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

June 8, 2016

REVENUE MEMORANDUM ORDER NO. 30-2016

SUBJECT : **Prescribing Guidelines, Policies and Procedures for Replacement of Spoiled/Bad Order and Factory Defected Internal Revenue Stamps under the Internal Revenue Stamps Integrated System (IRSIS)**

TO : **All Revenue Officials and Employees Concerned**

I. OBJECTIVES

1. To prescribe guidelines and policies for replacement of spoiled/Bad Order (BO)/Factory Defected (FD) internal revenue stamps under the IRSIS;

2. To establish procedures in the processing and monitoring of spoiled/BO/FD internal revenue stamps under IRSIS; and,

3. To define roles and responsibilities of all concerned authorized officers involved for proper reporting and accountability.

II. COVERAGE

This Order shall cover procedures for replacement of spoiled/BO/FD stamps reported by Local Cigarette Manufacturers/Importers subject to crediting back of corresponding excise tax to IRSIS ledger, relative to the implementation of new internal revenue stamps and use of IRSIS under Revenue Regulations No. 7-2014.

III. LEGAL BASIS

Pursuant to Sec. 8, Revenue Regulations No. 7-2014, 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 BOs, 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 BOs 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 said Regulations.

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 originally ordered.

IV. POLICIES AND GUIDELINES

1. The replacement of spoiled/BO/FD stamps shall only be done using the ordering module of the IRSIS after crediting back the equivalent excise tax amount to the ledger of the local cigarette manufacturer/importer.

2. The crediting back of the amount of excise tax requires a validation process to ensure the following:

   2.1 Existence and authenticity of the internal revenue stamps;
   2.2 Accuracy of the number of stamps declared as spoiled stamps; and,
   2.3 Correctness of the corresponding excise taxes to be credited back in the IRSIS.

3. In order to validate the existence and authenticity of the above-cited stamps including the determination whether the same are spoiled or BO stamps, physical verification and inspection shall be done simultaneously by the Revenue Officers On-Premise (ROOP) assigned at the production plant of concerned manufacturer/importer, together with APO Production Inc.'s Authorized Representative, responsible in assessing the technical features of the stamps, and to be witnessed by the Company's Authorized Representative.

3. No replacement shall be allowed under the following instances:

   3.1 Failure by the importer or manufacturer of cigarettes to surrender spoiled stamp or BO subject of replacement request;
   3.2 Unaccounted internal revenue stamps, except in cases of losses due to *force majeure* or other fortuitous events beyond the control of man;
   3.3 Spoiled internal revenue stamps surrendered to BIR that do not bear their respective Unique Identifier Code (UIC) or Quick Reference (QR) Codes; and,
   3.4 Spoiled internal revenue stamps surrendered to BIR containing their respective UIC or QR Codes but no longer verifiable by the mobile device.

4. Processing of request for replacement shall proceed after submission of required request and returned stamps provided the reporting requirements under IRSIS for affixed stamp of the previous quarter shall have been complied with.

5. The returned spoiled/BO stamps shall be affixed and arranged in an A3 paper in batches per Order Reference Number with a maximum number of one hundred (100) pieces/batch to facilitate validation and scanning of said stamps.

6. The number of stamps indicated in the certification issued and duly signed by the three (3) parties, BIR, IRSIS Corporation and APO covered by a Memorandum

report duly approved by the Assistant Commissioner, Large Taxpayers Service shall be reported using the online facility of IRSIS.

7. Wrong Order Stamps or duly approved ordered stamps printed by APO but not yet physically released to the manufacturer/importer due to the latter's admission of mistake/error in ordering shall be treated as spoiled stamps for purposes of replacement. However, the necessary documentation for its deemed release will still be executed in the regular manner in the IRSIS.

8. The spoiled/BO/FD stamps shall be stored by APO Production Unit, Inc., at their LIMA Plant, in such a manner that said stamps are properly identified and secured safely in their designated depository or warehouse for disposal in accordance with the existing COA rules and regulations.

V. PROCEDURES

In order to set roles and responsibilities of the different authorized officers involved in the IRSIS project, the following standardized procedures are hereby prescribed:

A. SPOILED/BO STAMPS

1. Taxpayers (Local Cigarette Manufacturers/Importers) shall –

1.1 Submit a request letter to the Chief, Excise Large Taxpayers Field Operations Division (ELTFOD) for verification and validation of Spoiled / BO Stamps with an accompanying List of UICs per Order Reference Number (in an excel format) within fifteen (15) calendar days immediately after the end of month of production but not later than three (3) months from date of release by APO in the case of local cigarette manufacturers; within five (5) months immediately after receipt from APO in the case of importers;

1.2 Surrender the Spoiled/BO Stamps to APO Production Unit, Inc., LIMA, Malvar, Batangas, with the actual physical stamps in an A3 paper size properly affixed and arranged in rows and columns for a maximum of 10 pages (100 pieces/page) together with a duly accomplished Inspection and Validation Report Form (Summary Count Sheet- per **Annex "A")** initially verified by ROOP and witnessed by TP Authorized Representative; and,

1.3 Report the number of spoiled/BO stamps and its corresponding excise tax indicated in the Memorandum Report duly approved by ACIR, LTS through the online facility of IRSIS.

2. Revenue Officers/Section Chief – Tobacco Section, ELTFOD shall -

2.1 Receive the request letter submitted by Taxpayers (Local Cigarette Manufacturers (LCM)/Importers) for verification and validation of Spoiled/BO Stamps with an

accompanying List of UICs per Order Reference Number and assign a control number;

2.2 Coordinate and arrange with APO Production Unit, Inc., the scheduled date for verification and validation of Spoiled /BO Stamps and advise the BIR Zone-In-Charge (ZIC) having jurisdiction over the LCM's place of production and Revenue Officer On-Premise (ROOP) assigned at the taxpayer's place of production of the scheduled date for the conduct of the said activity;

2.3 Issue a Certification (**see format on Annex "B"**) based on the submitted accomplished Inspection and Validation Report Form (Summary Count Sheet) duly signed by BIR ROOP assigned at the LCM's place of production and ZIC having jurisdiction over the zone where it is located, BIR ROOP assigned at APO, Authorized Representatives of APO Production Unit, Inc. and IRSIS Corporation.

2.4 Prepare memorandum and endorsement of the crediting back with accompanying supporting documents of the equivalent excise to be approved by the Assistant Commissioner (ACIR), Large Taxpayers Service (LTS) after it has been reviewed by the Head Revenue Executive Assistant (HREA), Excise Large Taxpayers.

3. Chief, ELTFOD shall –

3.1 Review and approve the Certification indicating the quantity/number of spoiled/ BO stamps and the corresponding excise tax due thereon; and,

3.2 Recommend for approval the number of spoiled/BO stamps by signing the Memorandum Report prepared for such.

4. BIR ROOP and ZIC assigned at the Taxpayer's Place of Production shall –

4.1 Undertake the conduct of an initial verification and validation of the actual physical stamps declared as Spoiled /BO Stamps based on the details of the taxpayer's request letter with its assigned control number, quantity and the basic criteria including but not limited to existence of UIC or QR Code and if verifiable by the mobile verification device as prescribed in Revenue Regulations No. 7-2014, in the presence of Taxpayer's representative/s.

4.2 Submit to ELTFOD the accomplished Inspection and Validation Report Form (Summary Count Sheet-**refer to the above-mentioned item 1.2 of Annex "A")** duly signed by the ZIC and/or ROOP, the Taxpayer's Representative/s, and provide a copy for the requesting taxpayer.

5. BIR – ROOP assigned at APO Lima Plant shall –

5.1 Receive the actual physical stamps in an A3 paper size provided by APO, properly affixed and arranged in rows and columns having a maximum of 10 pages (100 pieces/page) together with a copy of a duly accomplished Inspection and Validation

Report Form (Summary Count Sheet) and acknowledge receipt by affixing his/her signature in the copy of the duly accomplished Inspection and Validation Report Form (Summary Count Sheet) and submit the same to ELTFOD – National Office (NO); and,

5.2 Turn-over to APO Production Unit, Inc., LIMA Plant Authorized Representative/s the actual physical stamps surrendered by the requesting Taxpayer for further verification relative to the authenticity of the stamps.

6. Authorized Representative of APO Production Unit, Inc., LIMA Plant (APO) shall –

6.1 Notify and confirm with BIR – ELTFOD personnel the scheduled date for verification and validation of Spoiled /BO Stamps by the requesting Taxpayer;

6.2 Check the authenticity and take in custody of the actual physical stamps for verification and validation of Spoiled /BO Stamps; and,

6.3 Issue a Certification (**see format on Annex "C"**) based on verification and validation of the actual physical stamps declared as Spoiled /BO Stamps by the requesting taxpayer and submit the same to ELTFOD - NO.

7. Authorized Representatives, IRSIS Corporation (IRSIS) shall –

7.1 Validate within the System the List of UICs as spoiled/BO per Order Reference Number (in an excel format) reported by the requesting Taxpayer cross checking with the IRSIS database; and,

7.2 Issue a Certification (**see format on Annex "D"**) based on verification and validation of UICs /information contained in the QR Code and submit the same to ELTFOD –NO for preparation of Memorandum Report.

B. <u>FD STAMPS</u>

1. Authorized Representatives, APO Production Unit, Inc., LIMA Plant shall –

1.1 Identify and check the FD stamps;

1.2 Enter the same in the System the List of UICs per Order Reference Number using the device in the presence of BIR ROOP assigned at APO LIMA Plan; and,

1.3 Issue a Certification (**see format on Annex "C-1"**) with accompanying System Generated FD Stamps Report ("Barcoded") and submit the same to ELTFOD-NO for preparation of Memorandum Report.

2. Authorized Representatives, IRSIS Corporation shall –

2.1 Validate within the System the List of UICs per Order Reference Number (ORN) entered by the authorized representative of APO.

2.2 Issue a Certification (**see format on Annex "D-1"**) based on verification and validation of UICs per Order Reference Number per item 2.1 and submit the same to ELTFOD-NO for preparation of Memorandum Report.

3. Revenue Officer/Section Chief -Tobacco Section, BIR ELTFOD shall –

3.1 Receive the Certifications both from APO and IRSIS based on item B1.1 and B2.1, respectively, and,

3.2 Prepare memorandum and endorsement of the crediting back based on the details of the certifications with accompanying documents as mentioned in item B1.2 and B2.2 of the equivalent excise tax payment to be approved by the Assistant Commissioner (ACIR), Large Taxpayers Service (LTS) after it has been reviewed by the Head Revenue Executive Assistant (HREA), Excise Large Taxpayers. Upon receipt of an approved memorandum by ACIR, LTS, for credit back, the Chief, ELTFOD shall approved such quantity and its equivalent excise tax in the IRSIS ledger.

3.3 Notify thru e-mail the concerned taxpayer of the approved FD stamps for excise tax payment credit back purposes.

VI. REPEALING CLAUSE

All other issuances and/or portions thereof inconsistent herewith are hereby repealed and amended accordingly.

VII. EFFECTIVITY

This Order takes effect immediately.

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

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