February 4, 2021

BIR RULING NO. VAT-016-21

Sec. 109 (1)(A) of the Tax Code of 1997; BIR Ruling No. 107-2019

Sympa International Consolidated Corporation
(Doing Business under the name and style of WCC Wilson's Coffee Company and Mr. Coffee Roasters Philippines)
1818 L.M. Guerrero Street
Brgy. 687 Zone 76, District V
Malate, Manila 1010

Attention: *AAA*

Gentlemen :

This refers to your letter dated January 14, 2019, requesting on behalf of SYMPA INTERNATIONAL CONSOLIDATED CORPORATION for exemption from value-added tax (VAT) on its sale and distribution of roasted whole beans and ground coffee, pursuant to Section 109 (1) (A) of the National Internal Revenue Code (Tax Code) of 1997, as amended.

Documents submitted show that SYMPA INTERNATIONAL CONSOLIDATED CORPORATION, with Taxpayer's Identification Number (TIN) 000-000-000-000, is a corporation organized and existing under Philippine laws; that it is duly registered with the Securities and Exchange Commission (SEC) under SEC Reg. No. AS95003962 dated April 21, 1995; and that as shown in its Amended Articles of Incorporation, its primary purpose is *to engage in, operate, conduct and maintain the business of manufacturing, exporting, buying, selling or otherwise dealing in, at wholesale and retail goods such as coffee beans and other agricultural products and other related goods of the same nature, and any and all equipment, materials, supplies used or employed in or related to manufacture of such finished products*.

SYMPA INTERNATIONAL CONSOLIDATED CORPORATION was issued a Certificate of Product Registration on March 26, 2020 by the Food and Drug Administration

Copyright 2021 CD Technologies Asia, Inc.

under FDA Registration No. FR-4000005913615, valid until March 26, 2022, as manufacturer of 100% Natural Roasted Coffee (Whole Beans) with License to Operate (LTO) No. CFRR-NCR-FM-4559 dated July 14, 2016, valid until April 12, 2021.

In reply, please be informed that Section 109 (1) (A) of the Tax Code of 1997, as amended, provides for the exemption from VAT on the sale of roasted coffee beans and ground coffee which are packed in ordinary paper, plastic or aluminum foil bags. The aforesaid provision reads, *viz.*:

> *"SEC. 109. Exempt Transactions. — (1) Subject to the provisions of subsection (2) hereof, the following transactions shall be exempt from the value-added tax:*
>
> *A) Sale or importation of agricultural and marine food products in their original state, livestock and poultry of 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."*

Based on the above-cited provision, the importation and distribution/sale of agricultural products in its original state for human consumption, are considered exempt from 12% VAT pursuant to Section 109 (1) (A) of the Tax Code of 1997, as amended. Agricultural products are considered in its original state even if these have undergone the simple process of preparation or preservation for the market, such as freezing, drying, salting, broiling, roasting, or stripping. The type of processing is limited to the aforementioned simple processes. Otherwise, the same may no longer be considered agricultural product in its original state. Moreover, the VAT exemption is limited in application — it refers only to food products which are intended for human consumption.

In view of the foregoing, since roasted coffee beans and ground coffee are considered agricultural products in its original state, the importation and distribution/sale thereof by SYMPA INTERNATIONAL CONSOLIDATED CORPORATION are exempt from the twelve percent (12%) VAT pursuant to Section 109 (1) (A) of the Tax Code of 1997, as amended. It is understood that the sale of such product must be covered by valid and existing License to Operate issued by the Food and Drug Administration.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be disclosed that the facts are different, then this ruling shall be considered null and void.

Copyright 2021 CD Technologies Asia, Inc.

Very truly yours,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

Copyright 2021 CD Technologies Asia, Inc.