REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

January 2, 2004

REVENUE REGULATIONS NO. 2-2004

SUBJECT : Further Enhancing the Rules on the Advance Payment of Value Added Tax on Sale of Refined Sugar, Amending Revenue Regulations No. 7-89 and 29-2002

TO : All Internal Revenue Officers and Others Concerned.

SECTION 1. Scope. – Pursuant to the provisions of Section 6 and 244, in relation to Sections 106, 109, 110, and 111(B)(1) all of the National Internal Revenue Code of 1997 (Code), these regulations are hereby promulgated (a) to prescribe the updated policies and procedures for the advance payment of value added tax (VAT) on the sale of refined sugar, including those made by a duly registered agricultural cooperative, and (b) to provide for the re-definition of the term "refined sugar".

SECTION 2. Definition of terms. – Section 2 of RR 29-2002 is hereby amended to read as follows:

> "(a) The term "refined sugar" refers to sugar whose content of sucrose by weight, in the dry state, corresponds to a polarimeter reading of 99.5° and above.
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> Cane sugar produced from the following shall be conclusively presumed, for internal revenue purposes, to be refined sugar:
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> (1) product of a refining process,
> (2) products of a sugar refinery, or
> (3) product of a production line of a sugar mill accredited by the Bureau of Internal Revenue to to be producing and/or capable of producing sugar with polarimeter reading of 99.5° and above, and for which quedan issued therefore and verified to by the Sugar Regulatory

Administration identifies the same to be of a polarimeter reading of 99.5° and above.

On the other hand, sugar produced from sugar production lines accredited by the Bureau of Internal Revenue to be capable of producing sugar with polarimeter reading of 99.5°or above shall be prima facie presumed to be refined sugar.

For this purposes, the Bureau of Internal Revenue shall accredit sugar mill production line as to their capability of producing sugar with a polarimeter reading of 99.5° or above. The result of said accreditation shall be published in a newspaper of general circulation."

SECTION 3. Requirement to Pay in Advance VAT on Sale of Refined Sugar. - Section 3 of RR 29-2002 is hereby amended to read as follows:

"The advance value added tax on the sale of refined sugar provided for under Section 7 of this Regulations, shall be paid by the owner/seller to the Bureau of Internal Revenue (BIR) through an Authorized Agent Bank (AABs) or to the Revenue Collection Officer (RCOs) or deputized City or Municipal Treasurers in places where there are no AABs before any refined sugar can be withdrawn from any sugar refinery/mill. In the event the refined sugar is owned and/or withdrawn from the mill/refinery by a duly accredited and registered agricultural cooperative of good standing, said cooperative shall require its transferee/s or buyer/s to pay the advance value added tax on the sale of such refined sugar to third party as required under Section 7 of this Regulations before ownership is transferred or any documents evidencing ownership of said refined sugar are endorsed and/or transferred by the cooperative to its transferee/s or buyer/s."

SECTION 4. Prohibition of Withdrawal/ Transfer of Ownership. - Section 4 of RR 29-2002 is hereby amended to read as follows:

"The proprietor or operator of a sugar mill/refinery shall not allow any withdrawal of refined sugar from its premises without the advance payment of VAT required under Section 7 of this Regulation, and submission of proof of such payment as described in Section 5 of this Regulations except when the refined sugar is owned and withdrawn by the cooperative, in which case the evidence of ownership, *Authorization Allowing the Release* and the *Sworn Statements* (Annex C) provided in this regulations are presented. On the other hand, any duly accredited and registered agricultural

cooperative of good standing, having earlier removed the refined sugar from the mill/refinery without advance payment of the VAT shall not transfer ownership of any refined sugar without the advance payment of VAT required under Section 7 of this Regulations having been paid by the transferee/s or buyer/s, and submission of proof of such payment as described in Section 5. The failure of any duly accredited and registered agricultural cooperative of good standing to comply with the foregoing shall be a ground for the revocation of the registration of the agricultural cooperative with the Bureau, and the Bureau shall further recommend the revocation of its accreditation as a cooperative with the Cooperative Development Authority (CDA)."

"The Revenue Regional Director, upon the recommendation of the Revenue District Officer (RDO) of the district having jurisdiction over the physical location of the sugar mill/refinery/cooperative, may direct an internal revenue officer to be present during the withdrawal of refined sugar from the premises of the sugar mill/refinery/cooperative in order to confirm and/or verify that the requirement of this Section are complied with."

SECTION 5. Basis for determining the amount of advance VAT payment. – Section 7(a) of RR 29-2002 is hereby amended to read as follow:

"(a.) Base price. – The amount of advance payment shall be determined by applying the VAT rate of 10% on the applicable base price of P 850.00 per 50 kg. Bag for refined sugar produced by a sugar refinery, and P 760.00 per 50 kg. Bag for refined sugar produced by a sugar mill."

SECTION 6. Information Returns to be filed by the Proprietor or Operator of a Sugar Refinery and Cooperatives. - Section 11 of RR 29-2002 is hereby amended to read as follows:

"SEC. 11. Information Returns to be Filed by the Proprietor or Operator of a Sugar Refinery and Cooperatives. - Every proprietor or operator of a sugar refinery or mill with production line accredited by the Bureau to be capable of producing sugar with a polarimeter reading of 99.5° or above, or mill producing sugar with polarimeter reading of 99.5° or above shall render an *Information Return* (Annex D) to the Revenue District Office having jurisdiction over the physical location of the said sugar refinery/mill which issues the *Certificate of Advance Payment of VAT or Authorization Allowing the Release of Refined Sugar* not later than the 10th day

following the end of the month. The aforesaid Information Return shall reflect the following information:

a.) Name, TIN and Revenue District Office Number of the Owner of the Refined Sugar;
b.) Number of Bags of Refined Sugar Released;
c.) Amount of Advance VAT Paid.

Likewise, every cooperative shall submit to Revenue District Office where it is registered a *List of Buyers of Sugar* (Annex E), together with a copy of the *Certificate of Advance Payment of VAT* made by each of the respective buyer appearing in the list, not later than the 10th day following the end of the month with the following information:

a.) Name, address, TIN and RDO No. of the Buyer;
b.) Number of bags of refined sugar sold/LKG;
c.) Amount of sales."

SECTION 7. Repealing Clause. – Section 13 of RR 29-2002 is hereby amended to read as follow:

"**SEC. 13. Repealing Clause**. – The provisions of RR No. 7-89 and 29-2002 and all other internal revenue issuances inconsistent herewith are hereby repealed, modified or amended accordingly."

SECTION 8. Effectivity. - These Regulations shall take effect after fifteen (15) days following its publication in a newspaper of general circulation in the Philippines.

(Original Signed)
JUANITA D. AMATONG
Secretary of Finance

Recommending Approval:

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue