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

Section 109 (1) (A), NIRC of 1997, as amended
BIR Ruling No. 557-2019
VAT-0654-2020
DEC 02 2020

NATIONAL DAIRY AUTHORITY
BAI Compound, Visayas Avenue
Diliman, Quezon City

Attention: **Mariliyn B. Mabale**
Administrator

Madam:

This refers to your letter dated February 20, 2020 requesting for a confirmatory ruling on the tax exemption relative to the importation of dairy animals.

It is represented that the National Dairy Authority (NDA) purchased one thousand eight-hundred fifty seven (1,857) dairy animals from Australian Rural Exports, Pty, Ltd. (AREPL) through General Mercantile Company Inc., (GEMCO), detailed as follows:

Number of Heads	Description
717 heads	Holstein X Jersey Heifers (Pregnant)
50 heads	Purebred Holstein Heifers (Pregnant)
375 heads	Holstein X Jersey Heifer Crosses (50:50) (Pregnant)
565 heads	Holstein X Jersey Heifers (Pregnant)
150 heads	Purebred Holstein Heifers (Pregnant)
Total: **1,857 heads**	

The transaction had been exempted from customs duties by the Department of Finance (DOF) by virtue of the Customs Modernization and Tariff Act. However, the DOF did not include from the exemption the payment of value-added tax (VAT) incidental to the importation. Thus, this request.

In reply, please be informed that Section 109 (1)(A) of the National Internal Revenue Code (NIRC) of 1997, as amended, provides that:

"Sec. 109. Exempt Transactions. –

(1) Subject to the provisions of Subsections (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 a kind generally used as, or yielding or producing foods for human consumption; and breeding stock and genetic materials therefor."

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Based from the abovementioned provision, the exemption on VAT extends to sale or importation of *livestock*[1] which includes, among others, cows, bulls and calves.

The NDA is mandated to serve as the central policy determining and directing body tasked to ensure the accelerated development of the Philippine dairy industry.[2] Accordingly, one of their function is to assist in the purchase, importation, propagation, storage distribution and sale of dairy animals, semen, forage seeds, fertilizers veterinary supplies, dairy equipment and engineering supplies and such other inputs as may be needed by the dairy industry[3] wherein the transaction was grounded.

In view of the foregoing, this Office hereby confirms that the importation by NDA of the One Thousand Eight-Hundred Fifty-Seven (1,857) dairy animals is exempt from VAT pursuant to Section 109 (1)(A) of the NIRC of 1997, as amended, subject to the conditions enshrined in Section 18 of the National Dairy Development Act of 1995. Please note that the tax exemption granted herein is only limited to such transaction.

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.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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[1] Section 9 (b)(2) of revenue Regulation No. 5-87
[2] The NDA Mandate, National Dairy Authority Website (nda.gov.ph)
[3] Section 6 (b) of the National Dairy Development Act of 1995, Republic Act (R.A.) 7884