REVENUE REGULATIONS NO. 5-2018

SUBJECT: Revenue Regulations Implementing the Adjustment of Rates on the Excise Tax on Automobiles pursuant to the Provisions of Republic Act No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion (TRAIN) Law” Amending for the Purpose Revenue Regulations No. 25-2003

TO: All Internal Revenue Officers and Others Concerned.

SECTION 1. SCOPE. - Pursuant to the provisions of Section 244 in relation to Section 245 of the National Internal Revenue Code of 1997 (NIRC), as amended, and Section 84 of Republic Act No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion (TRAIN) Law” these Regulations are hereby promulgated to these Regulations are hereby promulgated to amend Revenue Regulations (RR) No. 25-2003 providing for the revised tax rates of excise tax on automobiles.

SEC. 2. Section 2 of RR No. 25-2003 is hereby amended as follows:

“SEC. 2. DEFINITION OF TERMS – For purposes of these Regulations, the following words and phrases shall have the meaning indicated below:

(a) xxx

xxx. xxx xxx

(N) HYBRID ELECTRIC VEHICLE - SHALL REFER TO A MOTOR VEHICLE POWERED BY ELECTRIC ENERGY, WITH OR WITHOUT PROVISION FOR OFF-VEHICLE CHARGING, IN COMBINATION WITH GASOLINE, DIESEL OR ANY OTHER MOTIVE POWER: PROVIDED, THAT, FOR PURPOSES OF THIS ACT, A HYBRID ELECTRIC VEHICLE MUST BE ABLE TO PROPEL ITSELF FROM A STATIONARY CONDITION USING SOLELY ELECTRIC MOTOR.”

SEC. 3. Section 4 of RR No. 25-2003 is hereby amended 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.

**EFFECTIVE JANUARY 1, 2018:**

<table>
<thead>
<tr>
<th>NET MANUFACTURER'S PRICE/ IMPORTER'S SELLING PRICE</th>
<th>TAX RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>UP TO SIX HUNDRED THOUSAND PESOS (P600,000.00)</td>
<td>FOUR PERCENT (4%)</td>
</tr>
<tr>
<td>OVER SIX HUNDRED THOUSAND PESOS (P600,000.00) TO ONE MILLION PESOS (P1,000,000.00)</td>
<td>TEN PERCENT (10%)</td>
</tr>
<tr>
<td>OVER ONE MILLION PESOS (P1,000,000.00) TO FOUR MILLION PESOS (P4,000,000.00)</td>
<td>TWENTY PERCENT (20%)</td>
</tr>
<tr>
<td>OVER FOUR MILLION PESOS (P4,000,000.00)</td>
<td>FIFTY PERCENT (50%)</td>
</tr>
</tbody>
</table>

**Provided, that** hybrid vehicles shall be taxed at fifty percent (50%) of the applicable excise tax rates on automobiles subject to the conditions in Section 9(E) of this regulations: **Provided, further,** that in the case of imported automobiles not for sale, the tax imposed herein shall be based on the total landed value, including transaction value, customs duty and all other charges.”

**SEC. 4.** Section 9 is hereby amended as follows:

“SEC. 9. TAX-EXEMPT REMOVALS OF AUTOMOBILES. The following removals of locally manufactured/assembled or release of imported automobiles from the place of production or from customs’ custody, respectively, are exempt from the payment of the appropriate excise taxes subject to certain conditions.

a. XXX

... *** XXX ***

E. PURELY ELECTRIC VEHICLES SHALL BE EXEMPT FROM THE EXCISE TAX ON AUTOMOBILES. HYBRID VEHICLES SHALL BE SUBJECT TO FIFTY PERCENT (50%) OF THE APPLICABLE EXCISE TAX RATES ON AUTOMOBILES. PRIOR TO THE REMOVAL OF THE AUTOMOBILES FROM THE MANUFACTURING PLANT OR CUSTOMS CUSTODY, THE DEPARTMENT OF ENERGY (DOE) SHALL DETERMINE WHETHER THE AUTOMOBILES ARE HYBRID VEHICLES OR...
PURELY ELECTRIC VEHICLES, AND FURNISH THE
COMMISSIONER OF INTERNAL REVENUE, ATTENTION: CHIEF
EXCISE LARGE TAXPAYERS REGULATORY DIVISION
(ELTRD), CERTIFIED COPIES OF THE RESULTS OF SUCH
EXAMINATION OR ENDORSEMENT TO THAT EFFECT.

F. PICK-UPS.”

SEC. 5. A new provision designated as Section 5-A in RR No. 25-2003 is hereby inserted to
read as follows:

“SEC. 5-A. VALIDATION OF MANUFACTURERS’ AND IMPORTERS’ SELLING
PRICE. – By the end of three months from the imposition of the new rates, the Bureau
of Internal Revenue shall validate the Manufacturer’s or Importer’s Selling Price of the
newly introduced models against the Manufacturer’s or Importer’s Selling Price as
defined herein and initially determine the correct bracket under which a newly
introduced model shall be classified. After the end of one year from such validation,
and every year thereafter, the Bureau of Internal Revenue shall revalidate the initially
validated Net Manufacturer’s or Importer’s Selling Price against the Net
Manufacturer’s or Importer’s Selling Price as of the time of revalidation in order to
finally determine the correct tax bracket under which a newly introduced model shall
be classified.”

SEC. 6. TRANSITORY PROVISIONS

1. All manufacturer’s/assembler’s or importers are hereby required to file an updated
manufacturer’s/assemblers or importer’s sworn statement for each brands/models of
automobiles as of the day immediately before the date of effectivity of these Regulations.
The updated manufacturer’s/assembler’s or importer’s sworn statement shall be
submitted to the Commissioner of Internal Revenue, Attention: Chief, Excise Large
Taxpayers Regulatory Division (ELTRD) within seven working (7) days from the date
of effectivity of these Regulations. This sworn statement shall likewise be subjected to
verification as required under existing regulations and issuances; and

2. All manufacturers/assemblers or importers shall submit a duly notarized list of inventory
on-hand of completely built-up (CUB) automobiles, including Completely Knocked-
Down (CKD) and Semi-Knocked Down (SKD) units, that are located within the
manufacturing/assembly plant, storage facility or warehouse or the customs’ premises
for which import entries have been filed as of the day immediately before the date of
effectivity of these Regulations, indicating therein the brand, year model, engine, body
and chassis numbers thereof. The list shall be submitted to the Commissioner of Internal
Revenue, Attention: Chief, Excise LT Field Operations Division (ELTFOD) within
seven working (7) days from the date of effectivity of these Regulations. Failure to
submit the inventory list on the part of the manufacturers/assemblers/importers shall be
construed that the said manufacturers/assemblers/importers do not have any inventory
on hand of CBUs, CKDs and SKDs as of the day immediately before the date of
effectivity of these Regulations.

BUREAU OF INTERNAL REVENUE
RECORDS MGT. DIVISION
10:40 A.M.
JAN 15 2018

RECEIVED
SEC. 7. REPEALING CLAUSE. – All regulations, rulings or orders or portions thereof which are inconsistent with the provisions of these Regulations are also hereby revoked, repealed or amended accordingly.

SEC. 8. EFFECTIVITY CLAUSE. – These Regulations shall take effect on January 1, 2018 following its complete publication in the Official Gazettes or in at least one (1) newspaper of general circulation.

CARLOS G. DOMINGUEZ
Secretary of Finance
JAN 1 1 2018

Recommendations Approval:

CAESAR R. DULAY
Commissioner of Internal Revenue

BUREAU OF INTERNAL REVENUE
RECORDS MGT. DIVISION
10:40 A.M.
JAN 15 2018

BIR TRAIN IRR/RR Drafting Committee