

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**

December 28, 2012

**REVENUE MEMORANDUM CIRCULAR NO. 2-2013**

**SUBJECT : Clarifying Certain Provisions of Revenue Regulations No. 12-2012 on the Deductibility of Depreciation Expenses as it Relates to Purchase of Vehicles and Other Expenses Related Thereto, and the Input Taxes Allowed Therefor**

**TO : All Internal Revenue Officers and Other Concerned**

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For the information and guidance of all concerned, this Circular is being issued to clarify certain provisions of Revenue Regulations (RR) No. 12-2012 on the *Deductibility of Depreciation Expenses as it Relates to Purchase of Vehicles and Other Expenses Related Thereto, and the Input Taxes Allowed Therefor*.

- Q1. Does the RR apply to land vehicles purchased prior to its effectivity where the purchased amount exceeded the threshold of P2,400,00.00?
- A1. No. The RR applies prospectively, thus, it applies to land vehicles purchased upon its effectivity.
- Q2. When is the effectivity-date of the RR?
- A2. The RR was published last October 17, 2012 and, based on its provisions, it shall take effect immediately. Hence, the RR took effect on October 17, 2012.
- Q3. In case the Vehicles (defined in the RR as passenger vehicles of all type, whether by land, water, or air) which are not allowed depreciation expense, or the non-depreciable Vehicles, will be sold at a loss, will the loss to be incurred from such sale deductible from gross income?
- A3. No. Any loss that will be incurred as a result of a sale of the non-depreciable Vehicles shall likewise be NOT allowed as a deduction from gross income.

Q4. What are the other expenses that are also disallowed for income tax and VAT purposes for the non-depreciable Vehicles?

A4. For income tax purposes, all expenses related to the non-depreciable Vehicles such as but not limited to repairs and maintenance, oil and lubricants, gasoline, spare parts, tires and accessories, premium paid for insurance covering said vehicles and registration fees shall not be allowed as a deduction in its entirety. For VAT purposes, all input taxes corresponding to the disallowed expenses mentioned above for income tax purposes are likewise not allowed.

All other issuance inconsistent herewith are hereby repealed or modified accordingly.

All revenue officers and employees are hereby enjoined to give this Circular as wide a publicity as possible.

This Circular shall take effect immediately.

(Original Signed)  
**KIM S. JACINTO-HENARES**  
Commissioner of Internal Revenue

