REPUBIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

August 07, 2007

REVENUE MEMORANDUM CIRCULAR NO. 53-2007

SUBJECT : Reiteration of the Amendment Made by RA 9337 Imposing VAT on the Sale of Non-food Agricultural Products, Marine and Forest Products and on the Sale of Cotton and Cotton Seeds in Their Original State.

TO : All Internal Revenue Officers and Others Concerned.

Prior to the enactment of Republic Act No. 9337 which amended certain provisions of the National Internal Revenue Code of 1997, as amended, Section 109, specifically items (a) and (b) thereof, has included the *"sale of non-food agricultural products; marine and forest products in their original state by the primary producer or the owner of the land where the same are produced"* as well as the *"sale of cotton and cotton seeds in their original state; and copra"* as among the transactions exempt from the imposition of VAT.

However, with the promulgation of Republic Act No. 9337, these abovementioned exempt transactions were repealed by Section 7 of such Act when it amended Section 109 by excluding from the enumeration of VAT-exempt transactions the said aforementioned provisions.

Revenue Regulations No. 16-2005 implementing the provisions of Republic Act No. 9337 became effective beginning November 1, 2005. Thus, beginning such date, primary producers of non-food agricultural products; marine and forest products, including owners of the land where the same are produced; as well as sellers of cotton and cotton seeds in their original state are already subject to VAT at the rate of ten percent (10%) from November 2005 to January 2006 and to the rate of twelve percent (12%) beginning February 2006 onwards.

As such, these taxpayers are expected to have already filed their respective VAT declarations and paid the VAT due on these newly covered VAT transactions beginning said period. In case they have inadvertently failed to file the VAT returns required or have wrongly continued to declare these transactions as VAT-exempt in their respective VAT returns filed beginning November 2005, they are hereby encouraged to make the necessary corrections and self assessments thereon in order that these transactions may properly be reflected in their rightful category as transactions subject to VAT with the corresponding payment of the deficiency VAT due therefrom. For this purpose, all district offices are likewise directed to

review the VAT returns filed by these taxpayers beginning on the month of November 2005 and onwards, check whether these previously exempt transactions have been declared for VAT purposes and issue deficiency assessments thereon if found to be otherwise.

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

(Original Signed)
LILIAN B. HEFTI
OIC, Commissioner of Internal Revenue

Rmc non food agricultural products VAT