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

May 6, 2015

REVENUE MEMORANDUM CIRCULAR NO. 25-2015

SUBJECT : Clarifying the Pertinent Provisions of Revenue Regulations No. 6-2015 More Particularly on the Imposition of Advance Business Tax (Value-Added Tax or Percentage Tax) on Raw Cane Sugar and Refined Sugar

TO : All Internal Revenue Officers and Others Concerned

This Circular is hereby issued in order to clarify, through question and answer, certain issues on the implementation of Revenue Regulations (RR) No. 6-2015 dated March 31, 2015, more particularly on the imposition of advance business tax (value-added tax [VAT] or percentage tax) on raw sugar and refined sugar.

1. Q. What is the advance business tax (VAT or percentage tax) treatment on the physical inventories of raw sugar and refined sugar held in possession by the miller/sugar refinery at the time of effectivity of RR No. 6-2015 on May 1, 2015?

   A. The physical inventories of raw sugar and refined sugar covered by Quedans dated before May 1, 2015 are not subject to the imposition of the advance business tax (VAT or percentage tax).

2. Q. In cases where the taxpayer's sugar manufacturing operation both include the milling and refinery operations (integrated operation), what shall be the business tax (VAT or percentage tax) treatment, for purposes of RR No. 6-2015, under the following instances:

   (a) The raw sugar produced in the milling operations is sold to another person or entity.

   (b) The raw sugar produced in the milling operations is transferred to the refinery operations for conversion into refined sugar refined sugar.

   A. In case where the taxpayer is engaged in integrated operation of milling and refining of sugar:

   (a) The advance business tax (VAT or percentage tax) prescribed under RR No. 6-2015 shall be imposed on raw sugar produced in the milling operations if it is sold to another person or entity.

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(b) If the said raw sugar is just transferred to the refinery operation of the taxpayer for purposes of refining and converting the same into refined sugar, only the advance business tax (VAT or percentage tax) on the refined sugar shall be imposed. There is no separate imposition of business tax (VAT or percentage tax) on raw sugar and refined sugar considering that no sales transaction has transpired since both products are owned by one and the same taxpayer.

3. Q. Under a tolling/service agreement, ABC Corporation, a sugar refinery, processes and converts into refined a raw sugar owned by XYZ Corporation, a sugar miller, which already paid the prescribed advance business tax (value-added tax or percentage tax) on raw sugar.

(a) How will the advance VAT be computed on the refined sugar prescribed under RR No. 6-2015, which shall be paid by XYZ Corporation, as the owner thereof?

(b) Will the answer be the same if XYZ Corporation sold instead the raw sugar to ABC Corporation?

A. (a) Under the said tolling/service agreement, XYZ Corporation shall pay the advance VAT due on the refined sugar, net of the advance VAT paid on the raw sugar, since XYZ Corporation is the same owner of the raw sugar and the resulting refined sugar.

(b) The answer will not be the same, however, if XYZ Corporation sold the raw sugar to ABC Corporation. In that case, the advance VAT on the resulting refined sugar therefrom shall be paid by ABC Corporation without the benefit of deduction of the advance VAT paid by XYZ Corporation considering that ownership is already transferred to ABC Corporation. The advance VAT paid by XYZ Corporation shall be considered as an ordinary input VAT by ABC Corporation, if separately billed, as output VAT, in the sales invoice issued by XYZ Corporation.

It shall be understood, however, that advance payments of percentage taxes by non-VAT taxpayers are not allowable as input tax credits in the computation of the VAT liabilities of their clients-customers.

All revenue officers and employees are hereby enjoined to give this Circular as wide a publicity as possible.

This Circular shall take effect immediately.

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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