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

December 19, 2014

REVENUE MEMORANDUM CIRCULAR NO. 89-2014

SUBJECT : Clarification on the Implementation of the Increase in Excise Tax Rates on Locally Manufactured Cigarettes Effective January 1, 2015 in Relation to the New Internal Revenue Stamps

TO : All Internal Revenue Officials and Others Concerned

This Circular is hereby issued in order to clarify the implementation of the increase in excise tax rates on cigarettes effective January 1, 2015 pursuant to the provisions of Revenue Regulations (RR) No. 17-2012 implementing Republic Act No. 10351, in relation to the new internal revenue stamps prescribed under RR No. 7-2014, as amended.

In the light of the impending increase of excise tax rates on cigarettes effective January 1, 2015, there is an immediate need to determine the differential increase between the new tax rates and the current tax rates on both locally manufactured low-priced and high priced brands of cigarettes which were actually paid under RR No. 7-2014, as amended, requiring the prior payment of excise taxes due thereon on purchases of internal revenue stamps. This determination is for purposes of the proper imposition of the new tax rates in the event that these cigarette products, with the said stamps duly affixed thereto, shall be removed from the place of production on or during the said effectivity of the new tax rates.

Accordingly, all local manufacturers of cigarettes shall compute and pay the differential increase between the new tax rates and the current tax rates, according to the tax classification of their cigarette products, based on the number of internal revenue stamps, whether or not actually affixed to the packs of cigarettes, being held in their possession as of December 31, 2014. The total excise taxes shall be paid to the Bureau of Internal Revenue (BIR) not later than the last working day of December, 2014.

For purposes of validating the said tax payment, a physical inventory of all internal revenue stamps held in possession by all manufacturers of cigarettes as of December 31, 2014, whether or not actually affixed on packs of cigarettes, shall be conducted by the authorized representatives of the Bureau of Internal Revenue (BIR). The results of the said inventory shall be properly reconciled with the database of the BIR's Internal Revenue Stamp Integrated System (IRSIS) for this purpose. In case of discrepancy between the actual payment of the local manufacturer and the results of the physical inventory, the deficiency excise tax shall be accordingly assessed and collected upon demand. Subsquently, the database of IRSIS shall be updated according to the new tax rates with respect to the internal revenue stamps previously issued to and paid under the current tax rates, according to the price classifications of cigarettes, by the concerned local manufacturers of cigarette products.

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

BUREAU OF INTERNAL REVENUE
RECORDS MGT. DIVISION
9:02 A.M.
DEC 23 2014
RECEIVED

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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