May 6, 2002

REVENUE REGULATIONS NO. 5-2002

SUBJECT : Electronic Linkage with Excise Tax Establishments

TO : All Internal Revenue Officers and Others Concerned

Section 1.   SCOPE.   Pursuant to the provisions of **Sections 152 and 244 of the National Internal Revenue Code of 1977 in relation to Section 27 of Republic Act No. 8792**, these Regulations are hereby promulgated in order to regulate the system of monitoring operations of taxpayers subject to excise tax through electronic linkages.

Section 2.   BACKGROUND.   The improvement of the excise tax administration is one of the major thrusts of the Bureau of Internal Revenue.   In this regard, one of the priority areas of consideration is the development and implementation of programs, processes, systems and procedures that would provide convenience to excise taxpayers in terms of compliance with the Bureau's regulatory and reporting requirements and also provide maximum benefit to the latter in terms of improved operational efficiency in the exercise of its supervisory and control functions over exciseable establishments.

Due to the advancement in information and communication technology, there is an imperative need to create an information-friendly environment that links the database of excise taxpayers with the Bureau's systems and facilities.   The electronic linkage system will provide the Bureau with the capability to extract directly from the taxpayers' database relevant information necessary in the determination of the correct amount of excise taxes due from excise tax establishments.

Section 3.   OBJECTIVES.   The implementation of the electronic linkage system aims to achieve the following objectives:

3.1   Reduce the manual processes and hand-overs in the preparation and submission/filing of information returns prescribed from excise taxpayers;

3.2   Minimize taxpayer contact in the course of supervising and controlling its operations for purposes of determining the correct volume of production and removals of exciseable articles;

3.3 Provide and establish an electronic link to ensure an accurate, real-time information from excise taxpayers on product movements from receipts of raw materials up to removals and/or sales of goods;

3.4 Establish a database that is valuable in the analysis, profiling, simulation and forecasting of revenues from excise taxes; and

3.5 Reduce administrative costs in excise tax assessment, enabling the staff to concentrate on analysis rather than transactional issues.

Section 4.   DEFINITION OF TERMS.   For purposes of these Regulations, the terms herein provided are defined as follows:

4.1 Electronic Linkage – refers to the system that paves the submission/transmission of data and information in electronic format viewable and accessible to the Bureau under secured environment via internet facilities.

4.2 Secured Environment – refers to the safeguard of information and data from unauthorized access infusing a high quality protection from the source to the destination over the wide area network

4.3 Exciseable Establishment - refers to any person, natural or juridical, who is engaged in the business of manufacturing, producing, assembling, importing and/or trading goods or articles subject to excise tax under Title VI of the Tax Code of 1997.

4.4 Computerized Accounting System – refers to a computer-based system used to process captured/encoded accounting/financial data to generate books of accounts, reports, or any other accounting information.   This system may either be comprehensive in nature to cover all the financial transactions of the system owner or may only be a component or components thereof.

4.5 Computerized Books of Accounts – refers to computerized books of entries (e.g., journals, ledgers, subsidiaries, etc.) emanating from processed transactions that are captured or encoded into the accounting system and/or interfaced system(s).

Section 5.   COVERAGE.   The establishment of the electronic linkage system shall be mandatory to excise tax establishments with computerized books of accounts and accounting system as identified by the Commissioner of Internal Revenue.   The system linkage shall cover business operations of excise taxpayers from receipts of raw materials up to removals and/or sales of goods.

Section 6.   NOTIFICATION   OF   EXCISEABLE   ESTABLISHMENT. Taxpayers identified for electronic linkage shall be notified in writing by the Commissioner of Internal Revenue.   Upon notification thereof, identified taxpayers shall immediately coordinate with the Large Taxpayers Service (Excise Tax Group)

on the determination of the data requirements, operational and technical specifications, and other resource requirements for the proper implementation of the electronic linkage system.

Section 7.   PRESUMPTIONS ON EXTRACTED DATA/INFORMATION. All information received by the BIR as a result of the linkage shall be governed by the following presumptions:

> 7.1 The extracted information include all the recorded transactions covered by the linkage and the same are exact replica of the pertinent data contained in the taxpayers' database; and

> 7.2 In case of disputes or discrepancies in the details of extracted information, the data shown in the BIR server shall prevail.

Section 8. SECURITY OF INFORMATION.   The information extracted by the BIR from the taxpayers' database shall be treated with utmost confidentiality and shall only be used for internal revenue tax purposes in accordance with the provisions of Section 270 of the Tax Code of 1997.   Sufficient system security measures shall be instituted by both the BIR and the taxpayer to prevent any destruction, or hacking that may be inflicted on the computerized systems and facilities of both parties. Likewise, security procedures shall be exercised to avoid any undue harm or damage to the electronically linked excise taxpayers arising from divulgence of information to any unauthorized person.

Section 9.   SYSTEM UPGRADE/ENHANCEMENT.   In case of system upgrade or enhancement on the part of the taxpayer that may, in any way, affect or impact the existing electronic linkage set-up, the taxpayer shall immediately notify the BIR in writing of such change for system re-evaluation, in accordance with existing revenue rules and regulations.   It shall be the sole responsibility of the taxpayer to enhance the electronic linkage module such that all data/information transmission will not be hampered/delayed/affected/restructured.   Should the agreed data requirements be affected, such enhancement shall require prior approval from the BIR.

Section 10.   SYSTEM UNAVAILABILITY. In the event that downtime or non-connectivity or unavailability of any of the critical component of the system (such as application software, hardware or network) is attributable to the Bureau, the taxpayer shall submit the required report/s or data in diskette format readable and compatible to the existing environment.

Section 11.   PENALTY CLAUSE.   Any violation of the provisions of these Regulations shall be punishable under the pertinent provision(s) of the Tax Code of 1997.   The provisions of Section 204 of the Tax Code notwithstanding,   no compromise shall be entertained/allowed in case of willful refusal by any identified excisable taxpayer to establish electronic linkage with the BIR or commission of any deliberate act to submit erroneous reports.

Section 12.   TRANSITORY PROVISION.   Taxpayers electronically linked with the BIR shall, with respect to periodic applicable excise tax information returns/reports on production and removals (e.g. Official Register Books, etc.),   be required to make   parallel filing of said periodic returns/reports, until the entire operations prescribed in this Regulations are fully linked with the BIR.

Section 13.   EFFECTIVITY CLAUSE.   These regulations shall take effect fifteen (15) days after publication in any newspaper of general circulation.

(Original Signed)
JOSE ISIDRO N. CAMACHO
Secretary of Finance

Recommending Approval:

(Original Signed)
RENÉ G. BAÑEZ
Commissioner of Internal Revenue