



Republic of the Philippines
Department of Budget and Management (DBM)
Bureau of Internal Revenue (BIR)
National Tobacco Administration (NTA)

Joint Circular No. 2009 - 1
November 3, 2009

FOR: The Governors, Municipal and City Mayors, Sanggunian Members and all Others Concerned

Subject: Guidelines and Procedure on the Release of the Share of Local Government Units Producing Burley and Native Tobacco Products from the Fifteen Percent (15%) of the Incremental Revenue Collected from the Excise Tax on Tobacco Products

1.0 BACKGROUND

- 1.1. Pursuant to Section No. 8, Republic Act No. 8240 entitled "An Act Amending Sections 138, 139, 140 and 142 of the National Internal Revenue Code, as Amended, and for other Purposes" which took effect on January 1, 1997, 15% of the incremental revenue collected from the excise tax on tobacco products shall be allocated and divided among the provinces producing burley and native tobacco in accordance with the volume of tobacco leaf production.
- 1.2. Corollarily, Revenue Regulation No. 15-2008 dated November 21, 2008 issued by the Department of Finance - Bureau of the Internal Revenue (DOF-BIR) provides that the amount of the incremental revenue collected from the excise tax on tobacco products, for purposes of determining the 15% allocable share of beneficiary provinces producing burley and native tobacco, shall be equivalent to the excess of the actual collection of excise taxes from tobacco products for the year under consideration over calendar year 1996 as the base year, net of the incremental revenue collected from the increase in excise tax rates under RA No. 9334.

1.3. Relative to the percentage share of LGUs, the Congressional Oversight Committee on Comprehensive Tax Reform Program (COCCTRP) issued the following resolutions:

1.3.1. Resolution No. 19 dated July 30, 2009 entitled "Resolution Calling for the Immediate Implementation of Section 8 of Republic Act no. 8240 or the Law Mandating the Allocation and Division of Fifteen Percent (15%) Incremental Revenue Collected from Excise Tax on Tobacco Products among the Provinces Producing Burley and Native Tobacco Products and to Fix the Shares of the Beneficiaries of the Fund Created therein".

1.3.2. COCCTRP Resolution No. 20 dated September 9, 2009 clarifying the meaning of the term "Provinces" as used in Resolution No. 19 as referring to local government units (LGUs) where burley and native tobacco were produced or originated from, consisting of either a province, city and/or municipality, as well as legislative districts that produce burley and native tobacco.

1.4. The COCCTRP Committee held a hearing at the Senate last September 9, 2009 and agreed that in order for an LGU to qualify as a beneficiary under RA No. 8240, its annual Burley and Native tobacco production and acceptances should not be less than 100,000 kilos.

2.0 Purpose

2.1. To provide guidelines and procedures for the release of the shares of LGUs producing burley and native tobacco from the excise taxes on tobacco products pursuant to Section 8, Republic Act No. 8240.

2.2. To delineate the responsibilities of the BIR, NTA and the DBM in the allocation and release of the shares of the LGUs producing burley and native tobacco from the excise taxes on tobacco products.

3.0 Functional Responsibilities of Concerned Agencies/Department

3.1. The Bureau of Internal Revenue (BIR) shall:

3.1.1. Compute the share of the LGUs representing the fifteen percent (15%) of the incremental revenue collected from the excise tax on

tobacco products for the second calendar year preceding the current fiscal year; and

3.1.2. Submit to the Department of Budget and Management (DBM), not later than April 30 of the current fiscal year a certification of the fifteen percent (15%) share of LGUs from the incremental revenue collected from the excise tax on tobacco products.

3.2. The National Tobacco Administration (NTA) shall:

3.2.1. Implement an effective and efficient system of documentation and reporting of burley and native tobacco production (in kilograms), based on the record of acceptances by the tobacco trading centers, viajeros and other NTA-licensed tobacco buyers in the beneficiary LGUs; and

3.2.2. Submit to the DBM not later than May 31 of the current year, copy furnished the beneficiary LGUs, a certification showing the list of burley and native tobacco producing LGUs and its volume of production (in kilograms) for the second calendar year preceding the current fiscal year, duly approved by the NTA administrator.

3.3. The Department of Budget and Management (DBM) shall:

3.3.1. Based on the BIR certification submitted to DBM during the budget preparation phase, program the amount of 15% share of LGUs from the incremental revenue as defined under Item 1.2 hereof, for inclusion in the National Expenditure Program (NEP) to be submitted to Congress as a basis for providing an appropriation cover.

3.3.2. Upon effectivity of the General Appropriations Act, based on the NTA certification, compute and release the individual share of the LGUs.

3.3.3 Pursuant to COCCTRP Resolution No. 20, the DBM shall release the share directly to the beneficiary LGUs subject to the usual budgeting, accounting and auditing rules and regulations.



4.0 Basis for Distribution of the 15% share of LGUs

4.1. The DBM, on the basis of the current year budget appropriations and the certification of the NTA, shall allocate on a pro rata basis the individual shares of the beneficiary LGUs.

4.1.1. The annual Burley and Native tobacco production and acceptances should not be less than 100,000 kilos as agreed in the COCCTRP Committee hearing on September 9, 2009.

4.2. The respective shares of the LGUs shall be distributed pursuant to COCCTRP Resolution no. 19, as follows:

80% - to the municipalities and cities in the congressional districts of a beneficiary province. The COCCTRP resolved in its Resolution No. 20 that members of the House of Representatives whose legislative districts cover the LGUs which have been identified as the proper beneficiaries of RA No. 8240 be allowed to propose the relevant projects in order to fulfill the objectives of the said law.

10% - to the provincial government of the beneficiary province, provided that the beneficiaries of the projects to be implemented by the province are LGUs producing burley and native tobacco products

10% - to the municipalities and cities, provided that the beneficiaries of the projects to be implemented are LGUs producing burley and native tobacco products

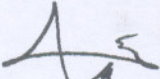
4.3. The respective shares of the LGUs shall be utilized for the following projects consistent with Section 8 of RA No. 8240:

a. Cooperative projects that will enhance better quality of agricultural products and increase income and productivity of farmers;

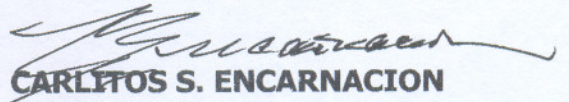
- b. Livelihood projects particularly the development of alternative farming system to enhance farmer's income;
- c. Agro-industrial projects that will enable tobacco farmers to be involved in the management and subsequent ownership of projects such as post harvest and secondary processing like cigarette manufacturing and by-product utilization.

5.0 Effectivity Clause

5.1. This Joint Circular shall take effect immediately.



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