

[DOF, May 12, 2000]

**JOINT IMPLEMENTING RULES AND REGULATIONS ON THE
IDENTIFICATION, CONTROL AND USE OF TAX EXEMPT VEHICLES
UNDER SECTION 149 OF REPUBLIC ACT NO. 8424 FOR THE JOHN
HAY SPECIAL ECONOMIC ZONE NO. 001-99**

WHEREAS, Section 149 of Republic Act No. 8424, otherwise known as the Tax Reform Act of 1997 provides that:

Sec. 149. Automobiles. . .

"Automobiles acquired for use by persons or entities operating within the freeport zone shall be exempt from excise tax; Provided, that utility vehicles of registered zones enterprises, which are indispensable in the conduct and operations of their business, such as delivery trucks and cargo vans with gross vehicle weight above three (3) metric tons may be allowed unrestricted use outside the freeport zone; *provided, further*, that vehicles owned by tourist-oriented enterprises, such as tourist buses and cars with yellow plates, color-coded and utilized exclusively for the purpose of transporting tourists in tourism-related activities, and service vehicles of freeport registered enterprises and executives, such as company service cars and expatriates' and investors' automobiles, brought in the name of such enterprises, may be used outside the freeport zone for such periods as may be prescribed by the Departments of Finance, and Trade and Industry, the Bureau of Customs and the freeport authorities concerned, which in no case shall exceed fourteen (14) days per month.

In case such tourist buses and cars, service vehicles of registered freeport enterprises and company service cars are used for more than an aggregate period of fourteen (14) days per month outside of the freeport zone, the owner or importer shall pay the corresponding customs duties, taxes and charges.

In the case of personally-owned vehicles of residents, including leaseholders of residences inside the freeport zone, the use of such vehicles outside of the freeport zone shall be deemed an introduction into the Philippine customs territory, and such introduction shall be deemed an importation into the Philippines and shall subject such vehicles to customs duties, taxes and charges, including excise tax due on such vehicle.

The Secretaries of Finance, and Trade and Industry, together with the Commissioner of Customs and the administrators of the freeports concerned, shall promulgate rules and regulations for the proper identification and control of said automobiles."

WHEREAS, pursuant to Proclamation No. 420 series of 1994, the President of the Republic of the Philippines declared and designated the lands consisting of Two Hundred Eighty Eight and one-tenth (288.1) hectares, more or less, of the total of

Six Hundred Seventy Seven (677) hectares of the John Hay reservation as the John Hay Special Economic Zone (JHSEZ).

WHEREAS, pursuant to said Section 149 of Republic Act No. 8424 and Proclamation 420, the Department of Finance, the Department of Trade and Industry, the Bureau of Customs, the Bases Conversion Development Authority and its implementing arm for the John Hay Special Economic Zone, the John Hay Poro Point Development Corporation, have agreed to jointly promulgate rules and regulations for the proper identification, control and use of vehicles imported duty-free into JHSEZ.

NOW, THEREFORE, by virtue of the powers vested under Section 149 of Republic Act No. 8424, the Department of Finance, the Department of Trade and Industry, the Bureau of Customs, the Bases Conversion Development Authority and the John Hay Poro Point Development Corporation, hereby issue the following rules and regulations:

SECTION 1. Scope . — All vehicles, whether imported or purchased locally, entered tax and duty free into the JHSEZ pursuant to Section 149 of R.A. 8424 and Republic Act No. 7227 for use by the JHSEZ registered enterprise and/or its expatriates/investors shall be covered by and subject to these rules and regulations with respect to their use outside the JHSEZ, proper identification and control; provided, however, that the importation or bringing into the JHSEZ of used vehicles shall be governed by existing rules and regulations.

SECTION 2. Definitions. — As used herein, these terms shall have the following definitions:

a. *Automobile* — shall be as defined in Revenue Regulations 14-97 dated November 5, 1997 as the same may be amended from time to time.

b. *Tax Exempt Vehicles* — vehicles, whether imported or purchased locally, entered tax and duty free into the JHSEZ pursuant to R.A. 7227 and Proclamation No. 420 series of 1994, and Section 149 of the NIRC classified as follows:

(1) *Utility Vehicles* — vehicles that are indispensable in the conduct and operations of the JHSEZ registered enterprises' authorized business activities, such as delivery trucks and cargo vans, designed and used exclusively for transport of cargo; provided, that vehicles with gross vehicle weight above three (3) metric tons shall be subject to the provisions of Section 5 (3) and (4). provided, finally, that vehicles with gross vehicle weight not exceeding three (3) metric tons shall be subject to the restrictions imposed on Tourist Vehicles, Company Vehicles, or Personally-Owned Vehicles as the case may be.

(2) *Tourist Vehicles* — vehicles which are owned by tourist-oriented JHSEZ registered enterprises and with yellow plates, color-coded and utilized

exclusively for the purpose of transporting tourists in tourism-related activities.

(3) *Company Vehicles* — vehicles such as company service cars and expatriates' or investors' automobiles brought in the name of JHSEZ registered enterprises for use by such enterprises or its executives.

(4) *Personally-Owned Vehicles* — vehicles owned by residents of the JHSEZ including leaseholders of residences inside the JHSEZ.

c. *JHSEZ Registered Enterprise* — enterprises and companies which are duly registered by John Hay Poro Point Development Corporation (JPDC) to engage in business or operate project(s) in the JHSEZ.

d. *JHSEZ Registered Resident* — refers to any natural person granted residency status and certificate of tax exemption by the JPDC for purposes of availing the benefits of a JHSEZ resident, subject to the qualifications below:

- (1) Must be eighteen (18) years old and above; and
- (2) Must, by virtue of domicile or employment, actually reside on a permanent basis within the JHSEZ.

SECTION 3. *Who Are Entitled To Import or Bring into the JHSEZ Tax-Exempt Vehicles* . — Only JHSEZ Registered Enterprises and JHSEZ Registered Residents with Certificates of Tax Exemption are entitled to import or bring into the JHSEZ Tax-Exempt Vehicles, subject to the limitations set forth below; provided, that JPDC has the right to limit the importation or bringing in of Tax-Exempt Vehicles into the JHSEZ by any party when in its reasonable judgment it becomes necessary to avert a violation of law.

a. *Importation or Bringing into the JHSEZ of Tax-Exempt Vehicle by JHSEZ Registered Enterprise* - JHSEZ Registered Enterprises with Certificate of Tax Exemption may import or bring into the JHSEZ a reasonable number of Tax-Exempt Vehicles for the legitimate use of the enterprise. For purposes of determining the reasonableness of the - number of Tax-Exempt Vehicles imported or brought into the JHSEZ, the JPDC shall consider the number of employees, and the size and nature of the business of the JHSEZ Registered Enterprise.

b. *Importation or Bringing into the JHSEZ of Tax-Exempt Vehicle by JHSEZ Registered Resident* - JHSEZ Registered Residents with Certificate of Tax Exemption may import or bring into the JHSEZ Tax-Exempt Vehicles; provided, that such privilege shall be limited to two (2) automobiles for every JHSEZ Registered Resident every three (3) years.

SECTION 4. *Admission Requirements.* —