REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

Sections 109 (R) of the Tax Code, as amended.
RR No. 16-2005, as amended
BIR Ruling No. VAT-322-2022
VAT- 030-2024
JUN 05 2024

THE INTELIGENTE PUBLISHING, INC.
LG10 Tower D, Victoria Towers, Mother Ignacia Ave.,
Brgy. Paligsahan, Quezon City, 1103

Attention: **Marc Jay J. Yamomo**
Managing Director

Gentlemen:

This refers to your letter requesting for an opinion or ruling whether the Company, The Inteligente Publishing, Inc., falls within the exemption under Section 109 (y) *(sic)* of the National Internal Revenue Code (Tax Code) of 1997, as amended.

It is represented that the Company is a domestic corporation duly organized and existing under the laws of the Republic of the Philippines; and that it is registered with the National Book Development Board (NBDB) with Certificate of Registration No. valid until August 30, 2024, as a Book Publisher (Print) and Book Seller (Retail and Wholesale) in accordance with the provisions of Republic Act (RA) No. 8047, otherwise known as the "Book Publishing Industry Development Act."

Primarily, the Company is engaged to carry on the business as proprietors and publishers of books, and other educational materials, journals, newspapers, and other literary work and undertakings. Moreover, it is also operating to carry on the business as printers, books sellers, book binders, paper makers, stationers, engraver, photographic printer, stereotypes, electrotypes, bibliographers, machinists, silk screeners or other related activities.

In reply, please be informed that Section 12 of RA No. 8047 affords persons or entities engaged in the book industry tax incentives, *viz*:

> *"Section 12. Incentives for Book Development. . . . .*
>
> *xxx xxx xxx*
>
> *Books, magazines, periodicals, newspapers, including book publishing and printing, as well as its distribution and circulation, shall be exempt from the coverage of the expanded value added tax law."*
> *(Underscoring supplied)*

Moreover, Section 109 (1) (R) of the Tax Code of 1997, as amended, states that:

> *"Sec. 109. Exempt Transactions. —*

(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the value added tax.

xxx xxx xxx

(R) Sale, importation, printing or publication of books, and any newspaper, magazine, journal, review bulletin, or any such educational reading material covered by the UNESCO Agreement on the Importation of Educational, Scientific and Cultural Materials, including the digital or electronic format thereof: Provided, That the materials enumerated herein are not devoted principally to the publication of paid advertisements; xxx"

In relation thereto, Section 4.109-1 (B) (r) of Revenue Regulations (RR) No. 16-2005, as amended, states that:

"Section 4.109-1. VAT Exempt Transactions. —

xxx xxx xxx

(B) Subject to the provisions of Section 4.109.2 hereof, the following transactions shall be exempt from VAT:

xxx xxx xxx

(r) Sale, importation, printing or publication of books, and any newspaper, magazine, journal, review bulletin, or any such educational reading material covered by the United Nations Educational, Scientific and Cultural Organization (UNESCO) Agreement on the importation of educational, scientific and cultural materials, including the digital or electronic format thereof. Provided, That the materials enumerated herein are not devoted principally to the publication of paid advertisements. Provided further, That the materials enumerated herein are compliant with the requirements set forth by the National Book Development Board pursuant to R.A. No. 8047."

From the foregoing, the Company is exempt from the twelve percent (12%) VAT on its sale, importation, printing or publication of books, and any newspaper, magazine, journal, review bulletin, or any such educational reading material covered by the UNESCO Agreement on the Importation of Educational, Scientific and Cultural Materials, including the digital or electronic format thereof, provided that the materials enumerated herein are not devoted principally to the publication of paid advertisements; and are compliant with the requirements set forth by the NBDB pursuant to RA No. 8047.

The exemption, however, is limited only to the transactions enumerated and does not extend to activities such as the printing of brochures, bookbinding, engraving, stereotyping, electrotyping, lithographing of various reference books, trade books, journals and other literary works. These non-exempt transactions are subject to VAT, and the Company shall be required to register its business as VAT business entity and must issue a separate VAT invoice/receipt therefor to record the same.

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It bears stressing that VAT is an indirect tax payable by the seller and not the purchaser of goods. Being an indirect tax, it can be shifted or passed on to the buyer/purchaser, transferee or lessee of the goods, properties or services. Once shifted to the buyer/customer as an addition to the cost of goods or services sold, it is no longer a tax but an additional cost which the buyer/customer has to pay in order to obtain the goods or services. Thus, the shifting of the VAT to the Company does not make it the person directly liable and therefore, it cannot invoke its tax exemption privilege under Section 109 (1) (R) of the Tax Code of 1997, as amended, to avoid the passing on or shifting of the VAT. Hence, its purchase of goods, properties, or services from its suppliers shall nevertheless be subject to the 12% VAT pursuant to Section 107 of the same Code.

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

Very truly yours,

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

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