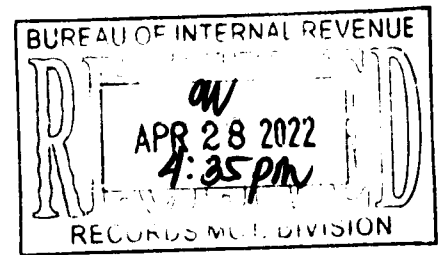




REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City



April 21, 2022

REVENUE MEMORANDUM CIRCULAR NO. 63- 2022

SUBJECT : Clarifying the Proper Taxable Base of Excise Tax in the Manufacturer's/Assembler's or Importer's Sworn Statement and Integration of the Monitoring, Supervision and Reporting of Excisable Products under Revenue Administrative Order (RAO) No. 2-2014

TO : All Internal Revenue Officers and Others Concerned

This Circular is being issued to clarify the application of the correct taxable base in the computation of excise tax for automobiles in the manufacturer's/assembler's or importer's sworn declaration pursuant to Sections 4 and 5 of Revenue Regulations (RR) No. 25-2003, as amended.

The provisions of Sections 4 which was revised under RR No. 5-2018 (Sec. 3) is herein adopted while Sec. 5 of RR No. 25-2003, is hereby amended to read as follows:

"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 Price/Importer's Selling Price	Tax Rate
Up to Six Hundred Thousand Pesos (P600,000.00)	Four Percent (4%)
Over Six Hundred Thousand Pesos (P600,000.00) to One Million Pesos (P1,000,000.00)	Ten Percent (10%)
Over One Million Pesos (P1,000,000.00) to Four Million Pesos (P4,000,000.00)	Twenty Percent (20%)
Over Four Million Pesos (P4,000,000.00)	Fifty Percent (50%)

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XXX

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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 air conditioner, radio, mag wheels including the cost of installation thereof whether or not the same were actually installed in the automobile. It shall include other accessories deemed necessary due to advancement on technology which were installed or for installation per sales agreement such as but not limited to: leather seats, air bags, cruise control, safe exit warnings, remote parking systems, live blind spot videos feeds, front back and overhead cameras, wireless smartphone connectivity and charging, emergency service/stolen vehicle tracking software, front and rear parking sensors, lane departure warnings, push button start, navigation system, airbags – basic and additional, etc. 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:

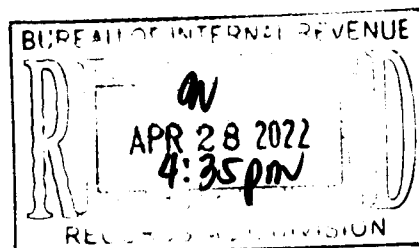
$80\% \times (\text{Actual Dealer's Suggested Selling Price} - \text{Excise Tax} - \text{Value-Added Tax}).$

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, 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."

Based on the above provisions, there are three (3) primary taxable bases in applying the excise tax rates for automobiles, namely:

1. Declared manufacturer's or importer's selling price, net of excise and value-added taxes;
2. Based on the 80% actual dealer's price, net of excise and value-added taxes; and
3. Based on the total cost of importation and expenses divided by 90%.

The taxable bases are reflected in the Manufacturer's/Assembler's and Importer's Sworn Statement prescribed in Annex "A" of Revenue Memorandum Circular (RMC) No.



58-2003 where the excise tax shall be computed using the highest identified taxable bases integrating the value of car air conditioner, radio and mag wheels including the cost of installation, as well as 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, as the case may be.

In line with the aforementioned Sworn Statement format, the following scenarios were provided to illustrate the required procedure in determining the tax base for excise and VAT computation.

SCENARIO 1: BSM Corp. is an importer of Brand X, CBU automobile which submitted an Importer's Sworn Statement reflecting the data provided hereunder:

A. Cost of Importation and Expenses

Cost of Importation (For CBU's based on value used by BOC)	P2,500,000.00
Cost of Accessories	100,000.00
Cost of Accessory Installation	50,000.00
Selling and Administrative Expense	150,000.00
Total Cost of Importation and Expenses	<u>P2,800,000.00</u>

B. Net Importer's Selling Price per Sworn Statement

Add: Excise Tax	590,000.00	P2,950,000.00
VAT	424,800.00	1,014,800.00
Gross Importer's Selling Price		<u>P3,964,800.00</u>

C. Actual Dealers Suggested Selling Price (inclusive of VAT and Excise) P4,400,000.00

D. Importer's Selling Price shall consider the following minimum value:

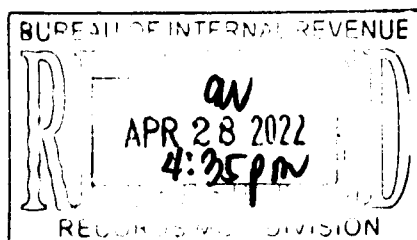
1. Based on 80% of actual dealer's suggested selling price, net of excise and VAT;
 2. Based on the total cost of importation and expenses divided by 90%;
- The computation of the minimum value are as follows:

1) Actual Dealer's Suggested Selling Price	P4,400,000.00
Less: Excise and VAT	1,014,800.00
Net of Excise and VAT	P3,385,200.00
80% of Suggested Selling Price Net of Excise/VAT	<u>P2,708,160.00</u>
2) Total Cost of Importation and Expenses	P2,800,000.00
Divided by 90%	P3,111,111.00

E. The Tax Base shall be whichever is higher of the following:

1) Importer's Selling Price per Sworn Statement of Excise and VAT	P2,950,000.00
2) 80% of Actual Dealer's Suggested Selling Price	P2,708,160.00
3) Total Cost of importation and expenses divided by 90%	P3,111,000.00

In this scenario, the tax base is the highest value of P3,111,111 which will result into the following recomputation of excise and VAT:



Tax Base (90% of total cost/expenses)	P3,111,111.00	
Excise Tax (3,111,111 x 20%)		P 622,222.20
VAT (3,111,111 + 622,222.20 x 12%)		447,999.98
Total Adjusted Excise and VAT		P1,070,222.18
Less: Excise and VAT per Sworn Statement		1,014,000.00
Discrepancy		P 56,222.18

SCENARIO 2: CDR Co. is a manufacturer of Brand Y automobile which submitted a Sworn Statement reflecting the data provided hereunder:

A. Cost of Production and Expenses

Direct Costs Comprising of Raw Materials, Labor and Overhead	P2,300,000.00
Cost of Accessories	150,000.00
Cost of Accessory Installation	50,000.00
Selling and Administrative Expense	200,000.00
Total Cost of Production Expenses	P2,700,000.00

B. Net Manufacturer's Selling Price

Add: Excise Tax	600,000.00	3,000,000.00
VAT	432,000.00	1,032,000.00
Gross Manufacturer's Selling Price		P4,032,000.00

C. Actual Dealer's Suggested Selling Price (inclusive of VAT and Excise) P4,600,000.00

D. Manufacturer's Selling Price shall consider the following minimum value:

1. 80% of actual dealer's suggested selling price net of excise and VAT

Actual Dealer's Suggested Selling Price	P4,600,000.00
Less: Excise and VAT	1,032,000.00
Net of Excise and VAT	P3,568,000.00
80% thereof	P2,854,400.00

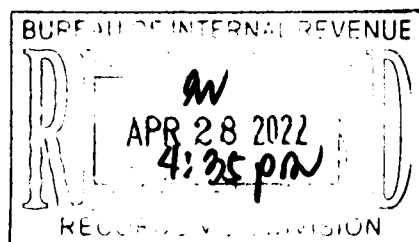
2. Based on the total cost of production and expenses divided by 90%

Total Cost of Production and Expenses	P2,700,000.00
Divided by 90%	P3,000,000.00

E. The Tax Base, shall be whichever is higher of the following:

Manufacturer's Selling Price per Sworn Statement	P3,000,000.00
80% of SSP	P2,854,400.00
Total Cost of Production and Expenses Divided by 90%	P3,000,000.00

The tax base in this scenario is the highest value of P3,000,000 which is the same amount reflected in the Sworn Statement as Manufacturer's Selling Price and the total cost of production and expenses divided by 90%. Hence, no tax discrepancy in this case.



SCENARIO 3: GTR is a company that assembles Brand Z automobile combining importation and locally available parts and accessories. Records verified reflected the following:

A. Cost of Assembly and Expenses

Direct Costs Comprising of Raw, Materials, Labor and Overhead	P600,000.00
Cost of Accessories	100,000.00
Cost of Accessory Installation	50,000.00
Selling and Administrative Expense	150,000.00
Total Cost of Assembly and Expenses	<u>P900,000.00</u>

B. Assembler's Selling Price

Add: Excise Tax	P975,000.00
VAT	97,500.00
Gross Assembler's Selling Price	<u>P1,201,200.00</u>

B.1 Sales Invoice issued by the company shows P1,225,000 as total price of the automobile with VAT amounting to P131,250.

C. Actual Dealer's Suggested Selling Price (inclusive of VAT and Excise)
P1,700,000.00

D. Tax Base shall be whichever is higher of the following:

1. Assembler's Selling Price per Sworn Statement Net of Excise and VAT P975,000.00
2. Assembler's Selling Price per Sales Invoice Net of Excise and VAT P994,318.00
3. 80% of SSP

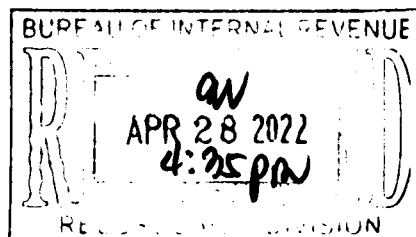
Actual Dealer's Suggested Selling Price (inclusive of Excise and VAT)	P1,700,000.00
Less: Excise	P137,987.00
VAT	182,142.85
Actual Dealer's SSP Net of Excise and VAT	<u>320,129.85</u>
80% thereof	<u>P1,379,870.50</u>
	<u>P1,103,896.12</u>

4. Based on the total cost of assembly and expenses divided by 90%

Total Cost of Assembly and expenses	P 900,000.00
Divided by 90%	P 1,000,000.00

The tax base shall be P1,103,896.12 which is the highest of the above computations. In this case, discrepancy shall be determined as follows:

Tax Base (80% of SSP)	P1,103,896.12
Excise Tax (1,103,896.12 x 10%)	P110,389.61
VAT	145,714.28
Total	<u>256,103.89</u>



Less: Excise and VAT per Sworn Statement
Discrepancy

226,200.00

P29,903.89

The different tax base was reflected in the above scenarios depending on the circumstances of the case where computation must be made to arrive at the required values for selection of the highest value as the tax base for taxation purposes. No Authority to Release Imported Goods (ATRIG) shall be issued for importation of automobiles without computing the three (3) tax base to clearly show that the excise tax was based on whichever is higher of the three (3) values mandated under existing issuances. All issued ATRIGs shall be reconciled by Excise Large Taxpayer Field Operations Division (ELTFOD) with the removal per Excise Taxpayer's Removal Declaration (ETRD) and stock inventory per Official Register Book (ORB). Said office shall also conduct product validation of the manufactured/ imported/assembled automobiles registered with the Land Transportation Office (LTO) which mandatorily issues conduction sticker for automobiles. This is in accordance with the Monitoring, Supervision and Reporting of Excisable Products under Revenue Administrative Order (RAO) No. 2-2014, Large Taxpayer Service II.C.1-6.

All internal revenue officials and employees are enjoined to give this Circular as wide a publicity as possible.

This Circular shall take effect immediately.

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/HREA, LTS-EXCISE/bsm/gtr

CAESAR R. DULAY
Commissioner of Internal Revenue

By:

[Signature]
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Deputy Commissioner
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