June 13, 2018

BIR RULING NO. 1005-18

Section 109 (1) (R), 1997 Tax Code; BIR Ruling No. 503-2011

Visprint, Inc.
2810 Alcaver Street
Brgy. San Roque, Pasay City

Attention: *AAA*

Gentlemen :

This refers to your letter dated May 6, 2014 requesting, on behalf of **VISPRINT, INC.**, exemption from value-added tax (VAT) on its printing and publication of books pursuant to Section 109 (1) (R) of the 1997 Tax Code, as amended.

Documents submitted show that **VISPRINT, INC.**, with Tax Identification No. 000-000-000-000, is a domestic corporation duly registered with the Securities and Exchange Commission (SEC), bearing SEC Certificate of Registration No. CS200615606; that it is a VAT-registered taxpayer based on the Certificate of Registration issued by the Bureau of Internal Revenue (BIR) dated October 11, 2006; and that it is also registered with the National Book Development Board (NBDB) as a Book Publisher and Book Printer in accordance with the provisions of Republic Act (RA) No. 8047, otherwise known as, the "Book Publishing Industry Development Act."

In reply, please be informed that under Section 109 (1) (R) of the 1997 Tax Code, as amended, it is provided that the "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," shall be exempt from the imposition of VAT.

The above provision is being implemented by *Section 4.109-1 (B) (1) (r) of Revenue Regulations (RR) No. 16-2005* dated September 1, 2005, to wit:

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"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, 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";

In *Revenue Memorandum Circular (RMC) No. 75-2012* dated November 22, 2012, this Office made a clarification on the VAT exemption granted under Section 109 (1) (R) of the 1997 Tax Code, as amended, to wit:

1. A newspaper, magazine, review or bulletin must be: (1) printed or published at regular intervals; (2) available for subscription and sale at fixed prices; and (3) are not principally devoted to the publication of paid advertisements.

2. The terms "book," "newspaper," "magazine," "review" and "bulletin" as used in the provision refer to printed materials in hard copies. They do not include those in digital or electronic format or computerized versions, including but not limited to: e-books, e-journals, electronic copies, online library sources, CDs and software.

Based on the foregoing, there are four (4) activities that are exempt from the coverage of VAT, *i.e.*, 1) **sale**; 2) **importation**; 3) **printing**; and 4) **publication**, of books, newspapers, magazines, reviews and bulletins. Moreover, there are certain requirements that have to be met under the above provisions, to wit: the newspaper, magazine, review or bulletin must be: (1) printed or published at regular intervals; (2) available for subscription and sale at fixed prices; (3) are not principally devoted to the publication of paid advertisements; and (4) printed in hard copies. The concurrence of the aforesaid requirements must be present in order that the sale, importation, printing and publication of books, newspapers, magazines, reviews and bulletins will be exempt from the imposition of VAT.

In view thereof, **VISPRINT, INC.'s** business of publication and printing of books, in hard copies, is exempt from the payment of VAT and from the 3% percentage tax under Section 116, in relation to Section 109 (W) of the 1997 Tax Code, as amended. *(BIR Ruling*

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No. 503-11 dated December 15, 2011)

However, if **VISPRINT, INC.** is engaged in other non-exempt activities such as the printing of materials other than books, newspapers, magazines, reviews and bulletins, said transactions are subject to VAT, and the taxpayer shall be required to register its business as VAT business entity and must issue a separate VAT invoice/receipt therefor to record the same.

Moreover, VAT is an indirect tax payable by the seller and not the purchaser of goods. However, 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 **VISPRINT, INC.** does not make it the person directly liable and therefore, it cannot invoke its tax exemption privilege under Section 109 (R) of the Tax Code of 1997, as amended, to avoid the passing on or shifting of the VAT. Hence, notwithstanding that **VISPRINT, INC.** is a publication and printing company, its purchases 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 disclosed that the facts are different, then this ruling shall be considered as null and void.

Very truly yours,

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

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