

**[ BIR REGULATIONS NO. 2-2000, January 15, 2000 ]**

**PROCEDURES TO BE ADOPTED DURING THE TRANSITION PERIOD IN THE PHASE-OUT OF LEADED GASOLINE IN METRO MANILA**

Pursuant to the provisions of EO 446 mandating the phase-out of leaded gasoline as one of the means of solving air pollution, in relation to Republic Act No. 8749, otherwise known as the Philippine Clean Air Act of 1999, these Revenue Regulations are hereby promulgated to prescribe the procedures to be adopted during the transition period of the phasing out of leaded gasoline in Metro Manila.

*SECTION 1. Definition of Terms.* — For purposes of these Regulations, the following words and phrases shall have the meaning indicated below:

a) Transition Period — refers to the period required to totally dilute leaded gasoline to Unleaded gasoline (ULG) meeting the quality specifications prescribed in the Philippine National Standard issued by the Bureau of Product Standards of the Department of Trade and Industry. The period shall be reckoned from the day of inventory taking which will be conducted within five (5) days from the effectivity of these regulations and shall last not more than forty five (45) days or whichever is earlier until such time that the leaded gasoline has been diluted to ULG according to the prescribed standards in the storage tanks at the terminals/depots and gasoline stations in Metro Manila.

b) Memorandum of Agreement — refers to the agreement among the concerned oil companies pertaining to the implementation of the total switch to ULG at all gasoline service stations in Metro Manila, as politically defined, consisting of the following seventeen (17) cities and municipalities: City of Manila, Quezon City, Parañaque City, Pasig City, Mandaluyong City, Navotas, Caloocan City, Valenzuela City, Taguig, Pasay City, San Juan, Malabon, Las Piñas City, Muntinlupa, Marikina, Makati City and Pateros.

c) Leaded gasoline — synonymous with leaded premium gasoline and defined under Revenue Regulations No. 8-96 as a gasoline containing a maximum of 0.15 gram per liter lead additive and a minimum octane number of 93 Research Octane Number (RON).

d) Unleaded gasoline — synonymous with unleaded premium gasoline and defined under Revenue Regulations No. 8-96 as a gasoline containing a mixture of hydrocarbons, petrochemicals and/or additives, with a minimum octane number of 93 RON and a maximum lead content of 0.013 gram per liter prescribed by national standards.

e) New Industry Participants — shall refer to new participants in a particular sub-sector of the downstream oil industry with investments and initial business

operations commencing after January 1, 1994 as provided under Republic Act No. 8479, otherwise known as the "Downstream Oil Industry Deregulation Act of 1998".

f) Commingling process — refers to the process of diluting the lead content of leaded gasoline in the storage tank by adding/mixing unleaded gasoline until the prescribed maximum lead content of 0.013 gram per liter for unleaded gasoline shall have been met.

*SECTION 2. Procedures .* — The following procedures shall be followed during the transition period:

1. Conduct of Physical Inventory. — Within five (5) days after the effectivity of these regulations, the Bureau of Internal Revenue (BIR), in coordination with the representatives of the Department of Energy, shall conduct a physical inventory of all stocks on hand of leaded and unleaded gasoline at the refinery plants and depot/terminals in Metro Manila being stored by the local oil refineries, as well as, those stored at the respective depots of the new industry participants, in the presence of the representative(s) of the concerned oil company who shall jointly attest to the fact of witnessing and verifying the results thereof by affixing their signatures on the attestation clause in the inventory certificate.

2. Monitoring of the commingling process — Each removal of the remaining stocks of leaded gasoline subjected to inventory taking shall be accompanied by a Withdrawal Certificate duly issued by the BIR personnel assigned on the premises of the subject taxpayers. In the event that the said volume has been completely exhausted and the remaining stock of gasoline which is the result of the dilution process does not meet the prescribed maximum level of lead content as determined by the authorized representatives of DOE, each subsequent removal of such gasoline shall be considered Leaded gasoline and an additional tax of one peso (P1.00) per liter of said gasoline shall be due therefrom and shall be paid in accordance with the provisions of Revenue Memorandum Order No. 99-98. The said procedure shall continue until such time that the content of the storage tank shall conform with the prescribed standard for unleaded gasoline certified by the authorized representatives of DOE, with the concurrence of the representatives of the BIR and the concerned Oil Companies. The gasoline classification and additional tax due shall be duly reflected on the face of the Withdrawal Certificate accompanying the said removal. A weekly report of inventory utilization indicating therein the date and volume of removal and the corresponding Withdrawal Certificate Number, shall be submitted to the Assistant Commissioner, Excise Tax Service, on or before Tuesday of the following week until such time that said inventories are fully exhausted. Provided, however, the said report shall no longer be required on such inventories that will not be subjected to the commingling process.

3. Method of Accounting to be Adopted in the Commingling of Unleaded and Leaded Gasoline. — The **First-In-First-Out Method** of accounting shall be used in the receipt of unleaded gasoline and removal of leaded gasoline from the storage tank.

Illustration:

A manufacturer removed 100,000 liters of unleaded gasoline from the place of production (refinery) on February 15, 2000 and paid an excise tax of P4.35 per liter and shipped directly to Pandacan terminal and commingled the same with leaded gasoline stored in a storage tank containing a remaining balance of 10,000 liters. On