



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

January 2, 1997

REVENUE REGULATIONS NO. 6-97

SUBJECT: Implementing Republic Act No. 8241, an Act Amending Republic Act No. 7716, Otherwise Known as the Expanded Value-Added Tax Law, and Other Pertinent Provisions of the National Internal Revenue Code, as Amended, and Further Amending Revenue Regulations No. 7-95, as Amended, Otherwise Known as the Consolidated Value-Added Tax Regulations.

TO: All Internal Revenue Officers and Others Concerned.

Pursuant to the provisions of Sections 245 and 4 of the National Internal Revenue Code, as amended (Code), in relation to the provisions of Executive Order (EO) No. 273, as amended by Republic Act (RA) No. 7716, and as further amended by RA No. 8241, these Regulations are hereby promulgated to further implement Sections 102, 103, 105, 107 and 110(c) of Title IV, Sections 112, 115, 115-A and 117 of Title V and Section 237 of Title IX, all of the Code, and to further amend Revenue Regulations (Rev. Regs.) No. 7-95, as amended, otherwise known as the "Consolidated Value-Added Tax Regulations."

SECTION 1. Value-Added Tax on Sale of Goods or Properties. - Section 4.100-1, paragraph 4 of Rev. Regs. No. 7-95 is hereby amended to read as follows:

"Any person otherwise required to register for VAT purposes who fails to register shall be liable to VAT on his sale of taxable goods or properties x x x x x. The sale and importation of goods subject to excise taxes imposed under Title VI of the Code are also subject to VAT, except coal and natural gas in whatever form or state, and manufactured petroleum products (other than lubricating oil, processed gas, grease, wax and petroleum).

SEC. 2. Value-Added Tax on Sale of Services and Use or Lease of Properties. - Section 4.102-1 (a), (f) and (h) of Rev. Regs. No. 7-95 is hereby amended to read as follows:

persons doing business outside the Philippines of goods which are subsequently exported, as well as services by a resident to a non-resident foreign client, such as project studies, information services, engineering and architectural designs and other similar services, the consideration for which is paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP, (RR No. 7-95, as amended by RR No. 5-96)

"(3) Services rendered to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects the supply of such services to zero percent (0%) rate;

"(4) x x x x x x x x

"(5) x x x x x x x x."

SEC. 4. Exemptions. - Section 4.103-1(B) of Rev. Regs. No. 7-95 is hereby amended to read as follows:

"(B) **Exempt transactions.** - The following shall be exempt from VAT:

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"(c) Sale or importation of agricultural and marine food products in their original state, livestock and poultry of a kind generally used as, or yielding or producing foods for human consumption; and breeding stock and genetic materials therefor.

" x x x x x x x x

" x x x x x x x x

"Meat, fruit, fish, vegetables and other agricultural and marine food products shall be considered in their original state even if they have undergone the simple processes of preparation or preservation for the market, such as freezing, drying, salting, broiling, roasting, smoking or stripping, including those using advanced technological means of packaging, such as shrink wrapping in plastics, vacuum packing, tetra-pak, and other similar packaging methods.

"Polished and/or husked rice, corn grits, raw cane sugar and molasses and ordinary salt shall be considered as agricultural food products in their original state.

" x x x x x x x x

"(e) Sale or importation of coal and natural gas, in whatever form or state, and petroleum products (except lubricating oil, processed gas, grease, wax and petro-

"(3) PD 1590 - Philippine Air Lines (PAL) relative to domestic transport of goods or cargoes;

"(r) Sales by agricultural cooperatives duly registered with the Cooperative Development Authority (CDA) to their members, as well as sale of their produce, whether in its original state or processed form, to non-members; their importation of direct farm inputs, machineries and equipment, including spare parts thereof, to be used directly and exclusively in the production and/or processing of their produce;

"(s) Sales by electric cooperatives duly registered with the CDA or National Electrification Administration (NEA), relative to the generation and distribution of electricity, as well as their importation of machineries and equipment, including spare parts, which shall be directly used in the generation and distribution of electricity.

"(t) Gross receipts from lending activities by credit or multi-purpose cooperatives duly registered with the CDA, whose lending operation is limited to their members;

"(u) Sales by non-agricultural, non-electric and non-credit cooperatives duly registered with the CDA; Provided, That the share capital contribution of each member does not exceed Fifteen Thousand Pesos (P15,000.00) and regardless of the aggregated capital and net surplus ratably distributed among the members;

"Importation by non-agricultural, non-electric and non-credit, cooperatives of machineries and equipment, including spare parts thereof, to be used by them are subject to VAT.

"(v) Export sales by persons who are not VAT-registered;

"(w) The following sales of real properties are exempt from VAT, namely:

"(1) Sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business;

"(2) Sale of real properties utilized for low-cost housing under BP Blg. 220, PD No. 957 or RA No. 7279, otherwise known as the "Urban and Development Housing Act of 1992" and other related laws, wherein the price ceiling per unit is P375,000.00, or as may from time to time be determined by the House and Land Use Regulatory Board (HLURB) and other related laws;

"Low-cost housing" refers to housing projects intended for homeless low-income family beneficiaries, undertaken by the Government or private developers, which may either be a subdivision or a condominium

register shall be liable to VAT on his sale of taxable goods or properties x x x x x. The sale and importation of goods subject to excise taxes imposed under Title VI of the Code are also subject to VAT, except coal and natural gas in whatever form or state, and manufactured petroleum products (other than lubricating oil, processed gas, grease, wax and petroleum).

SEC. 2. Value-Added Tax on Sale of Services and Use or Lease of Properties. - Section 4.102-1 (a), (f) and (h) of Rev. Regs. No. 7-95 is hereby amended to read as follows:

"(a) Sale or exchange of services, as well as the use or lease of properties, as defined in Sec. 102(a) of the Code, shall be subject to VAT.

"Sale or exchange of services" means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those performed or rendered by the following:

* x x x x x x x x

"(1) transportation contractors on their transport of goods or cargoes, including persons who transport goods or cargoes for hire;

"(12) other domestic common carriers by land, air and water relative to their transport of goods or cargoes;

"(13) franchise grantees of telephone and telegraph, radio and/or television broadcasting and all other franchise grantees except franchise grantees of radio and/or television broadcasting whose annual gross receipts of the preceding year does not exceed Ten Million Pesos (P10,000,000.00), and franchise grantees of electric, gas and water utilities;

"(14) banks, non-bank financial intermediaries and finance companies and other financial intermediaries not performing quasi-banking functions;

"(15) non-life insurance companies (except their crop insurances), including surety, fidelity, indemnity and bonding companies; and

"(16) similar services regardless of whether or not the performance thereof calls for the exercise or use of the physical or mental faculties.

* x x x x x x x x x

"(f) Services of franchise grantees of telephone and telegraph, radio and/or television broadcasting and all other franchise grantees, except electric, gas and water utilities, shall be subject to VAT. However, franchise grantees of radio and/or television broadcasting whose annual gross receipts of the preceding year does not exceed Ten Million Pesos (P10,000,000.00) shall not be subject to VAT, but to the three percent (3%) franchise tax imposed under Sec. 117 of the Code, subject to the optional registration provisions under Sec. 4.107-1(c) of Rev. Regs. No. 7-95, as amended by these Regulations.

Likewise, franchise grantees of electric, gas and water utilities shall be subject to two percent (2%) franchise tax on their gross receipts derived from the

packing, tetra-pak, and other similar packaging methods.

"Polished and/or husked rice, corn grits, raw cane sugar and molasses and ordinary salt shall be considered as agricultural food products in their original state.

* x x x x x x x x

"(e) Sale or importation of coal and natural gas, in whatever form or state, and petroleum products (except lubricating oil, processed gas, grease, wax and petroleum) subject to the excise taxes imposed under Title VI of the Code;

* x x x x x x x x

"(j) Services subject to percentage tax under Title V of the Code, such as:

"(1) Sale or lease of goods or properties or the performance of services of non-VAT-registered persons, other than the transactions mentioned in paragraphs (a) to (y) of Section 103 of the Code, the gross annual sales and/or receipts of which does not exceed the amount of FIVE HUNDRED FIFTY THOUSAND PESOS (P550,000.00): Provided, That not later than January 31, 1988 and each calendar year thereafter, the amount of P550,000.00 shall be adjusted to its present value using the Consumer Price Index, as published by the National Statistics Office (NSO) (Sec. 112 of the Code);

"(2) Services rendered by domestic common carriers by land, air or water for the transport of passengers and keepers of garages (Sec. 115 of the Code);

"(3) Services rendered by international air and shipping carriers doing business in the Philippines (Sec. 115-A of the Code);

"(4) Services rendered by franchise grantees of radio and/or television broadcasting whose annual gross receipts of the preceding year does not exceed Ten Million Pesos (P10,000,000.00), and by franchise grantees of electric, gas and water utilities (Sec. 117 of the Code);

"(5) x x x x x x x x

"(6) Services rendered by any person, company or corporation (except purely cooperative companies or associations) doing life insurance business of any sort in the Philippines (Sec. 121 of the Code);

"(7) Services rendered by fire, marine or miscellaneous insurance agents of foreign insurance companies (Sec. 122 of the Code);

"(8) Services of proprietors, lessees or operators of cockpits, cabarets, night or day clubs, boxing exhibitions, professional basketball games, Jai-Alai and race tracks (Sec. 123 of the Code); and

"(9) Receipts on sale, barter or exchange of shares of stock listed and traded through the local stock exchange or through initial public offering. (Sec. 124-A of the Code).

"(k) Services by agricultural contract growers and milling for others of palay

"(2) Sale of real properties utilized for low-cost housing under BP Blg. 220, PD No. 957 or RA No. 7279, otherwise known as the "Urban and Development Housing Act of 1992" and other related laws, wherein the price ceiling per unit is P375,000.00, or as may from time to time be determined by the House and Land Use Regulatory Board (HLURB) and other related laws;

"Low-cost housing" refers to housing projects intended for homeless low-income family beneficiaries, undertaken by the Government or private developers, which may either be a subdivision or a condominium registered and licensed by the Housing and Land Use Regulatory Board/HUDCC) under BP Blg. 220, PD No. 957 or any other similar law, wherein the unit selling price is within the selling price ceiling per unit under RA No. 7279, otherwise known as the "Urban Development and Housing Act of 1992" or as determined from time to time by the HLURB/HUDCC.

"(3) Sale of real properties utilized for socialized housing as defined under RA No. 7279, wherein the price ceiling per unit is P150,000 or as may from time to time be determined by the HLURB and other related laws.

"Socialized housing" refers to housing programs and projects covering houses and lots or homelots only undertaken by the Government or the private sector for the underprivileged and homeless citizens which shall include sites and services development, long-term financing, liberalized terms on interest payments, and such other benefits in accordance with the provisions of RA No. 7279, otherwise known as the "Urban Development and Housing Act of 1992." "Socialized housing" shall also refer to projects intended for the underprivileged and homeless wherein the housing package selling price is within the lowest interest rates under the Unified Home Lending Program (UHLP) or any equivalent housing program of the Government, the private sector or non-government organizations.

"(4) Sale by real dealers and/or lessors of house and lot and other residential dwellings valued at One Million Pesos (P1,000,000.00) and below: Provided, That not later than January 31, 1998 and each calendar year thereafter, the amount of One Million Pesos (P1,000,000.00) shall be adjusted to its present value using the Consumer Price Index, as published by the National Statistics Office (NSO);

"(x) Lease of residential units with a monthly rental per unit not exceeding Eight Thousand Pesos (P8,000.00), regardless of the amount of aggregate rentals received by the lessor during the year, Provided, That the exemption likewise applies to lease of residential units where the monthly rental per unit exceeds Eight Thousand Pesos but the aggregate rentals of the lessor during the year do not exceed P550,000. Provided finally, that not later than January 31, 1998 and each calendar year thereafter, the amount of P8,000.00 shall be adjusted to its present value using the Consumer Price Index, as published by the NSO;

"The term 'residential units' shall refer to apartments, houses and/or lands on which another's dwelling is located, used for residential purposes and shall include not only buildings, parts or units thereof used solely as dwelling places (a. dormitories, rooms and bed spaces) except motels, motel rooms, hotels

subject to the optional registration provisions under Sec. 4.107-1(c) of Rev. Regs. No. 7-95, as amended by these Regulations.

Likewise, franchise grantees of electric, gas and water utilities shall be subject to two percent (2%) franchise tax on their gross receipts derived from the business covered by the law granting the franchise pursuant to Sec. 117 of the Code:

Provided, further, That all franchise grantees not falling under Sec. 117 of the Code are also no longer subject to the franchise tax on their gross receipts derived from their franchised operations under their respective charters.

Franchise grantees of telephone and telegraph shall be subject to VAT on their gross receipts derived from their telephone, telegraph, telewriter exchange, wireless and other communication equipment services. However, amounts received for overseas dispatch, message, or conversation originating from the Philippines are still subject to the percentage tax under Sec. 118 of the Code.

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"(h) All receipts from service, hire, or operating lease of transportation equipment not subject to the percentage tax on domestic common carriers and keepers of garages imposed under Sec. 115 of the Code shall be subject to VAT.

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"Operators of taxicabs, utility cars for rent or hire driven by the lessees (rent-a-car companies), and tourist buses used for the transport of passengers are subject to the percentage tax imposed under Sec. 115 of the Code, and NOT to VAT.

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SEC. 3. Zero-rating. Section 4.102-2(b) of Rev. Regs. No. 7-95 is hereby further amended to read as follows:

"(b) **Transactions Subject to Zero Percent (0%) Rate.** - The following services performed in the Philippines by VAT-registered persons shall be subject to zero percent (0%) rate:

"(1) Processing, manufacturing or repacking goods for other persons doing business outside the Philippines, which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the *Bangko Sentral ng Pilipinas* (BSP);

"(2) Services other than processing, manufacturing or repacking for other

"(9) Receipts on sale, barter or exchange of shares of stock listed and traded through the local stock exchange or through initial public offering. (Sec. 124-A of the Code).

"(k) Services by agricultural contract growers and milling for others of palay into rice, corn into grits, and sugar cane into raw sugar;

"Agricultural contract growers" refer to those persons producing for others poultry, livestock or other agricultural and marine food products in their original state. The term "agricultural contract growers" shall also include reforestation contractors pursuant to the Government Reforestation Program.

"(l) Medical, dental, hospital and veterinary services, subject to the provisions of Sec. 15 of these Regulations.

"Laboratory services are also exempted. If the hospital or clinic operates a pharmacy or drug store, the sale of drugs and medicine is subject to VAT.

"(m) Educational services rendered by private educational institutions duly accredited by the Department of Education, Culture and Sports (DECS) and/or the Commission on Higher Education (CHED) and those rendered by government educational institutions;

"Educational services" shall refer to academic, technical or vocational education provided by private educational institutions duly accredited by the DECS and/or the CHED and those rendered by government educational institutions and it does not include seminars, in-service training, review classes and other similar services rendered by persons who are not accredited by the DECS and/or the CHED;

"(n) Sale of works of art, literary works, musical compositions and similar creations, or services performed for the production of such works, if sold by the artist himself, are exempt from VAT. If sold by other persons in the course of business, they shall be subject to VAT;

" x x x x x x x x x x"

"(q) Transaction which are exempt under international agreements to which the Philippines is a signatory or under special laws except those granted under the following laws:

"(1) PD No. 66 - Export Processing Zone Authority (EPZA)-registered firms;

"(2) PD No. 529 - Petroleum Exploration Concessionaires under the Petroleum Act of 1949; and

"The term 'residential units' shall refer to apartments, houses and/or lands on which another's dwelling is located, used for residential purposes and shall include not only buildings, parts or units thereof used solely as dwelling places (e.g., dormitories, rooms and bed spaces) except motels, motel rooms, hotels, and hotel rooms. 'Residential units' shall also include apartments, houses, building, parts or units thereof used for home industries, retail stores or other business purposes, if the tenant thereof and his family actually live therein and use them principally for dwelling purposes.

"The term 'unit' shall mean an apartment unit in the case of apartments; house in the case of residential houses; per person in the case of dormitories, boarding houses and bed spaces; and per room in case of rooms for rent.

"(y) Sale, importation, printing or publication of books and any newspaper (including periodical), magazine, review, or bulletin which appears at regular intervals with fixed prices for subscription and sale and which is not devoted principally to the publication of paid advertisements;

"(z) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts does not exceed the amount of P550,000.00: Provided, That not later than January 31, 1988 and each calendar year thereafter, the amount of P550,000.00 shall be adjusted to its present value using the Consumer Price Index, as published by the NSO.

"The foregoing exemptions to the contrary notwithstanding, any person, whose sale of goods, properties or services which are otherwise not subject to VAT, but who issues a VAT invoice or receipt therefor, shall, in addition to his liability to other applicable percentage tax, if any, be liable to the tax imposed in Sec. 100 or 102 without the benefit of input tax credit, and such tax shall not also be recognized as input tax credit to the purchaser under Sec. 104, all of the Code."

SEC. 5. Transitional/Presumptive Input Tax Credits. - Section 4.105-1 of Rev. Regs. 7-95 is hereby amended to read as follows:

"(a) **Transitional Input Tax Credits on Beginning Inventories.** - Taxpayers who became VAT-registered persons upon exceeding the minimum turnover of P550,000.00, or who voluntarily register even if their turnover does not exceed P550,000.00 (except franchise grantees of radio and television broadcasting whose threshold is P10,000,000.00) shall be entitled to a transitional input tax on the inventory on hand as of the effectivity of their VAT registration, on the following:

"(1) goods purchased for resale in their present condition;

"(2) materials purchased for further processing, but which have not yet undergone processing;

"(3) goods which have been manufactured by the taxpayer;

"(4) goods in process and supplies, all of which are for sale or for use in the course of the taxpayer's trade or business as a VAT-registered person.

"The transitional input tax shall be eight percent (8%) of the value of the *beginning* inventory or actual VAT paid on such goods, materials and supplies, whichever is higher, which amount may be allowed as tax credit against the output tax of the VAT-registered person. The value allowed for income tax purposes on inventories shall be the basis for the computation of the 8% *transitional input tax*, excluding goods that are exempt from VAT under Sec. 103 of the Code."

The threshold amount of P550,000.00 applies only for the calendar year 1997. However, not later than the 31st day of January of each calendar year thereafter, the said amount shall be adjusted to its present value using the Consumer Price Index as published by the NSO.

(b) Presumptive Input Tax Credits. -

(1) Persons or firms engaged in the processing of sardines, mackerel, and milk, and in manufacturing refined sugar and cooking oil, shall be allowed a presumptive input tax, creditable against the output tax, equivalent to one and one-half percent (1.5%) of the gross value in money of their purchases of primary agricultural products which are used as inputs to their production.

As used in this paragraph, the term "processing" shall mean pasteurization, canning and activities which through physical or chemical process alter the exterior texture or form or inner substance of a product in such manner as to prepare it for special use to which it could not have been put in its original form or condition.

(2) Public works contractors shall be allowed a presumptive input tax equivalent to one and one-half percent (1.5%) of the contract price with respect to government contracts only in lieu of actual input taxes therefrom.

"Only VAT-registered persons shall be entitled to the transitional and presumptive input tax credits."

SEC. 6. Registration of Value-Added Taxpayers. - Section 4.107-1 (a), (b) and (c) of Rev. Regs. No. 7-95 is hereby amended to read as

taxpayer who registers after the first semester shall pay a registration fee in an amount proportionate to the remaining semester of the year.

"The following are required to register as non-VAT persons and pay the applicable registration fee:

"(1) VAT-exempt persons under Sec. 103(a), (b), (c), (d) and (z) of the Code who did not opt to register as VAT taxpayers;

"(2) Persons engaged in trade or business, or exercise of profession, other than those subject to VAT and other percentage taxes under Title V of the Code.

"(3) Individuals engaged in business where the gross sales or receipts does not exceed One Hundred Thousand Pesos (P100,000.00) during any 12-month period. They are required to register but will not be made to pay the registration fee of FIVE HUNDRED PESOS (P500.00).

"(4) Non-stock, non-profit organizations and associations engaged in trade or business whose gross sales or receipts does not exceed P550,000.00 for any 12-month period or in an amount as adjusted thereafter every January 31 of the year depending on the annual Consumer Price Index as published by the NSO;

"(5) Cooperatives enumerated under Sec. 4(B) (r), (s), (t) and (u) of these Regulations. However, they are not required to pay the registration fee imposed under Sec. 14 of these Regulations."

SEC. 8. Cancellation of Registration. - Section 4.107-6 of Rev. Regs. No. 7-95 is hereby amended to read as follows:

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"Some instances where a VAT-registered person may apply for cancellation of registration are:

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"(7) A person who has registered prior to planned business commencement but failed to actually start his business;

"(8) A person whose transactions are exempt from VAT under Secs. 103(a), (b), (c), (d) and (z) of the Code, who voluntarily registered under the VAT system, but who, after the lapse of two (2) years after his/its registration, applies for cancellation of his registration as such;

Exceeding 50 passengers 7,200.00

Taxis -

1. Manila and other cities P 3,600.00
 2. Provincial 2,400.00
 Car for hire (with chauffeur) P 3,000.00
 Car for hire (without chauffeur) P 1,800.00"

SEC. 12. Percentage Tax on International Carriers. - A new section is hereby added after Sec. 115 of the Code to read as follows:

"SEC. 115-A. Percentage Tax on International Carriers. -

"(a) International air carriers doing business in Philippines shall pay a tax of three percentum (3%) of their quarterly gross receipts.

"(b) International shipping carriers doing business in the Philippines shall pay a tax equivalent to three percentum (3%) of their quarterly gross receipts."

SEC. 13. Tax on Franchises. - Section 117 of the Code is hereby further amended to read as follows:

"SEC. 117. Tax on Franchises. - Any provision of general or special law to the contrary notwithstanding, there shall be levied, assessed and collected in respect to all franchises on radio and/or television broadcasting companies whose annual gross receipts of the preceding year does not exceed Ten Million Pesos (P10,000,000.00), subject to Section 107(d) of this Code, as amended, a tax of three percent (3%) and on electric, gas and water utilities, a tax of two percent (2%) on the gross receipts derived from the business covered by the law granting the franchise: *Provided, however, That radio and television broadcasting companies referred to in this Section, shall have an option to be registered as a value-added taxpayer and pay the tax due thereon: Provided, further, That once the option is exercised, it shall not be revoked.*

"The grantee shall file the return with, and pay the tax due thereon to the Commissioner of Internal Revenue or his duly authorized representative in accordance with the provisions of Section 125 of this Code and the return shall be subject to audit by the Bureau of Internal Revenue, any provision of any existing law to the contrary notwithstanding."

(2) Public works contractors shall be allowed a presumptive input tax equivalent to one and one-half percent (1.5%) of the contract price with respect to government contracts only in lieu of actual input taxes therefrom.

"Only VAT-registered persons shall be entitled to the transitional and presumptive input tax credits."

SEC. 6. Registration of Value-Added Taxpayers. - Section 4.107-1 (a), (b) and (c) of Rev. Regs. No. 7-95 is hereby amended to read as follows:

"(a) **In general.** - Any person who sells, barter, exchanges, leases goods or properties and renders services subject to VAT imposed in Secs. 100 and 102 of the Code shall register with the appropriate Revenue District Officer (RDO) using BIR Form No. 1556 and pay an annual registration fee in the amount of One Thousand Pesos (P1,000.00) using BIR Form No. 1558 for non-computerized Revenue District Offices and BIR Form No. 0605 for computerized Revenue District Offices for every separate or distinct establishment or place of business before the start of such business and every year thereafter on or before the 31st day of January.

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"(b) **Mandatory.** -

"(1) **Persons Covered.** - Every person who, in the course of trade or business, sells, barter, exchanges, leases goods, properties or renders services is subject to VAT, if the aggregate amount of his actual or expected gross sales and/or gross receipts exceeds FIVE HUNDRED FIFTY THOUSAND PESOS (P550,000.00) which amount shall be adjusted to its present value every year thereafter using the Consumer Price Index, as published by the NSO.

"(2) **Persons First Beginning Business.** - Any person, before engaging in the business of selling or leasing goods, properties or services subject to VAT under Secs. 100 and 102 of the Code, whose expected gross sales or receipts on all taxable activities shall exceed P550,000.00 which amount shall be adjusted to its present value every year thereafter using the Consumer Price Index, as published by the NSO, must register and pay the applicable registration fee within thirty (30) days before the start of such business in the manner prescribed herein.

"(3) **Persons Becoming Liable to the Value-Added Tax.** - Any person whose gross taxable sales or receipts in any 12-month period exceeds the amount of P550,000.00 which amount shall be adjusted to its present value every year thereafter using the Consumer Price Index, as published by the NSO, shall register within thirty (30) days after the end of the last month of that period and pay the applicable registration fee in the manner prescribed under sub-paragraph (a) of this Section and shall be liable to the value-added tax commencing from the first day of the month following his registration.

However, franchise grantees of radio and television broadcasting, whose gross annual receipts of the preceding calendar year exceeded P10,000,000.00, shall register within thirty (30) days from the end of the calendar year.

Registration are:
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"(7) A person who has registered prior to planned business commencement but failed to actually start his business;

"(8) A person whose transactions are exempt from VAT under Secs. 103(a), (b), (c), (d) and (z) of the Code, who voluntarily registered under the VAT system, but who, after the lapse of two (2) years after his/its registration, applies for cancellation of his registration as such;

"(9) A VAT-registered person whose gross sales or receipts for two (2) consecutive years did not exceed P550,000.00 beginning the calendar year 1997, which amount shall be adjusted to its present value every year thereafter using the Consumer Price Index, as published by the NSO; and

"(10) A VAT-registered person whose gross sales or receipts did not exceed P550,000.00 during his first 12 months in business beginning the calendar year 1997, which amount shall be adjusted to its present value every year thereafter using the Consumer Price Index, as published by the NSO.

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"Any person, who opted to be registered under Sec. 4.107-1(c) of Rev. Regs. 7-95, as amended by Sec.6(c) of these Regulations, may apply for cancellation of such registration. However, the optional registration as a VAT taxpayer of a franchise grantee of radio and/or television broadcasting whose gross annual receipts for the preceding calendar year does not exceed P10,000,000.00 shall not be revocable."

SEC. 9. Withholding of Creditable Value-Added Tax. - Section 4.100-3 of Rev. Regs. 7-95 is hereby amended to read as follows:

"(a) The Government or any of its political subdivisions, instrumentalities or agencies, including government-owned or controlled corporations (GOCCs) shall, before making payment on account of its purchase of goods from sellers and/or services rendered by contractors which are subject to the VAT imposed in Secs. 100 and 102 of the Code, deduct and withhold the VAT due at the rate of three percent (3%) of the gross payment for the purchase of goods and six percent (6%) on gross receipts for the services rendered by contractors on every sale or installment payment which shall be creditable against the VAT liability of the sellers or contractors pursuant to RA No. 7644, as implemented by Rev. Regs. No. 10-93: Provided, That payment of One Thousand Pesos (P1,000.00) and below per purchase shall not be subject to withholding tax. Provided, however, That in the case of Government public works and contractors, the withholding tax rate shall be eight and one-half percent (8.5%).

covered by the law granting the franchise: Provided, however, That radio and television broadcasting companies referred to in this Section, shall have an option to be registered as a value-added taxpayer and pay the tax due thereon: Provided, further, That once the option is exercised, it shall not be revoked.

"The grantee shall file the return with, and pay the tax due thereon to the Commissioner of Internal Revenue or his duly authorized representative in accordance with the provisions of Section 125 of this Code and the return shall be subject to audit by the Bureau of Internal Revenue, any provision of any existing law to the contrary notwithstanding."

SEC. 14. Registration of Name or Style with the Revenue District Officer or Collection Agent. - Section 237 of the Code is hereby further amended to read as follows:

"**SEC. 237. Registration of Name or Style with the Revenue District Officer or Collection Agent.** - Every person, other than persons required to be registered under the provisions of Section 107 engaged in any business shall, on or before the commencement of his business, or whenever he transfers to another revenue district, register with the Revenue District Officer concerned within ten (10) days from the commencement of business or transfer and shall pay the annual registration fee in the amount of Five Hundred Pesos (P500.00) for every separate or distinct establishment or place of business and every year thereafter on or before the last day of January. The fee shall be paid to the Revenue District Officer, Collection Agent, authorized Treasurer or the Municipality where each place of business or branch is situated. In cities or municipalities where no Revenue District Officer is stationed, such person shall register and pay the fee prescribed herein with the Collection Agent. The registration shall contain his name or style, place of residence, business, the place where such business is carried on, and such other information as may be required by the Commissioner in the form prescribed therefor. In the case of a firm, the names and residences of the various persons constituting the same shall also be registered. The Commissioner, after taking into consideration the volume of sales, financial condition and other relevant factors, may require the registrant to guarantee the payment of his taxes by way of advance payment, or the posting or filing of a security, guarantee or collateral acceptable to the Commissioner: Provided, however, That cooperatives shall not pay the registration fee imposed herein."

SEC. 15. Effectivity of the Imposition of VAT on Certain Goods, Properties and Services. - The value-added tax shall be levied, assessed and collected on the following transactions starting JANUARY 1, 1998:

(a) Services performed in the exercise of profession or calling subject to the professional tax under the Local Government Code or RA No. 7160, and professional services performed by registered general professional partnerships; actors, actresses, talents, singers and emcees; radio and television broadcasters, choreographers; musical, radio, movie, television and stage directors; and professional athletes;

(b) Services rendered by banks, non-bank financial intermediaries, finance

However, franchise grantees of radio and television broadcasting, whose gross annual receipts of the preceding calendar year exceeded P10,000,000.00, shall register within thirty (30) days from the end of the calendar year.

"(c) **Optional Registration of VAT-Exempt Person.** - Any of the following VAT-exempt persons may, at his/its option, apply for VAT registration:

"(1) Seller or lessor of goods, properties or services whose actual or expected gross sales and/or gross receipts does not exceed P550,000.00 for any 12-month period or in an amount as adjusted thereafter every January 31 of the year depending on the annual Consumer Price Index as published by the NSO;

"X x x x x x x x x x

"(6) Franchise grantees of radio and/or television broadcasting, whose gross annual receipts for the preceding calendar year does not exceed P10,000,000.00; Provided, That once they opted to register as VAT taxpayers, such registration is no longer revocable.

"The above-stated taxpayers may apply for VAT registration not later than ten (10) days before the beginning of the calendar quarter and shall pay the registration fee prescribed under sub-paragraph (a) of this Section. In any case, the Commissioner may, for administrative reason, deny any application for registration. Once registered, the taxpayer shall be liable to output tax and be entitled to input tax credit in accordance with the provisions of Secs. 104 and 105 of the Code."

SEC. 7. Non-VAT Registration. - Section 4.107-2 of Rev. Regs No. 7-95 is hereby amended to read as follows:

"Every person, other than those required to be registered as VAT persons, engaged in any business, shall, on or before the commencement of his business, or whenever he transfers to another revenue district register with the Revenue District Office concerned within ten (10) days from the commencement of business or transfer in the manner prescribed under Sec. 4.107-1 and shall pay the annual registration fee of Five Hundred Pesos (P500.00) for every separate or distinct establishment or place of business. The fee shall be paid to any accredited bank, where each place of business or branch is situated. In areas where there is no accredited bank, such person shall pay the fee prescribed herein with the RDO, collection agent, or authorized municipal treasurer. The registration shall contain his name or style, place of residence, business, the place where such business is carried on, and such other information as may be required by the Commissioner in the form prescribed therefor.

However, at the option of the taxpayer, payment may be made on a semi-annual basis in the amount of Two Hundred Fifty Pesos (P250.00) payable on or before the 31st day of January for the first semester and on or before the 20th day of the first month of the succeeding semester. Provided further, That a new

the case of Government public works and contractors, the withholding tax rate shall be eight and one-half percent (8.5%).

"(b) x x x x x

"(c) The value-added tax withheld under this Section shall be remitted within ten (10) days following the end of the month the withholding was made."

SEC. 10. Tax on Persons Exempt from VAT. - Section 4.112-1 of Rev. Regs. 7-95 is hereby amended to read as follows:

"Any person, whose sales or receipts are exempt under Sec. 103(z) of the Code from the payment of VAT and who is no a VAT-registered person shall pay a tax equivalent to three percent (3%) of his gross quarterly sales or receipts: Provided, That cooperatives shall be exempt from the three percent (3%) gross receipts tax herein imposed."

SEC. 11 Percentage Tax on Domestic Common Carriers and Keepers of Garages. - Section 115 of the Code is hereby amended to read as follows:

"SEC. 115. Percentage tax on domestic carriers and keepers of garages. - Cars for rent or hire driven by the lessee, transportation contractors, including persons who transport passenger for hire, and other domestic carriers by land, air or water, for the transport of passengers, except owners of bancas, and owners of animal-drawn two-wheeled vehicle, and keepers of garages shall pay a tax equivalent to three percentum (3%) of their quarterly gross receipts.

"The gross receipts of common carriers derived from their incoming and outgoing freight shall not be subject to the local taxes imposed under Republic Act No. 7160, otherwise known as the "Local Government Code of 1991."

"In computing the percentage tax provided in this Section, the following shall be considered the minimum quarterly gross receipts in each particular case:

"Jeepney for hire -

- 1. Manila and other cities P 2,400.00
- 2. Provincial 1,200.00

Public utility bus -

- Not exceeding 30 passengers P 3,600.00
- Exceeding 30 but not exceeding 50 passengers ... 6,000.00

fessional athletes;

(b) Services rendered by banks, non-bank financial intermediaries, finance companies and other financial intermediaries not performing quasi-banking functions; and

(c) The lease or use of sports facilities and equipment by amateur players, as provided under RA No. 6847, except sports facilities and equipment which are exclusively or mainly for the private use of shareholders or members of the club or organization which owns or operates such sports facilities and equipment.

Prior to their inclusion in the coverage of the value-added tax, the above services shall continue to pay the applicable tax prescribed under the present provisions of the Code.

However, when public interest so requires, the Congress of the Republic of the Philippines, taking into account the impact on prices of goods and services, may exclude any of the above services from the coverage of the value-added tax: Provided, however, That in the event of the exclusion of any of the above services the existing applicable tax under the provisions of the Code shall continue to be paid on the service so excluded.

SEC. 16. Repealing Clause. - The provisions of RA No. 6938, otherwise known as the Cooperative Code of the Philippines, authorizing the exemption of cooperatives from the sales or value-added tax are hereby repealed. All other laws, orders, issuances, rules and regulations or parts thereof which are not consistent with these Regulations are hereby repealed, amended or modified accordingly.

SEC. 17. Effectivity. - These Regulations shall be effective beginning January 1, 1997.


ROBERTO F. DE OCAMPO
 Secretary of Finance

RECOMMENDING APPROVAL:


LIWAYWAY VINZON-CHATO
 Commissioner of Internal Revenue

