REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Large Taxpayers Service
Large Taxpayers Assistance Division II

November 3, 2004

REVENUE MEMORANDUM CIRCULAR NO.69-2004

SUBJECT : Publishing the Full Text of the Bureau of Customs (BOC) and Bureau of Internal Revenue (BIR) JOINT ORDER pertaining to the disposition of tax-exempt vehicles registered or owned by Diplomatic Mission and Consular Offices/Officials, its Officers, including its administrative and technical staff members enjoying tax and duty free privileges.

TO : All Revenue Officials, Employees and Others Concerned

For the information and guidance of all concerned, quoted hereunder is the full text of the Bureau of Customs (BOC) and Bureau of Internal Revenue (BIR) Joint Order which was published on the May 1, 2004 issues of the Philippine Star and Manila Star, and was filed with Office of the National Register (ONAR) of the UP Law Center on May 4, 2004:

"BOC-BIR JOINT ORDER

Pursuant to the provisions of 1997 Manual of Immunities and Privileges of the Department of Foreign Affairs in relation to Section 107 (b) of the National Internal Revenue Code (NIRC), Republic Act 9224 and Section 105 of the Tariff and Customs Code of the Philippines (TCCP), the Commissioner of Internal Revenue and Commissioner of Customs hereby issue the herein regulations pertaining to the disposition of tax-exempt vehicles registered or owned by Diplomatic Mission and Consular Offices/Officials, its officers including its administrative and technical staff members enjoying tax and duty free privileges.

I. Objectives

1. To insure proper collection of duties and taxes on imported vehicles.
2. To expedite the processing, release and registration of said vehicles.

II. Coverage

This regulation shall apply in the disposition/transfer of tax exempt vehicles registered in the name of a Diplomatic Mission, Consular Office or owned by Diplomatic Officials, Consular Officers and their administrative and technical staff members enjoying tax and duty privilege under Section 105 of the TCCP, by way of sale or donation to non-privileged persons or entities.

III. General Provisions

1. A tax and duty free motor vehicle cannot be sold or donated (unless covered by an agreement with the Government of the Philippines) by its privileged owner to a non-privileged party before the lapse of three years from registration date.

2. The transfer (sale of donation) of a vehicle registered for less than two years due to an officer's transfer or termination of his tour of duty can be effected only to a privileged party otherwise, the vehicle must be re-exported.

3. "In case of tax free articles brought or imported into the Philippines by person, entity or agency exempt from tax which are subsequently sold transferred or exchanged in the Philippines to not-exempt person or entities, the purchaser or recipient shall be considered the importer thereof and shall be liable for the duty and internal revenue tax due on said importation". (Sec. 131 NIRC)

4. Sale of vehicles to a non-tax exempt individual or entity after three years may be effected only with the express permission of the Office of Protocol, Department of Foreign Affairs (DFA) and only when taxes on vehicles are paid by the buyer.

IV. Administrative Provisions:

A. Transfer by Sale

1. Owner/buyer shall file with the Section 5, Formal Entry Division, Port of Manila, BC Form 177 which could be secured at the Public Assistance Center or Administrative Division, Port of Manila.

2. The informal entry shall be supported by the following:

2.1 DFA Protocol – authority to transfer
2.2 DOF endorsement (authority to pay)
2.3 Notarized Deed of Sale
2.4 Present OR/CR or verified copy
2.5 Stencil of Engine and Chassis

3 Appraisal of the vehicle shall for the purpose of computing the duty be based on the invoice/contract price.

3.1 If Method I cannot apply, Method 2 and 3 shall apply sequentially.
3.2 In applying Method 2, 3 and 6 the computation of the value shall be based in accordance with the Japanese or US Red Book as the case may be depreciated in a straight line method of 10% for every year but not to exceed 90%.

4 The rate of exchange shall be rate of exchange as of the date of the filing of entry.

5. The rate of duty, ad valorem, excise taxes and VAT shall be the rate of duty, excises taxes and VAT at the time of filing of entry.

6. For the purpose of computing the ad valorem tax, the value shall be based on the higher of (i) actual consideration between the tax-exempt person/entity and the non – exempt person/entity; or (ii) the depreciated value of the automobile at the sale, transfer, or exchange which depreciation rate shall be at ten percent (10%) per year, but in no case shall the total amount of depreciation be more than fifty percent (50%) of the original cost or value. Excise tax shall be based on the higher of the actual selling price or the Total Landed Value as defined in Revenue Regulations No. 25-2003 provided that in case the buyer purchases the motor vehicles for resale, the tax base shall be the selling price of such buyer net of the Excise Tax and the VAT.

7. Where a tax-exempt automobile subsequently sold, transferred or exchanged by a tax-exempt person or entity was determined to be originally acquired by such person or entity primarily for the purpose of avoiding the payment of the excise tax, the ad valorem tax shall be computed based on the original purchase price or value of importation of such motor vehicle at the time of its original purchase or importation by such tax-exempt person or entity without the benefit of any deduction for depreciation otherwise allowed under existing rules and regulations.

V. Operational Provisions

A. Bureau of Customs

1. The owner/buyer shall file with the Formal Entry Division the corresponding informal entry declaration (BC Form 177) together with the required supporting documents.

2. The assigned Customs Operations Officer III shall examine the vehicle, stencil the chassis and engine numbers, and assess the duty and tax on the vehicle based on Section IV A.3 – A.6

3. The Cash Division shall receive payment of assessed duties and taxes and shall issue the corresponding official receipt.

4. The Deputy Collector of Customs for Assessment shall then issue a Certificate of Payment provided that an Authority to Release Imported Goods (ATRIG) covering the vehicle(s) is/are presented.

5. The assigned COO II shall then affix his signature in the Certificate of Payment.

6. Thereafter the Deputy Collector for Assessment shall sign the Certificate of Payment.

7. The Certificate of Payment will be then forwarded to the District Collector's Office for encoding including of the working copy of the entry, Certificate of Payment and thereafter the release of the Owner's Copy of the Certificate of Payment. (Green Copy).

8. The original copy will be forwarded to the Vehicles Importation Clearance and Monitoring Unit (VICMU), Office of the Commissioner for transmittal to the Registration Division, Land Transportation Office, Diliman, Quezon City.

9. The distribution of copy of Certificate of Payment are as follows:

White copy	- LTO
Green copy	- Owner
Blue	- Assessment
Yellow	- VICMU,Office of the Commissioner
Pink	- attached to the entry

VI. This Joint Order shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

(Original Signed)
(SGD.) ANTONIO M. BERNARDO
Commissioner
Bureau of Customs

(Original Signed)
(SGD) GUILLERMO L. PARAYNO, JR.
Commissioner
Bureau of Internal Revenue

APPROVED:

(Original Signed)
(SGD) JUANITA D. AMATONG
Secretary
Department of Finance"

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

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue