EXCISE TAX ON IMPORTED FINISHED PETROLEUM PRODUCTS

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Attached herewith is a letter from the Commissioner of the Bureau of Internal Revenue clarifying certain issues on the applicability of Sections 128 and 157 of the National Internal Revenue Code of 1977 with respect to the payment of excise tax on imported finished petroleum products, stating among others, that importers of petroleum products which have been issued Commingling Permits by BIR are the only ones allowed to release imported goods from customs custody without prepayment of excise tax. And as of the date of the said letter, March 6, 1998, only Petron Corporation, Pilipinas Shell Petroleum Corporation and Caltex Philippines, Inc. have been issued Commingling Permits. Therefore, all other importers of finished petroleum products are required to pay excise tax before removal of the same from customs custody.

For your information and guidance.

Adopted: 24 July 1998

(SGD.) JULITA S. MANAHAN
Deputy Commissioner
Internal Administration Group

“ATTACHMENT”

Commissioner Guillermo L. Parayno, Jr.
Bureau of Customs
Port Area, Manila

Dear Commissioner Parayno:

This is in connection with your telephone inquiry on the applicability of Sections 128 and 157 of the National Internal Revenue Code of 1977 with respect to the payment of excise tax on imported finished petroleum products.

In reply thereto, please be informed as follows:

1. Payment of excise tax on imported petroleum products, in general, is due before release of such goods from customs custody and the said tax shall be paid by the importer to your Bureau. However, pursuant to Section 157 of the Tax Code, importers of petroleum products who have refinery facilities duly registered with the BIR are allowed to remove from customs custody imported petroleum products without prepayment of excise tax for commingling with their bonded stocks provided an appropriate Commingling Permit has been from the secured from the Commissioner of Internal Revenue and these products are to be directly delivered and loaded to the storage tanks at their own refinery premises.

2. At present, this Bureau has issued Commingling Permits to only three oil companies, namely: Petron Corporation, Pilipinas Shell Petroleum Corporation, and Caltex Philippines, Inc. In effect, only these three companies are allowed to release imported goods from customs custody without prepayment of excise tax. All other importers are required to pay excise tax before removal of imported articles from customs custody.

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3. This Commingling Permit is continuing in nature subject to certain conditions. This may be revoked anytime by the Commissioner of Internal Revenue if the circumstances so warrant. As one of the conditions in such permit, payment of specific tax on imported petroleum products is payable to the Bureau of Internal Revenue on a "first in, first out" basis but in no case shall it exceed fifteen (15) days from the date of release from customs custody. However, this payment period was reduced to ten (10) days for removals from January 1 to June 30 1998 and five (5) days from July 1 to December 1998. Thereafter, all excise taxes due on imported petroleum products shall be payable to the Bureau of Customs prior to release from customs custody.

4. Prior to release of imported goods from customs custody, importers are required to apply with this Bureau for an Authority to Release Imported Goods (ATRIG). The duly notarized application form is accompanied by all the requisite importation documents. These documents would then be the basis for the issuance of an ATRIG wherein the details of each and every importation are indicated including the intended destination of the shipment (i.e. that the shipment will be discharged and commingled with their bonded stocks at their refinery) and the authority to release the articles from customs custody without the prepayment of excise tax pursuant to Section 157 of the Tax Code. The ATRIG is being issued for each and every shipment. If the foregoing authority is not reflected in the duly issued ATRIG, the corresponding excise tax due on the importation shall be collected by the Bureau of Customs before release of the articles from customs custody.

5. The excise tax on importations by these major oil companies are collected by the district offices having jurisdiction over the head office of the importer. These offices are also the ones who are issuing the appropriate ATRIGs for each and every importation.

6. In order to monitor these transactions and the movements of the said imported petroleum products outside the customs territory, a subsidiary ledger is being kept for the purpose by the BIR and the taxpayer concerned. In addition, said transactions are recorded in the taxpayer's Official Register Books, a monthly transcript of which is being transmitted to the Revenue District Officer having jurisdiction over the importer's refinery premises.

We hope this information will be sufficient to clarify the issue. In order to effectively monitor removals and movements of these imported products and ensure subsequent payment of excise tax due on all these shipments, it is requested that all Collectors of Customs be advised to refrain from releasing shipments of these products without the corresponding ATRIGs issued by the BIR. Likewise, it will be highly appreciated if you could provide us with all relevant information on all similar shipments from 1993 to date in order to cross-check whether all shipments are covered by the appropriate ATRIGs and that all the applicable excise taxes have been paid either to the BIR or BOC. Should there be some issues that need further clarification, please feel free to contact our Assistant Commissioner, Enforcement Service, 6th Floor BIR National Office, Diliman, Quezon City or at Tel. No. 922-47-93 and 929-72-72 Locs. 532 and 718.

We look forward to our mutual cooperation on this matter.

Very Truly Yours,

(SGD.) LIWAYWAY VINZONS-CHATO
Commissioner of Internal Revenue

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