipinas 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;

(b) Certified true copy of the bill of lading or airway bill; and

(c) Commercial invoice issued by the producer/exporter to the foreign consignee.

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 producer/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 ad valorem tax due on the exported automobiles prior 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 or assemblers 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.