REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

September 23, 2008

REVENUE REGULATIONS NO. 12-2008

SUBJECT : Basis of the Fifteen Percent (15%) Share of the Beneficiary Provinces in the Excise Tax Collection from Locally Manufactured Virginia-Type Cigarettes under Republic Act No. 7171

TO : All Internal Revenue Officers and Others Concerned

BACKGROUND:

From the time of the effectivity on January 9, 1992 of Republic Act No. 7171, "An Act to Promote the Development of the Farmers in the Virginia Tobacco-Producing Provinces", the farmers of the Virginia tobacco-producing provinces benefited from excise taxes collected by the Bureau of Internal Revenue (BIR) on the locally manufactured cigarettes using Virginia-leaf tobacco thru the allocated fifteen percent (15%) share provided by the said Act to them. This benefit represents the financial assistance of the Government for the developmental projects in the applicable or covered areas, as enumerated in the objectives of the Act, in order to advance the self-reliance of the tobacco farmers, which projects are to be implemented by the local governments of the provinces concerned.

However, the said benefits were significantly reduced since 2002 by reason of the different position adopted by the previous BIR administrations with respect to the legal interpretation on the proper basis of the 15% allocable share prescribed by the said Act, to the disappointment of the beneficiary provinces adversely affected by the said BIR position, as continuously raised by the concerned local government units and legislators representing the beneficiary provinces.

In order to settle the issue on the matter in accordance with the spirit of the Act, these Revenue Regulations is, therefore, prepared and issued.

SECTION 1. SCOPE. – Pursuant to the provisions of Section 244, in relation to Section 245 of the National Internal Revenue Code (NIRC) of 1997, as amended, these Regulations are hereby promulgated in order to prescribe the manner of computing the basis of the fifteen percent (15%) allocable share of the beneficiary provinces in the excise tax collection from locally manufactured Virginia-type cigarettes pursuant to the provisions of Section 3 of Republic Act (R.A.) No. 7171, "An Act to Promote the Development of the Farmers in the Virginia Tobacco-Producing Provinces".

SECTION 2. BASIS OF THE 15% SHARE OF THE BENEFICIARY PROVINCES. - The computation of the 15% share of the beneficiary provinces shall be based on the actual excise taxes collected annually from locally manufactured Virginia-type cigarettes. For purposes of these Regulations, "Virginia-type cigarettes" shall refer to cigarettes containing Virginia-type leaf tobacco, whether imported or locally produced, as one of the raw materials thereof.

SECTION 3. REPEALING CLAUSE. – The provisions of any revenue regulations, rulings, or any other issuances inconsistent with these Regulations are hereby repealed, amended, or modified accordingly.

SECTION 4. EFFECTIVITY CLAUSE. – These Regulations shall take effect after fifteen (15) days following publication in any newspaper of general circulation.

(Original Signed)
MARGARITO B. TEVES
Secretary of Finance

Recommending Approval:

(Original Signed)
LILIAN B. HEFTI
Commissioner of Internal Revenue