

AMENDING SECTION 195 OF THE NATIONAL INTERNAL REVENUE CODE OF 1977 TO PROVIDE FOR A MORE REALISTIC AND EQUITABLE SALES TAX SYSTEM FOR AUTOMOBILES.

PRESIDENTIAL DECREE NO. 1357, April 21, 1978

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WHEREAS, it is recognized that the car manufacturing industry is contributing a vital role in the economic development of the country;

WHEREAS, there is a need to revise the tax system in order to provide for a more realistic and equitable sales taxation for automobiles;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the following:

SECTION 1. The National Internal Revenue Code of 1977 is hereby amended to read as follows:

"SEC. 195. Percentage Tax on Sales of Automobiles.—There shall be levied, assessed, and collected once only on every original sale, barter, exchange, or similar transaction for nominal or valuable consideration intended to transfer ownership of, or title to, automobiles, a percentage tax to be paid by the manufacturer or importer, determined in accordance with the following schedules:

"(A) For locally manufactured automobiles—If the suggested retail or list price or actual retail price, whichever is higher, does not exceed P35,000, the tax shall be 10% of such retail price; if it exceeds P35,000 but does not exceed P40,000, the tax shall be P3,500 plus 20% of the excess over P35,000;

If it exceeds P40,000 but does not exceed P45,000, the tax shall be P4,500 plus 30% of the excess over P40,000;

"If it exceeds P45,000 but does not exceed P50,000, the tax shall be P6,000 plus 40% of the excess over P45,000;

"If it exceeds P50,000 but does not exceed P55,000, the tax shall be P8,000 plus 50% of the excess over P50,000;

"If it exceeds P55,000 but does not exceed P60,000, the tax shall be P10,500 plus 60% of the excess over P55,000;

"If it exceeds P60,000, the tax shall be P13,500 plus 70% of the excess over P60,000.

"(B) For imported automobiles—If the landed cost plus mark-up as established by Section 193 (b) of this Code does not exceed P35,000, the tax shall be 100% of such landed cost plus mark-up;

"If it exceeds P35,000 but does not exceed P40,000, the tax shall be P35,000 plus 125% of the excess over P35,000;

"If it exceeds P40,000 but does not exceed P45,000, the tax shall be P41,250 plus 150% of the excess over P40,000;

"If it exceeds P45,000 but does not exceed P50,000, the tax shall be P48,750 plus 175% of the excess over P50,000;

"If it exceeds P50,000, the tax shall be P57,500 plus 200% of the excess over P50,000.

"Any percentage, specific or mining tax paid under this title, title IV or title VII, respectively, on domestically manufactured, processed or produced, or imported raw materials, part, accessory or other article forming part of the finished product shall be credited against the sales tax due on the finished product: Provided, However, That in case the total tax paid on the raw material, part, accessory or other article exceeds the amount of the sales tax due on the finished product, the excess shall be credited against the sales tax liabilities of the manufacturer for the succeeding taxable quarter: And, Provided, Further, That the amount of the tax on the raw material, part, accessory, or other article shall be indicated as a separate item in the sales invoice.

"Whenever the finished product subject to sales tax is manufactured or produced out of any raw material, part, accessory or other article which is tax-exempt, the tax otherwise due on the latter shall be deemed to have been paid for purposes of the next preceding paragraph.

"Parts and accessories of automobiles imported as completely knocked down parts by assemblers registered under the progressive car manufacturing program of the Board of Investments, or their replacements; and imported and locally manufactured spare parts and accessories with which automobiles are usually equipped shall be subject to the tax under Section 199; PROVIDED, That, imported and locally manufactured parts and accessories of automobiles which are principally for ornamentation or embellishment; and imported standard automobile parts and accessories certified by the Board of Investments as being locally manufactured and available in sufficient quantity and comparable quality and price shall be subject to a tax of 70% of landed cost, plus mark-up.

"For purposes of this Section the term 'suggested retail or list price' shall mean the price at which locally manufactured automobiles are offered for sale to the public, as fixed by the assemblers, which shall in no case be less than 15% over and above the selling price of the assembler to the dealer; or not less than 30% over and above the manufacturing cost, in case of direct sales to the public by the assemblers.

"Automobile assemblers shall submit to the Commissioner of Internal Revenue a sworn statement of the 'suggested retail or list price' of each particular brand, make or model of their products before the same is offered for sale; and, periodically thereafter a notification of any projected change thereof. The assemblers are also required to cause the publication of their respective 'suggested retail or list prices' or any change thereof in a newspaper of general publication.

"A sale of an automobile shall, for the purpose of paragraph (A) this section, be considered to be a sale of the chassis and of the body together with parts and accessories with which the same are usually equipped including other parts and accessories permanently attached thereto at the time of the original sale. The term 'automobiles' used herein shall not include motor vehicles classified as trucks and jeeps."

SEC. 2. The Secretary of Finance shall, upon recommendation of the Commissioner of Internal Revenue, promulgate the rules and regulations for the implementation of this Decree.

SEC. 3. All laws, rules and regulations inconsistent with or contrary to the provisions of this Decree are deemed repealed or amended accordingly;

SEC. 4. This Decree shall take effect upon approval: Provided, That the provisions hereof relating to the computation and payment of the quarterly percentage tax on sales of locally manufactured automobiles shall take effect beginning July 1, 1978.

DONE in the City of Manila, this 21st day of April, in the year of Our Lord, nineteen hundred and seventy-eight.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

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