REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

July 1, 2011

REVENUE REGULATIONS NO. 10-2011

SUBJECT: **Amending Certain Provision of Revenue Regulations No. 16-2005 as amended by Revenue Regulations No. 4-2007, Otherwise Known as the Consolidated Value-Added Tax Regulations of 2005, as amended.**

TO: All Revenue Officials, Employees and Others Concerned

Section 1. SCOPE. Pursuant to provisions of Sec. 244 and 245 of the National Internal Revenue Code of 1997, as amended, in relation to Title IV of the same Tax Code, these Regulations are hereby promulgated to amend certain provisions of Revenue Regulations (RR) No. 16-2005, as amended by RR No. 4-2007, otherwise known as the Consolidated Value-Added Tax Regulations of 2005.

Section 2. CHANGE OR CESSATION OF STATUS AS VAT-REGISTERED PERSON. – Sec. 4.106-8 of RR No. 16-2005 as mended by RR No. 4-2007 is hereby further amended to read as follows:

"**SEC. 4.106-8.** ***Change or Cessation of Status as VAT-Registered Person. -***

xxx xxx xxx

(b) ***Not subject to output tax*****. –**

The VAT shall not apply to goods or properties which are originally intended for sale or for use in the course of business existing as of the occurrence of the following:

(1) Change of control of a corporation by acquisition of the controlling interest of such corporation by another stockholder (individual or corporate) or group of stockholders. The goods or properties used in business (including those held for lease) or those comprising the stock in trade of the corporation having a change in corporate control will not be considered sold, bartered, or exchanged despite the change in the ownership interest in the said corporation.

However, the exchange of goods or properties including the real estate properties used in business or held for sale or for lease by the transferor, for shares of stocks, whether resulting in corporate control or not, is subject to VAT.

Illustration: Abel Corporation (transferee) is a merchandising concern and has an inventory of goods for sale amounting to PhP 1 Million. Nel Corporation (transferor), a real estate developer, exchanged its real properties for shares of stocks of Abel Corporation resulting in the acquisition of corporate control. The inventory of goods owned by Abel Corporation is not subject to output tax despite the change in corporate control because the same corporation still owns them. This is in recognition of the separate and distinct personality of the corporation from its stockholders. However, the

exchange of real properties held for sale or lease by Nel Corporation, for the shares of stocks of Abel Corporation, whether resulting in corporate control or not, is subject to VAT.

(2) Change in the trade or corporate name of the business;

(3) Merger or consolidation of corporations. The unused input tax of the dissolved corporation, as of the date of merger or consolidation, shall be absorbed by the surviving new corporation."

Section 3. REPEALING CLAUSE - The provisions of RR No. 16-2005, RR No. 14-2007 and all other issuances or portions thereof which are inconsistent with the provisions of these Regulations are hereby repealed, amended or modified accordingly.

Section 4. EFFECTIVITY - These Regulations shall take effect immediately.

(Original Signed)
CESAR V. PURISIMA
Secretary of Finance

Recommending Approval:

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue