



VAT

AND

PERCENTAGE TAX

UNDER THE CREATE LAW



REVENUE REGULATION NO. 4-2021

ADDITIONAL VAT-EXEMPT TRANSACTIONS

1. SALE OF RESIDENTIAL PROPERTIES

- Residential Lot – 1,500,000 and below
- House and Lot and Other Residential Dwellings – 2,500,000 and below

Provided that, Beginning JANUARY 1, 2021

Vat exemption shall only apply to:

- a. Sale of real properties not primarily held for sale to customers or lease in the ordinary course of business.
- b. Sale of real properties utilized for socialized housing (R.A No. 7279)
- c. Sale of house and lot and other residential dwellings with selling price not more than 2,000,000

Take note: 3 years thereafter, the amounts stated herein shall be adjusted to its present value using the Consumer Price Index published by PSA.

2. SALE AND IMPORTATION OF EDUCATIONAL LEARNING MATERIALS INCLUDING THE ELECTRONIC FORMAT THEREOF

- Sale, importation, printing or publication of books and any newspaper, magazine, **journal**, review, bulletin, **or such educational reading material covered by UNESCO Agreement on the Importation of Educational, Scientific and Cultural Materials, including the digital or electronic format thereof:**

Requisites for Exemption:

1. The materials enumerated herein are not devoted principally to the publication of paid advertisements unless taxable.
2. The materials enumerated herein are compliant with the requirements set forth by the National Book Development Board and pursuant to R.A No. 8047.

3. SALE OR IMPORTATION OF PRESCRIPTION DRUGS AND MEDICINES

Exclusive to the following drugs and medicines for:

- a. Diabetes, high cholesterol, and hypertension beginning **January 1, 2020**
- b. Cancer, mental illness, tuberculosis, and kidney diseases beginning **January 1, 2021.**

Exclusively Applicable to:

- Manufacturers, Distributors, wholesalers and retailer of drugs and medicines included in the “List of Approved Drugs and Medicines” issued by the DOH.

4. SALE OR IMPORTATION OF MATERIALS FOR THE PRODUCTION OF PPE COMPONENTS AND ALL DRUGS FOR THE TREATMENT OF COVID-19

Effective: JANUARY 1, 2021 – DECEMBER 31, 2023

1. PRODUCTION OF PPE COMPONENTS

- Capital equipment, its spare parts and raw materials, necessary for the production of personal protective equipment components such as coveralls, gown, surgical cap, surgical mask, N-95 mask, scrub suits, goggles and face shield, double or surgical gloves, dedicated shoes and shoe covers for COVID-19 prevention.

2. ALL DRUGS, VACCINES AND MEDICAL DEVICES

- All drugs, vaccines and medical devices specifically prescribed and directly used for the treatment of COVID-19.
- Within sixty (60) days from the effectivity of the CREATE, and every three (3) months thereafter, the DOH shall issue a list of prescription drugs and medical devices.

3. DRUGS FOR COVID-19 TREATMENT INCLUDING RAW MATERIALS FOR PRODUCTION

- Drugs for the treatment of COVID-19 approved by the Food and Drugs Administration (FDA) for use in clinical trials, including raw materials directly necessary for the production of such drugs.

Requisites for Exemption:

Provided, that Department of Trade and Industry (DTI) **shall certify** that such equipment, spare parts or raw materials for **importation** are:

- A. Not locally available or insufficient in quantity, or
- B. Not in accordance with the quality or specification required.

4. REQUIREMENTS IN AVAILING THE VAT-EXEMPTION

Exclusive to: Suppliers or Importer

Involved Transaction:

- a. Sale or importation of equipment, spare parts and raw materials for the production of PPE components.
- b. Sale or importation of raw materials directly necessary for the production of drugs for the treatment of Covid-19.

Requirements:

- a. License to Operate issued by DOH-FDA
- b. Sworn Declaration

Take Note: The exemption claimed under this subsection shall be subject to **post-audit** by the BIR and BOC as may be applicable.

TAX ON PERSONS EXEMPT FROM VAT

Any person whose sales and receipts under Sec. 109 (CC) of this Code from the payment of value-added tax and who is not a VAT-registered person shall pay a tax equivalent to three percent (3%) of his gross quarterly sales or receipts:

The following shall be exempt from the payment of three percent (3%) percentage tax:

1. Cooperatives
2. Self-employed individuals and professionals availing of the 8% tax on gross sales and or receipts and other non-operating income.

Provided, further that effective **JULY 1, 2020 – JUNE 30, 2023**, the rate shall be one percent (**1%**).

REFERENCE:

Revenue Regulation No.4 – 2021 Implementing the Provisions on Value-Added Tax and Percentage Tax under Republic Act No. 11534.

https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202021/RR%20NO.%204%20-%202021.pdf