REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS
Quezon City

September 28, 2005

REVENUE MEMORANDUM CIRCULAR NO. 52 - 2005

SUBJECT: Value Added Tax (VAT) Liability of the Tollway Industry

TO : All Internal Revenue Officials and Employees and Others Concerned

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This Circular is a reiteration of a long standing rule that sale of services of franchise grantees except those excluded under Section 119 of the Tax Code is subject to Value-Added Tax. This has been the law as early as 1996 pursuant to R.A. 7716.

The National Internal Revenue Code of 1997 has reaffirmed this – Section 108 of the Code, in brief states that:

> The phrase 'sale or exchange of services' means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including … services of franchise grantees of telephone and telegraph, radio and television broadcasting and all other franchise grantees except those under Section 119 of this Code. (Underscoring supplied)

In the case of the Tollway industry, there should be no question as to its VAT liability. The rule has been restated time and again, the most recent was VAT Ruling No. 045-03 dated October 13, 2003, which declared that:

> In reply, please be informed that with the promulgation of R.A. 7716 restructuring the VAT system, services of all franchise grantees, EXCEPT radio and/or television broadcasting companies whose annual gross receipts of the preceding year does not exceed P10 Million, and electric, gas and water utilities, are already subject to VAT.

Accordingly, the Tollway industry and all other franchise grantees must comply with the law and regulations on the Value-Added Tax.

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

(Original Signed)
JOSE MARIO C. BUÑAG
OIC –Commissioner of Internal Revenue