REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Republic Act (RA) No. 7459; Revenue Regulations (RR) No. 19-1993
BIR Ruling No. 505-2019
INV-131-2022 APR 06 2022

DEPARTMENT OF SCIENCE AND TECHNOLOGY
Technology Application and Promotion Institute
TAPI Bldg., DOST Compound, General Santos Avenue
Bicutan, Taguig City

Attention: **Edgar I. Garcia**
Director, TAPI & Secretariat, SC for RA 7459

Sir:

This refers to your letter requesting for clarification on the tax privilege of inventors pursuant to Republic Act (RA) No. 7459, otherwise known as the "*Inventors and Inventions Incentives Act of the Philippines*" in relation to BIR Ruling No. 011-2016 which states that "*the tax exemption is for the inventor and not for the entity that commercially produces and distributes the invented product*".

Prefatorily, it is in keeping with the basic rule that a corporation is a juridical entity which is vested with a legal personality separate and distinct from those acting for and in its behalf and, in general, from the people comprising it. The corporate form was created to allow shareholders to invest without incurring personal liability for the acts of the corporation.[1]

Conversely, a corporation or any other entity cannot benefit from the tax exemption privilege as it is deemed limited to the inventor. This is predicated from Section 6 of RA No. 7459, which provides:

> *SEC. 6 Tax Exemption. – To promote, encourage, develop and accelerate commercialization of technologies developed by local researchers or adapted locally from foreign sources including inventions, any income derived from these technologies shall be exempted from all kinds of taxes during the first ten (10) years from the date of the first sale, subject to the rules and regulations of the Department of Finance: Provided, that* ***this tax exemption privilege pertaining to invention shall be extended to the legal heir or assignee upon the death of the inventor.***

A textual reading of Section 6 of RA No. 7459 provides that the privilege granted to the inventor by reason of his invention can be extended only to his/her legal heirs or assignee upon the former's death. Ineludibly, since the said law does not categorically mention any other person or entity, therefore, the exemption privilege cannot be expanded by mere implication.

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[1] Maricalum Mining Corporation vs. Ely G. Florentino, G.R. No. 221813, July 23, 2018

While Section 6 of RA No. 7459 does not specifically mention that the exemption there only applies to the inventor, this should be read in conjunction with Section 2 of the same law which states that:

> *"SEC. 2. Declaration of National Policy and Program. — It is hereby declared to be the national policy to give priority to invention and its utilization on the country's productive system and national life; and to this end provide incentives to inventors and protect their exclusive right to their invention, particularly when the invention is beneficial to the people and contributes to national development and progress."*

Apparently, the intention of the law (RA No. 7459) is to promote invention and exten assistance and support to the Filipino inventors in the hope of maximizing their capability an productivity.[2] Likewise, congressional records disclose that it is in the legislative intent of RA No 7459 that only the original inventor is entitled to the tax incentives.[3]

Clearly, the government's purpose in enacting the Inventors and Inventions Incentives Ac of the Philippines is to provide incentives to inventors and protect their exclusive right to the invention, particularly when it is beneficial to the people and contributes to national developmer and progress. Limiting the tax exemption privilege only to the original inventor does not contradi the furtherance of this policy.[4]

In light of these circumstances, it must be read that the purpose of Section 6 of RA No 7459 is to exempt the income derived by the inventor from the technologies and invention. To sa that the tax exemption is attached to the technology or invention itself regardless of whoeve produces, manufactures, and/or markets the same, would create an absurd result wherein it woul allow anyone to claim the tax exemption privilege by alleging that it acts as the produce manufacturer, and/or marketer of the technology or product.[5]

To be exempted from payment of taxes, it is the taxpayer's duty to justify the exemptio by words too plain to be mistaken and too categorical to be misinterpreted. Laws grantin exemption from tax are construed *strictissimi juris* against the taxpayer and liberally in favor of th taxing power. Taxation is the rule and exemption is the exception. The burden of proof rests upo the party claiming exemption to prove that it is in fact covered by the exemption so claimed.[6]

Please be guided accordingly.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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[2] Sponsorship Remarks of Senator Mercado during the Bicameral Committee Conference dated February 7, 1992; Sponsorship Speech of Sen. Lina during the Senate Committee Meeting dated January 30, 1992; Remarks of Atty. Vicente Alvarez as Presiding Officer during the Committee Hearing of Joint Senate Committee on Science and Technology and Committee on Trade and Commerce held on February 11, 1999

[3] Splash Corporation vs. Commissioner of Internal Revenue, C.T.A. Case No. 8483, April 6, 2017 citing the Congressional records wherein it is discussed that when Representative Mario S. Ty was asked during deliberation with respect to the tax incentives provision of House Bill No. 24801, which later became RA No. 7459, he was clear and categorical in saying that the tax incentives pertain exclusively to the original inventor.

[4] *Ibid*

[5] DOF Opinion No. 018-2019 dated December 18, 2019.

[6] Commissioner of Internal Revenue vs. Mitsubishi Metal Corporation, G.R. 80041, January 22, 1990