

Value added tax of the philippines

[Economics](#), [Tax](#)



Value-Added Tax is a form of sales tax. It is a tax on consumption levied on the sale, barter, exchange or lease of goods or properties and services in the Philippines and on importation of goods into the Philippines. It is an indirect tax, which may be shifted or passed on to the buyer, transferee or lessee of goods, properties or services.

1. What is a VAT registered individual? Any person or entity who, in the course of his trade or business, sells, barter, exchanges, leases goods or properties and renders services subject to VAT, if the aggregate amount of actual gross sales or receipts exceed One Million Five Hundred Thousand Pesos (P1, 500, 000. 00).

* A person required to register as VAT taxpayer but failed to register

* Any person, whether or not made in the course of his trade or business, who imports goods

2. What are the steps and requirements of the NIRC? First, an individual must fill-up BIR Form No. 2550 M(Monthly Value-Added Tax Declaration) in triplicate copies (two copies for the BIR and one copy for the taxpayer)

* If there is payment:

1. File the Monthly VAT declaration, together with the required attachments, and pay the VAT due thereon with any Authorized Agent Bank (AAB) under the jurisdiction of the Revenue District Office (RDO)/Large Taxpayers District Office (LTDO) where the taxpayer (head office of the business establishment) is registered or required to be registered.

2.

The taxpayer must accomplish and submit BIR-prescribed deposit slip, which the bank teller shall machine validate as evidence that payment was received by the AAB. The AAB receiving the tax return shall stamp mark the word " Received" on the return and machine validate the return as proof of filing the return and payment of the tax.

3. In places where there are no duly accredited agent banks, file the Monthly VAT declaration, together with the

required attachments and pay the VAT due with the Revenue Collection Officer (RCO) or duly authorized Treasurer of the

Municipality where such taxpayer (head office of the business establishment) is registered or required to be registered. 4. The RCO or duly authorized

Municipal/City Treasurer shall issue a Revenue Official Receipt upon payment

of the tax. * If there is no payment: File the Monthly VAT Declaration,

together with the required attachments with the RDO/LTDO/Large Taxpayers

Assistance Division, Collection Agent or duly authorized Municipal/ City

Treasurer of Municipality/City where the taxpayer (head office of the

business establishment) is registered or required to be registered. The

Documentary Requirements are: 1. Duly issued Certificate of Creditable VAT

Withheld at Source (BIR Form No. 2307), if applicable 2. Summary Alphabetical

list of Withholding Agents of Income Payments Subjected to Withholding Tax At

Source (SAWT), if applicable 3. Duly approved Tax Debit Memo, if applicable

4. Duly approved Tax Credit Certificate, if applicable 5. Authorization letter, if

return is filed by authorized representative. 3. What are the items subject to

12% VAT? Sale, barter, exchange or lease of goods or properties and

services in the Philippines and on importation of goods into the Philippines,

which are not considered as exempted or zero-rated, are subject to 12%

VAT. 4. What are the exempt transactions? VAT-exempt sale is a sale of

goods, properties or service and the use or lease of properties which is not

subject to output tax and whereby the buyer is not allowed any tax credit or

input tax related to such exempt sale. The VAT-exempt sale includes: A.

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 therefore; B. Sale or importation of fertilizers; seeds, seedlings and fingerlings; fish, prawn, livestock and poultry feeds, including ingredients, whether locally produced or imported, used in the manufacture of finished feeds (except specialty feeds for race horses, fighting cocks, aquarium fish, zoo animals and other animals considered as pets); C. Importation of personal and household effects belonging to residents of the Philippines returning from abroad and non-resident citizens coming to resettle in the Philippines; Provided, that such goods are exempt from custom duties under the Tariff and Customs Code of the Philippines; D.

Importation of professional instruments and implements, wearing apparel, domestic animals, and personal household effects (except any vehicle, vessel, aircraft, machinery and other goods for use in the manufacture and merchandise of any kind in commercial quantity) belonging to persons coming to settle in the Philippines, for their own use and not for sale, barter or exchange, accompanying such persons, or arriving within ninety (90) days before or after their arrival, upon the production of evidence satisfactory to the Commissioner of Internal Revenue, that such persons are actually coming to settle in the Philippines and that the change of residence is bonafide; E. Services subject to percentage tax under Title V of the Code, as amended; F. Services by agricultural contract growers and milling for others of palay into rice, corn into grits, and sugar cane into raw sugar; G. Medical, dental, hospital and veterinary services except those rendered by professionals; H.

Educational services rendered by private educational institutions duly accredited by the Department of Education (DepED), the Commission on Higher Education (CHED) and the Technical Education and Skills Development Authority (TESDA) and those rendered by the government educational institutions; I. Services rendered by individuals pursuant to an employer-employee relationship; J. Services rendered by regional or area headquarters established in the Philippines by multinational corporations which act as supervisory, communications and coordinating centers for their affiliates, subsidiaries or branches in the Asia-Pacific Region and do not earn or derive income from the Philippines; K. Transactions which are exempt under international agreements to which the Philippines is a signatory or under special laws except those granted under P. D. No. 529 - Petroleum Exploration Concessionaires under the Petroleum Act of 1949; L.

Sales by agricultural cooperatives duly registered and in good standing with the Cooperative Development Authority (CDA) to their members, as well as 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; M. Gross receipts from lending activities by credit or multi-purpose cooperatives duly registered and in good standing with the Cooperative Development Authority; N. Sales by non-agricultural, non-electric and non-credit cooperatives duly registered with and in good standing with CDA; Provided, that the share capital contribution of each member does not exceed Fifteen Thousand Pesos (P15,

000. 00) and regardless of the aggregate capital and net surplus ratably distributed among the members; O.

Export sales by persons who are not VAT-registered; P. The following sales of real properties are exempt from VAT, namely: * Sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business; * Sale of real properties utilized for low-cost housing as defined by RA No. 7279, otherwise known as the " Urban Development and Housing Act of 1992" and other related laws, such as RA No. 7835 and RA No. 8763; * Sale of real properties utilized for specialized housing as defined under RA No. 7279, and other related laws, such as RA No. 7835 and RA No. 8763, wherein price ceiling per unit is P225, 000. 0 or as may from time to time be determined by the HUDCC and the NEDA and other related laws; * Sale of residential lot valued at One Million Five Hundred Thousand Pesos (P1, 500, 000. 00) and below, or house and lot and other residential dwellings valued at Two Million Five Hundred Thousand Pesos (P2, 500, 000. 00) and below where the instrument of sale/ transfer/ disposition was executed on or after July 1, 2005; Provided, that not later than January 31, 2009 and every three (3) years thereafter, the amounts stated herein shall be adjusted to its present value using the Consumer Price Index, as published by the National Statistics Office (NSO); Provided, further, that such adjustment shall be published through revenue regulations to be issued not later than March 31 of each year. Q.

Lease of residential units with a monthly rental per unit not exceeding Ten Thousand Pesos (P10, 000. 00), regardless of the amount of aggregate rentals received by the lessor during the year; Provided, that not later than

January 31, 2009 and every three (3) years thereafter, the amount of P10,000.00 shall be adjusted to its present value using the Consumer Price Index, as published by the NSO; R. Sale, importation, printing or publication of books and any newspaper, 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; S.

Sale, importation or lease of passenger or cargo vessels and aircraft, including engine equipment and spare parts thereof for domestic or international transport operations; Provided, that the exemption from VAT on the importation and local purchase of passenger and/or cargo vessels shall be limited to those of one hundred fifty (150) tons and above, including engine and spare parts of said vessels; Provided, further, that the vessels to be imported shall comply with the age limit requirement, at the time of acquisition counted from the date of the vessel's original commissioning, as follows: (a) for passenger and/or cargo vessel, the age limit is fifteen (15) years old, (b) for tankers, the age limit is ten (10) year old, and (c) for high-speed passengers crafts, the age limit is five (5) years old; Provided, finally, that exemption shall be subject to the provisions of Section 4 of Republic Act No. 9295, otherwise known as " The Domestic Shipping Development Act of 2004"; T. Importation of life-saving equipment, safety and rescue equipment and communication and navigational safety equipment, steel plates and other metal plates including marine-grade aluminum plates, used for shipping transport operations; Provided, that the exemption shall be subject to the provisions of Section 4 of Republic Act No. 9295, otherwise known as " The Domestic Shipping Development Act of 2004". U.

Importation of capital equipment, machinery, spare parts, life-saving and navigational equipment, steel plates and other metal plates including marine-grade aluminum plates to be used in the construction, repair, renovation or alteration of any merchant marine vessel operated or to be operated in the domestic trade. Provided, that the exemption shall be subject to the provisions of Section 19 of Republic Act No. 9295, otherwise known as the "The Domestic Shipping Development Act of 2004".

V. Importation of fuel, goods and supplies engaged in international shipping or air transport operations; Provided, that the said fuel, goods and supplies shall be used exclusively or shall pertain to the transport of goods and/or passenger from a port in the Philippines directly to a foreign port, or vice-versa, without docking or stopping at any other port in the Philippines unless the docking or stopping at any other Philippine port is for the purpose of unloading passengers and/or cargoes that originated from abroad, or to load passengers and/or cargoes bound for abroad; Provided, further, that if any portion of such fuel, goods or supplies is used for purposes other than the mentioned in the paragraph, such portion of fuel, goods and supplies shall be subject to 12% VAT;

W. Services of banks, non-bank financial intermediaries performing quasi-banking functions, and other non-bank financial intermediaries, such as moneychangers and pawnshops, subject to percentage tax under Sections 121 and 122, respectively of the Tax Code;

and X. 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 do not exceed the amount of One Million Five Hundred Thousand Pesos (P1, 500, 000. 00). Provided, that not later

than January 31, 2009 and every three (3) years thereafter, the amount of P1, 500, 000. 0 shall be adjusted to its present value after using the Consumer Price Index, as published by the NSO. 5. What is the zero-rated? Zero-rated sale is a sale, barter or exchange of goods, properties and/or services subject to 0% VAT pursuant to Sections 106 (A) (2) and 108 (B) of the Tax Code. It is a taxable transaction for VAT purposes, but shall not result in any output tax. However, the input tax on purchases of goods, properties or services, related to such zero-rated sales, shall be available as tax credit or refund in accordance with RR No. 16-2005. * The following services performed in the Philippines by VAT-registered person shall be subject to zero percent (0%) rate: A.

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); B. Services other than processing, manufacturing or repacking rendered to a person engaged in business conducted outside the Philippines or to a non-resident person engaged in business who is outside the Philippines when the services are performed, the consideration for which is paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP); C.

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; D. Services rendered to persons engaged in international shipping or air transport

operations, including leases of property for use thereof; Provided, however, that the services referred to herein shall not pertain to those made to common carriers by air and sea relative to their transport of passengers, goods or cargoes from one place in the Philippines to another place in the Philippines, the same being subject to twelve percent (12%) VAT under Sec. 08 of the Tax Code starting Feb. 1, 2006; E. Services performed by subcontractors and/or contractors in processing, converting, or manufacturing goods for an enterprise whose export sales exceeds seventy percent (70%) of total annual production; F. Transport of passengers and cargo by domestic air or sea carriers from the Philippines to a foreign country. Gross receipts of international air carriers doing business in the Philippines and international sea carriers doing business in the Philippines are still liable to a percentage tax of three percent (3%) based on their gross receipts as provided for in Sec. 118 of the Tax Code but shall not be liable to VAT; and G.

Sale of power or fuel generated through renewable sources of energy such as, but not limited to, biomass, solar, wind, hydropower, geothermal and steam, ocean energy, and other shipping sources using technologies such as fuel cells and hydrogen fuels; Provided, however that zero-rating shall apply strictly to the sale of power or fuel generated through renewable sources of energy, and shall not extend to the sale of services related to the maintenance or operation of plants generating said power . * The following sales by VAT-registered persons shall be subject to zero percent (0%) rate: A. Export sales B. The sale and actual shipment of goods from the Philippines to a foreign country, irrespective of any shipping arrangement that may be

agreed upon which may influence or determine the transfer of ownership of the goods so exported, paid in acceptable foreign currency or its equivalent in goods or services, and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP); C.

The sale of raw materials or packaging materials to a non-resident buyer for delivery to as resident local export-oriented enterprise to be used in manufacturing, processing, packing or repacking in the Philippines of the said buyer's goods, paid for in acceptable foreign currency, and accounted for in accordance with the rules and regulations of the BSP; D. The sale of raw materials or packaging materials to an export-oriented enterprise whose export sales exceed seventy percent (70%) of total annual production; E. Sale of gold to the BSP; F. Transactions considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, and otherspecial laws; and G.

The sale of goods, supplies, equipment and fuel to persons engaged in international shipping or international air transport operations; Provided, that the same is limited to goods, supplies, equipment and fuel pertaining to or attributable to the transport of goods and passengers from a port in the Philippines directly to a foreign port, or vice-versa without docking or stopping at any other port in the Philippines unless the docking or stopping at any other Philippine port is for the purpose of unloading passengers and/or cargoes that originated from abroad, or to load passengers and/or cargoes bound for abroad; Provided, further, that if any portion of such fuel, goods or supplies is used for purposes other than the mentioned in this paragraph, such portion of fuel, goods and supplies shall be subject to twelve

percent (12%) output VAT. H. Foreign Currency Denominated Sales I. The sale to a non-resident of goods, except those mentioned in Sections 149 and 150 of the Tax Code, assembled or manufactured in the Philippines for delivery to a resident in the Philippines, paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP. J. Sales to Persons or Entities Deemed Tax-exempt under Special Law or International Agreement K.

Sale of goods or property to persons or entities who are tax-exempt under special laws or international agreements to which the Philippines is a signatory, such as, Asian Development Bank (ADB), International Rice Research Institute (IRRI), etc. 6. What is the difference between exempt and zero-rated? * Exempted transactions are not subject to output tax and whereby the buyer is not allowed any tax credit or input tax related to such exempt sale; however, Zero-rated transactions, subject to 0% VAT, are taxable transactions for VAT purposes, but shall not result in any output tax. Zero-rated transactions shall be available as tax credit or refund. 7. How do you compute the VAT? On sale of goods and properties - twelve percent (12%) of the gross selling price or gross value in money of the goods or properties sold, bartered or exchanged * On sale of services and use or lease of properties - twelve percent (12%) of gross receipts derived from the sale or exchange of services, including the use or lease of properties * On importation of goods - twelve percent (12%) based on the total value used by the Bureau of Customs in determining tariff and customs duties, plus customs duties, excise taxes, if any, and other charges, such as tax to be paid by the importer prior to the release of such goods from customs

custody; provided, that where the customs duties are determined on the basis of quantity or volume of the goods, the VAT shall be based on the landed cost plus excise taxes, if any. * On export sales and other zero-rated sales - 0% 8. When is the deadline for filing the Value Added Tax return? * Monthly VAT Declarations shall be filed not later than the 20th day following the end of each month. Quarterly Value-Added Tax Return within twenty five (25) days following the close of taxable quarter. Reference: [http://www. bir. gov. ph/taxinfo/tax_vat. htm](http://www.bir.gov.ph/taxinfo/tax_vat.htm)