

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

*Be it enacted by the Senate and House of Representatives of the  
Philippines in Congress assembled:*

SECTION 1. Section 3 of Republic Act No. 7716 is hereby  
amended to read as follows:

"SEC. 3. Section 102 of the National Internal Revenue  
Code, as amended, is hereby further amended to read as follows:

"SEC. 102. *Value-added tax on sale of services and use or  
lease of properties.* – (a) *Rate and base of tax.* – There shall be  
levied, assessed and collected, a value-added tax equivalent to ten  
percent (10%) of gross receipts derived from the sale or exchange  
of services, including the use or lease of properties.

"The phrase '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 construction and service contractors; stock, real  
estate, commercial, customs and immigration brokers; lessors of  
property, whether personal or real; warehousing services; lessors  
or distributors of cinematographic films; persons engaged in  
milling, processing, manufacturing or repacking goods for others;  
proprietors, operators or keepers of hotels, motels, resthouses,  
pension houses, inns, resorts; proprietors or operators of  
restaurants, refreshment parlors, cafes and other eating places,  
including clubs and caterers; dealers in securities; lending  
investors; transportation contractors on their transport of goods  
or cargoes, including persons who transport goods or cargoes for

hire and other domestic common carriers by land, air, and water relative to their transport of goods or cargoes; services of franchise grantees of telephone and telegraph, radio and television broadcasting and all other franchise grantees except those under Section 117 of this Code; services of banks, non-bank financial intermediaries and finance companies; and non-life insurance companies (except their crop insurances) including surety, fidelity, indemnity and bonding companies; and similar services regardless of whether or not the performance thereof calls for the exercise or use of the physical or mental faculties. The phrase 'sale or exchange of services' shall likewise include:

"(1) The lease or the use of or the right or privilege to use any copyright, patent, design or model, plan, secret formula or process, goodwill, trademark, trade brand or other like property or right;

"(2) The lease or the use of, or the right to use of any industrial, commercial or scientific equipment;

"(3) The supply of scientific, technical, industrial or commercial knowledge or information;

"(4) The supply of any assistance that is ancillary and subsidiary to and is furnished as a means of enabling the application or enjoyment of any such property, or right as is mentioned in subparagraph (2) or any such knowledge or information as is mentioned in subparagraph (3);

"(5) The supply of services by a nonresident person or his employee in connection with the use of property or rights belonging to, or the installation or operation of any brand, machinery, or other apparatus purchased from such nonresident person;

"(6) The supply of technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme;

"(7) The lease of motion picture films, films, tapes and discs; and

"(8) The lease or the use of or the right to use radio, television, satellite transmission and cable television time.

"Lease of properties shall be subject to the tax herein imposed irrespective of the place where the contract of lease or licensing agreement was executed if the property is leased or used in the Philippines.

"The term 'gross receipts' means the total amount of money or its equivalent representing the contract price, compensation, service fee, rental or royalty, including the amount charged for materials supplied with the services and deposits and advanced payments actually or constructively received during the taxable quarter for the services performed or to be performed for another person, excluding value-added tax.

"(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 those mentioned in the preceding subparagraph, 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);

"(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) Services rendered to vessels engaged exclusively in international shipping; and

"(5) Services performed by subcontractors and/or contractors in processing, converting, or manufacturing goods for an enterprise whose export sales exceed seventy percent (70%) of total annual production.

"(c) *Determination of the tax.* – The tax shall be computed by multiplying the total amount indicated in the official receipt by 1/11."

SEC. 2. Section 4 of Republic Act No. 7716 is hereby amended to read as follows:

"SEC. 4. Section 103 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 103. *Exempt Transactions.* – The following shall be exempt from the value-added tax:

"(a) Sale of nonfood agricultural products; marine and forest products in their original state by the primary producer or the owner of the land where the same are produced;

"(b) Sale of cotton and cotton seeds in their original state; and copra;

"(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.

"Products classified under this paragraph and paragraph (a) 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. Polished and/or husked rice, corn grits, raw cane sugar and molasses, and ordinary salt shall be considered in their original state;

"(d) 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 generally considered as pets);

"(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 petrolatum) subject to excise tax imposed under Title VI;

"(f) Sale or importation of raw materials to be used by the buyer or importer himself in the manufacture of petroleum products subject to excise tax, except lubricating oil, processed gas, grease, wax, and petrolatum;

"(g) Importation of passenger and/or cargo vessel of more than five thousand tons, whether coastwise or ocean-going, including engine and spare parts of said vessel to be used by the importer himself as operator thereof;

"(h) Importation of personal and household effects belonging to the residents of the Philippines returning from abroad and nonresident citizens coming to resettle in the Philippines: *Provided*, That such goods are exempt from customs duties under the Tariff and Customs Code of the Philippines;

"(i) Importation of professional instruments and implements, wearing apparel, domestic animals, and personal household effects (except any vehicle, vessel, aircraft, machinery, 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 *bona fide*;

"(j) Services subject to percentage tax under Title V;

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

"(l) Medical, dental, hospital and veterinary services subject to the provisions of Section 17 of Republic Act No. 7716, as amended;

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

"(n) Sale by the artist himself of his works of art, literary works, musical compositions and similar creations, or his services performed for the production of such works;

"(o) Services rendered by individuals pursuant to an employer-employee relationship;

"(p) 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;

"(q) Transactions which are exempt under international agreements to which the Philippines is a signatory or under special laws, except those under Presidential Decree Nos. 66, 529, and 1590;

"(r) Sales by agricultural cooperatives duly registered with the Cooperative Development Authority 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 Cooperative Development Authority or National Electrification Administration, 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 Cooperative Development Authority whose lending operation is limited to their members;

"(u) Sales by non-agricultural, non-electric and non-credit cooperatives duly registered with the Cooperative Development Authority: *Provided*, That the share capital contribution of each member does not exceed Fifteen thousand pesos (P15,000) and regardless of the aggregate capital and net surplus ratably distributed among the members;

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

"(w) Sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business or real property utilized for low-cost and socialized housing as defined by Republic Act No. 7279, otherwise known as the Urban Development and Housing Act of 1992, and other related laws, house and lot and other residential dwellings valued at One million pesos (P1,000,000) and below: *Provided*, That not later than January 31st of the calendar year subsequent to the effectivity of this Act and each calendar year thereafter, the amount of One million pesos (P1,000,000) shall be adjusted to its present value using the consumer price index, as published by the National Statistics Office (NSO);

"(x) Lease of a residential unit with a monthly rental not exceeding Eight thousand pesos (P8,000): *Provided*, That not later than January 31st of the calendar year subsequent to the effectivity of this Act and each calendar year thereafter, the amount of Eight thousand pesos (P8,000) shall be adjusted to its present value using the consumer price index, as published by the National Statistics Office (NSO);

"(y) 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;

"(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 do not exceed the amount of Five hundred fifty thousand pesos (P550,000): *Provided*, That not later than January 31st of the calendar year subsequent to the effectivity of this Act and each calendar year thereafter, the amount of Five hundred fifty thousand pesos (P550,000) shall be adjusted to its present value using the consumer price index, as published by the National Statistics Office (NSO);

"The foregoing exemptions to the contrary notwithstanding, any person whose sale of goods or 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 Section 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 Section 104, all of this Code."

SEC. 3. Section 105 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 105. *Transitional / Presumptive Input Tax Credits.*  
– (a) *Transitional Input Tax Credits.* – A person who becomes liable to value-added tax or any person who elects to be a VAT-registered person shall, subject to the filing of an inventory as prescribed by regulations, be allowed input tax on his beginning inventory of goods, materials and supplies equivalent to eight percent (8%) of the value of such inventory or the actual value-added tax paid on such goods, materials and supplies, whichever is higher, which shall be creditable against the output tax.

"(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 (b), 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."

SEC. 4. Section 7 of Republic Act No. 7716 is hereby amended to read as follows:

"SEC. 7. Section 107 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 107. *Registration of value-added taxpayers.* – (a) *In General.* – Any person subject to a value-added tax under Sections 100 and 102 of this Code shall register with the appropriate Revenue District Officer and pay an annual registration fee in the amount of One thousand pesos (P1,000) for every separate or distinct establishment or place of business and every year thereafter on or before the last day of January. Any person just commencing a business subject to the value-added tax must pay the fee before engaging therein.

"A person who maintains a head or main office and branches in different places shall register with the Revenue District Office which has jurisdiction over the place wherein the main or head office is located. However, the fee shall be paid to the Revenue District Officer, collection agent, authorized treasurer of the municipality where each place of business or branch is situated.

"(b) *Persons commencing business.* – Any person who expects to realize gross sales or receipts subject to value-added tax in excess of the amount prescribed under Section 103(z) of this Code for the next 12-month period from the commencement of the business shall, within thirty (30) days before the start of the said business register with the Revenue District Officer who has jurisdiction over his principal place of business and shall pay the annual registration fee prescribed in the preceding paragraph.

"(c) *Persons becoming liable to the value-added tax.* – Any person whose gross sales or receipts in any 12-month period exceeds the amount prescribed under Section 103(z) of this Code for exemption from the value-added tax shall register and pay the annual registration fee prescribed in paragraph (a) of this section within thirty (30) days after the end of the last month of that period, and shall be liable to the value-added tax commencing from the first day of the month following his registration.

"(d) *Optional registration of exempt person.* – Any person whose transactions are exempt from value-added tax under Section 103(z) of this Code, Section 103(a), (b), (c), and (d) of this Code with respect to export sales only, and Section 103(j) with respect to services of franchise grantees of radio and/or television broadcasting as defined under Section 117 of this Code, may apply for registration as a VAT-registered person not later than ten (10) days before the beginning of the taxable quarter and shall pay the annual registration fee prescribed in subparagraph (a) of this section.

"In any case, the Commissioner may, for administrative reason, deny any application for registration.

"For purposes of this Title, any person registered in accordance with the provisions of this section shall be referred to as a 'VAT-registered person.' Each VAT-registered person shall be assigned only one taxpayer's identification number.

"(e) *Cancellation of registration.* – The registration of any person who ceases to be liable to the value-added tax shall be cancelled by the Commissioner upon filing of an application for cancellation of registration. Any person who opted to be registered

under paragraph (d) of this section may, under regulation of the Secretary of Finance, apply for cancellation of such registration."

SEC. 5. Section 9 of Republic Act No. 7716 is hereby amended to read as follows:

"SEC. 9. Section 110(c) of the National Internal Revenue Code, is hereby further amended to read as follows:

"(c) Withholding of Creditable Value-Added Tax. – 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 each purchase of goods from sellers and services rendered by contractors which are subject to the value-added tax imposed in Sections 100 and 102 of this Code, deduct and withhold the value-added tax 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 services rendered by contractors on every sale or installment payment which shall be creditable against the value-added tax liability of the seller or contractor: *Provided, however,* That in the case of government public works contractors, the withholding rate shall be eight and one-half percent (8.5%): *Provided, further,* That the payment for lease or use of properties or property rights to nonresident owners shall be subject to ten percent (10%) withholding tax at the time of payment. For this purpose, the payor or person in control of the payment shall be considered as the withholding agent.

"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. 6. Section 10 of Republic Act No. 7716 is hereby amended to read as follows:

"SEC. 10. Section 112 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 112. *Tax on persons exempt from value-added tax (VAT).* – Any person whose sales or receipts are exempt under Section 103(z) 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: *Provided,* That cooperatives shall be exempt from the three percent (3%) gross receipts tax herein imposed."

SEC. 7. Section 11 of Republic Act No. 7716 is hereby amended to read as follows:

"SEC. 11. Section 115 of the National Internal Revenue Code, as amended, is hereby further 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 *per centum* (3%) of their quarterly gross receipts.

"The gross receipts of common carriers derived from their incoming and outgoing freight shall not be subjected 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 P2,400

"2. Provincial 1,200

"Public utility bus –

"Not exceeding 30 passengers P3,600

"Exceeding 30 but not exceeding 50 passengers	6,000
"Exceeding 50 passengers	7,200
"Taxis –	
"1. Manila and other cities	P3,600
"2. Provincial	2,400
"Car for hire (w/ chauffeur)	3,000
"Car for hire (w/o chauffeur)	1,800"

SEC. 8. A new section is hereby added after Section 115 of the National Internal Revenue Code, as amended, to read as follows:

"SEC. 115-A. *Percentage tax on international carriers.*

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

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

SEC. 9. Section 12 of Republic Act No. 7716 is hereby amended to read as follows:

"SEC. 12. Section 117 of the National Internal Revenue Code, as amended, 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), subject to Section 107(d) of this Code, 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 tax payer 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. 10. Section 15 of Republic Act No. 7716 is hereby amended to read as follows:

"SEC. 15. Section 237 of the National Internal Revenue Code, as amended, 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 10 days from the commencement of business or transfer and shall pay the annual registration fee in the amount of Five hundred pesos (P500) 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 of 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. 11. Section 17 of Republic Act No. 7716 is hereby amended to read as follows:

"SEC. 17. *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 Republic Act 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 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 Republic Act 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 National Internal Revenue Code, as amended.

"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 National Internal Revenue Code, as amended, shall continue to be paid on the service so excluded."

SEC. 12. *Rules and Regulations.* – For the effective implementation of this Act, the Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate the necessary rules and regulations, within sixty (60) days from effectivity hereof: *Provided,* That other agencies, such as, but not limited to, the Philippine Information Agency (PIA), Office of the Press Secretary (OPS), the Bureau of Internal Revenue (BIR) and the Department of Trade and Industry (DTI), shall develop and implement an Information, Education and Communication (IEC) campaign program with the end in view of effectively informing the public on the details of the expanded value-added tax implementation.

SEC. 13. *Repealing Clause.* – The provisions of Republic Act 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 this Act are hereby repealed, amended or modified accordingly.

SEC. 14. *Effectivity.* – This Act shall take effect on January 1, 1997.

Approved, December 20, 1996.