



Tax in a Dot

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Prepared by Deloitte Philippines' tax professionals, this newsletter summarizes the latest Philippine tax regulations and other updates.

TAX-2022-002

Removal of VAT zero-rating on certain export sale transactions

The two conditions requiring the successful establishment and implementation of an enhanced value-added tax (VAT) refund system and refund of all pending VAT refund claims as of 31 December 2017 under Sections 106(A)(2)(a) and 108(B) of the Tax Code, as amended, have been fully satisfied; hence, the following transactions treated as VAT zero-rated shall now be subject to 12% VAT:

1. Transactions considered export sales under subparagraphs (3), (4), and (5) of Section 106(A)(2) of the Tax Code:
 - a. Sale of raw materials or packaging materials to a non-resident buyer for delivery to a resident local export-oriented enterprise to be used in manufacturing,

- processing, packing, or repacking in the Philippines of the said buyer's goods and paid for in acceptable foreign currency, and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP)
- b. Sale of raw materials or packaging materials to an export-oriented enterprise whose export sales exceed 70% of total annual production
 - c. Those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, and other special laws
2. The sale of services and use or lease of properties under subparagraphs (1) and (5) of Section 108(B) of the Tax Code:
- a. Processing, manufacturing, or repacking goods for other persons doing business outside the Philippines, with the goods subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP
 - b. Services performed by subcontractors and/or contractors in processing, converting, or manufacturing goods for an enterprise whose export sales exceed 70% of the total annual production

Please see attached Revenue Regulations No. 9-2021 for your reference. This will take effect on 27 June 2021, after its publication on 12 June 2021 in The Philippine Star.

Contact us

Should you have any comments or questions arising from this newsletter, please contact either the listed contacts below, or any member of the [Philippines Tax & Legal team](#).

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