

MEMORANDUM CIRCULAR NO. 61

PRESCRIBING THE GUIDELINES FOR THE IMPLEMENTATION OF R.A. NO. 7171 DATED JANUARY 9, 1992

In order to insure the effective implementation of RA. No. 7171, entitled, "An Act to Promote the Development of the Farmers in the Virginia Tobacco-producing Provinces", and providing for the share of such beneficiary provinces equivalent to 15% of the excise taxes on locally manufactured Virginia type cigarettes, the following guidelines are hereby promulgated:

1.0 COVERAGE

- 1.1 This implementing circular shall cover the Department of Budget and Management, the Bureau of Internal Revenue, the National Tobacco Administration, and Provinces producing Virginia Tobacco.

2.0 FUNCTIONAL RESPONSIBILITIES OF CONCERNED AGENCIES

- 2.1 The Department of Budget and Management shall:

- 2.1.1 Include in the Internal Revenue Allotment (IRA) portion of the National Expenditure Program (NEP) which shall serve as the basis for inclusion in the annual GAA General Appropriations Act (GAA), an amount equivalent to 15% of the excise taxes on locally manufactured Virginia type cigarettes based on actual BIR collection for the second calendar year preceding the year of distribution.

- 2.1.2 On the basis on NTA Certification, determine the (1) qualified beneficiary provinces by taking into account their average annual Virginia Tobacco production which should not be less than one million kilos, and (2) compute the corresponding amount of their respective shares, based on the adjusted Virginia Tobacco acceptances.

- 2.1.3 Taking into account the cash management and programming procedures, and budgetary constraints, to issue funding check directly to the beneficiary provinces monthly, based on the Advice of Allotment released for this purpose.

- 2.2 The Bureau of Internal Revenue shall:

- 2.2.1 Collect and set aside the equivalent of 15% of the total excise tax collections on locally manufactured Virginia type cigarettes for the second calendar year preceding the year of distribution;
 - 2.2.2 Submit to the DBM for the purpose of budget preparation, a certification as to the amount set aside not later than April 15 of the current year.
- 2.3 The National Tobacco Administration shall:
 - 2.3.1 Implement a system for documentation and reporting of Virginia Tobacco production and Tobacco acceptances by the Trading Centers in the beneficiary provinces, and such other information as may be deemed necessary for the purpose.
 - 2.3.2 Provide the Department of Budget and Management (DBM) and the Local Government Units (LGUs) concerned with a certification duly approved by the NTA Administrator, of Virginia Tobacco production and Virginia Tobacco acceptances by provinces for the immediate past year, provided, however, that such CERTIFICATION shall be submitted to the DBM not later than the first quarter of the current year.
- 2.4 Local Government Units
 - 2.4.1 The beneficiary provinces shall record separately the receipts and disbursements of funds in order to account the balance of the funds released to them.
 - 2.4.2 The provinces concerned shall ensure that the projects to be implemented are duly approved by the Sangguniang Panlalawigan through an appropriation ordinance or resolution.

3.0 GUIDELINES

- 3.1 Basis in the computation of fund equivalent to fifteen (15%) percent.

3.1.1 The fund equivalent to fifteen (15%) percent of the excise taxes on locally manufactured Virginia type cigarettes shall be computed based on the actual collections, as certified by the Bureau Of Internal Revenue (BIR), for the second calendar year preceding the year of distribution (budget year).

3.2 Determination of Qualified Beneficiary Provinces

3.2.1 The qualified beneficiary provinces shall be determined by DBM based on their average annual production of not less than one million kilos for the immediate past two (2) years using as basis the CERTIFICATION duly approved by the NTA administrator.

3.2.2 The initial year for purposes of determining the average annual production shall start in 1991 and onwards.

3.3 Financing and Remittance Scheme, and Utilization.

3.3.1 The fund allotted equivalent to the said fifteen (15%) percent shall be divided on a pro-rate basis among such beneficiary provinces based on the respective annual volume of adjusted Virginia tobacco acceptances for the immediate past year as certified by the National Tobacco Administration. For purposes of determining the pro-rata shares, the immediate past year should be understood to mean two years preceding the budget year. If year 1994 is the budget year, two years preceding is year 1992.

3.3.2 The Department of Budget and Management shall release such share directly to the provinces concerned on a quarterly basis by way of issuances of Advice of Allotment and cash allocation by issuing a funding check on a monthly basis using the certification issued by the Bureau of Internal Revenue as to the amount of the said excise tax actually collected and remitted to the Bureau of Treasury, subject to usual cash programming procedure and budgetary constraint.

3.3.3 The respective shares of the beneficiary provinces shall be treated as a special account under the general fund of the provinces to be utilized for the following projects:

- 3.3.3.1 Cooperative projects that will enhance better quality of products, increase productivity, guarantee the market and as a whole increase farmers' income;
- 3.3.3.2 Livelihood projects particularly the development of alternative farming systems to enhance farmers' income;
- 3.3.3.3 Agro-industrial projects that will enable tobacco farmers in the Virginia tobacco-producing provinces to be involved in the management and subsequent ownership of this projects such as post-harvest and secondary processing like cigarette manufacturing and by-product utilization; and
- 3.3.3.4 Infrastructure projects such as farm-to-market roads.

This Memorandum Circular shall take effect immediately.

(Sgd.) **FIDEL V. RAMOS**
President of the Philippines

By the President:

(Sgd.) **TEOFISTO T. GUINGONA**
Acting Executive Secretary

Manila, 13 July 1993