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TRAIN law compliance: Excise tax on automobiles

Within the context of Philippine taxation, automobiles are, by and large, subject to excise tax. This means that whenever an automobile is imported (or is locally manufactured and, eventually, taken out of the factory), the person liable must pay the corresponding excise tax equivalent to the applicable schedular excise-tax rate, multiplied by the net manufacturer's/assembler's/importer's selling price. The person liable refers to either the owner, importer, dealer/trader, manufacturer/assembler, or any person who is found in possession of any untaxed automobile other than the one legally entitled to exemption.

In cases of locally manufactured/assembled automobiles, the excise tax may be paid either: (1) simultaneous to the filing of the proper Bureau of Internal Revenue (BIR) Form and before removal of the automobile from the place of production/assembly; or (2) in advance (wherein the person liable shall be allowed to remove automobiles without prior filing of the prescribed excise-tax returns provided that he has sufficient balance of deposits with the BIR to cover full payment of the excise taxes due on said removals). On the other hand, in cases of imported automobiles, the excise tax must be paid prior to the release from Customs custody.

However, not all automobiles are subject to excise tax. Before the advent of the Tax Reform for Acceleration and Inclusion (TRAIN) law, the following, among others, were exempt from excise tax: buses, trucks, cargo vans, jeepneys, jeepney substitutes, single-cab chassis, special-purpose vehicles and automobiles used exclusively within the Freeport zone. The TRAIN law retained the exempt status of the aforementioned vehicles, and included purely electric vehicles and pickups in the list of exempted automobiles. The TRAIN law also introduced a reduced excise-tax rate for hybrid vehicles.

With regard to the schedular excise-tax rates, the TRAIN law modified both the tax brackets and tax rates. Before the TRAIN law became effective, the four tax brackets ranged from: (a) “Up to P600,000,” (b) “Over P600,000 to P1.1 million,” (c) “Over P1.1 million to P2.1 million” and (d) “Over P2.1 million”; while the present tax brackets range from: (a) “Up to P600,000,” (b) “Over P600,000 to P1 million,” (c) “Over P1 million to P4 million” and (d) “Over P4 million.”

With respect to the rates prior to the TRAIN law, bracket (a) was subject to 2 percent, bracket (b) was subject to “P12,000 plus 20 percent of the value in excess of P600,000,” bracket (c) was subject to “P112,000 plus 40 percent of the value in excess of P1.1 million” and bracket (d) was subject to “P512,000 plus 60 percent of the value in excess of P2.1 million”; on the other hand, after the effectivity of the TRAIN law, bracket (a) is subject to 4 percent, bracket (b) is subject to 10 percent, bracket (c) is subject to 20 percent and bracket (d) is subject to 50 percent.

And because of the aforesaid revisions, the BIR and the Department of Finance needed to issue regulations, advisories, orders and circulars for the taxpayers’ compliance with the provisions of the TRAIN law. These issuances required, inter alia, the submission of Sworn Declarations of Inventory List as of December 31, 2017, to the Excise LT Field Operations Division, and its deadline was on January 15. This requirement is in addition to the regular filing of Inventory list, which was due on January 30. Furthermore, the issuances required the use of BIR Form 2200-AN and ATC Code “XGAN” for purposes of e-filing.

Interestingly, despite the changes introduced by the TRAIN law regarding the excise tax on automobiles, the automobile industry seems to be unscathed. So far, there are no significant reports of decline in the demand for automobiles in the Philippines. However, while the automobile industry seems to linger in a plateau state, the full effect of the TRAIN law remains to be seen.

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