REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

National Office Building
Quezon City

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REVENUE REGULATIONS NO. 12-2023

SUBJECT : Implementing Section 237 of the National Internal Revenue Code of 1997, as Amended, on the Issuance of Receipts or Sales or Commercial Invoices by Agricultural Producers

TO : All Internal Revenue Officers and Others Concerned

SECTION 1. SCOPE. – Pursuant to the provisions of Sections 244 and 245 of the National Internal Revenue Code of 1997, as amended (Tax Code), these Regulations are hereby promulgated to implement Section 237 of the Tax Code, as amended, relative to the issuance of receipts or sales or commercial invoices by Agricultural Producers as defined under Section 2 of these Regulations.

SECTION 2. DEFINITION OF TERMS. – For purposes of these Regulations, the following terms shall be taken to mean as follows:

a. **AGRICULTURAL PRODUCERS** shall refer to individuals who are suppliers/producers/sellers, contract growers, and millers of agricultural food products whose annual gross sales/receipts, for tax purposes, do not exceed One Million Pesos (P1,000,000.00).

b. **AGRICULTURAL FOOD PRODUCTS** shall refer to the following products in their original state which are generally used for yielding or producing food for human consumption:

   i. **FARM PRODUCE** – shall include, but not limited to corn, coconut, copra, palay, cassava, coffee, polished and/or husked rice corn grits, locally-produced raw cane sugar, fruits, vegetables, and other spontaneous products of the soil which are destined for human consumption produced through planting, cultivating, harvesting, and other similar processes thereto.

   ii. **LIVESTOCK** – shall include cow, bull and calf, pig, sheep, goat and other animals similar thereto;

   iii. **POULTRY** – shall include fowl, duck, goose, turkey and other animals similar thereto;

   iv. **MARINE PRODUCT** – shall include fish and crustacean such as, but not limited to, eel, trout, lobster, shrimp, prawn, oyster, mussel and clam, shell and other aquatic products;

   v. **ORDINARY SALT** – shall refer to the common salt, without iodine or any or any similar additive, used for simple preparation or preservation;

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vi. **AGRICULTURAL INPUTS** - shall refer to fertilizers; seed, seedlings, and fingerlings; and fish, prawn, livestock, and poultry feeds, except specialty feeds, to be used directly in yielding or producing of Agricultural Food Products.

The said Agricultural Food Products shall still be covered by these Revenue Regulations (RR) even if they have undergone the simple processes of preparation or preservation for market, such as freezing, drying, salting, broiling, roasting, smoking, or stripping, including those using advanced technological means of packaging, such as shrink wrapping in plastics, vacuum packing, tetra-pack, and other similar packaging method.

c. **PRINCIPAL RECEIPTS / INVOICES** refer to written account evidencing the sale of goods and/or services issued to customers in an ordinary course of business which necessarily includes the following:

i. **NON-VAT OFFICIAL RECEIPT** –it is a written admission or acknowledgment, issued by a Non-VAT registered seller, of the fact that money has been paid and received for the payment or settlement between persons rendering services and its customers.

ii. **NON-VAT SALES INVOICE**– it is a written account evidencing the sale of goods and/or properties issued by a Non-VAT registered seller to its customers in the ordinary course of business, whether cash sales or on account (credit).

d. **SUPPLEMENTARY RECEIPT/INVOICE** - these are also known as **COMMERCIAL INVOICES** which are a written account evidencing that a transaction has been made between the seller and the buyer of goods and/or services, forming part of the books of accounts of a business taxpayer for recording, monitoring and control purposes.

It is a document evidencing delivery, agreement to sell or transfer of goods and services which includes but are not limited to delivery receipts, order slips, debit and/or credit memo, purchase order, job order, provisional/temporary receipt, acknowledgement receipt, collection receipt, cash receipt, bill of lading, billing statement, statement of account, and any other documents, by whatever name it is known or called, whether prepared manually (handwritten information) or pre-printed/pre-numbered loose-leaf (information typed using excel program or typewriter) or computerized as long as it is used in the ordinary course of business being issued to customers or otherwise

e. **SUBSTITUTED RECEIPTS/INVOICES** – This is a written account or proof evidencing the sale of goods or services on the part of the sellers or purchasers of goods and services on the part of the buyer in the ordinary course of business issued in lieu of a principal receipt or invoice for purposes of Section 4 of these Regulations.

SECTION 3. ISSUANCE OF RECEIPTS/INVOICES – In accordance with Section 237 of the Tax Code, as amended, all persons subject to an internal revenue tax shall, at a point of each sale and transfer of merchandise or for services rendered valued at One hundred pesos (P100.00) or more, issue duly registered receipts or sales or commercial invoices. However,

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the Commissioner of Internal Revenue may, in meritorious cases, exempt any person subject to internal revenue tax from compliance with the issuance of receipts or sales or commercial invoices.

SECTION 4. EXEMPTION FROM ISSUANCE OF RECEIPTS OR INVOICES – For ease of doing business, the Commissioner, hereby exempts Agricultural Producers from the issuance of principal and supplementary receipts or invoices on their sale of Agricultural Food Products, provided, that the gross sales/receipts for the year shall not exceed One Million Pesos (P1,000,000.00). Provided, further, however, that Agricultural Producers shall record each sale transaction in a simplified sales book containing the following information:

a. date of transaction;
b. description of goods sold or services rendered;
c. registered name, registered address, and Taxpayer Identification Number (TIN) of the purchaser if engaged in business;
d. amount of sales;
e. amount of tax withheld, if any, and the
f. net amount received

Provided, finally, if the annual gross sales/receipts exceed One Million Pesos (P1,000,000.00) at any time during the taxable year, the Agricultural Producer shall be required to issue official receipts/sales invoices for every subsequent transaction valued at P100.00 or more. For this purpose, the Agricultural Producer, for the first year of business operations or one year from registration, shall be allowed to purchase and use BIR-printed receipts or BIR-printed invoices from the Revenue District Office (RDO) where they will register pursuant to Section 6 of these Regulations. The Agricultural Producer shall thereafter be required to issue official receipts/sales invoices printed pursuant to an Authority to Print (ATP).

The Agricultural Producer shall still be exempt from the issuance of receipt or invoice even if he or she derives income from the sale of goods or services other than Agricultural Food Products as described in these Regulations, provided that, the annual aggregate gross sales/receipts shall not exceed One Million Pesos (P1,000,000.00). Provided further, the primary activity of the Agricultural Producer shall be the sale of Agricultural Food Products and that the amount of sales from other goods or services shall not exceed thirty percent (30%) of the aggregate sales or receipts of the Agricultural Producer for a given taxable year.

SECTION 5. SUBSTITUTED RECEIPT OR INVOICE– The buyer or purchaser who is engaged in trade or business shall issue a Certificate of Income Payment Not Subject to Withholding Tax (BIR Form No. 2304) or Certificate of Creditable Tax Withheld at Source (BIR Form No. 2307) for each purchase transaction, in accordance with Section 9 of these Regulations, to the Agricultural Producer in two (2) copies indicating the transaction date, registered name, address, TIN of the payor (buyer) and payee (seller).

The issued BIR Form No. 2304 or 2307 shall be constituted and treated as the substituted official receipt/sales invoice for purposes of these Regulations. This shall likewise serve as evidence of purchases made to substantiate claims for deductible expenses of the buyer or purchaser engaged in trade or business for tax purposes.

SECTION 6. REGISTRATION REQUIREMENTS. –Agricultural Producers shall register once with the Bureau of Internal Revenue (BIR) pursuant to Section 236 of the Tax Code, as amended. In addition, the Simplified Sales Book to be used by the Agricultural Producers shall likewise be registered with the BIR within the prescribed period to register as indicated in

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Revenue Memorandum Circular (RMC) No. 29-2019 and RMC No. 3-2023, as may be applicable.

SECTION 7. BOOKKEEPING REQUIREMENTS FOR AGRICULTURAL PRODUCERS – Pursuant to Section 232 of the Tax Code, as amended, Agricultural Producers shall record the details of the transactions in a Simplified Sales Book in accordance with Section 4 of these Regulations. A simple logbook or notebook can be used as a Simplified Sales Book.

All Simplified Sales Books shall be kept and preserved by the Agricultural Producer for a period of ten (10) years reckoned from the day following the deadline in filing a return, or if the return is filed after the deadline, from the day from the date of the filing of the return, for the taxable year when the last entry was made in the books of accounts. Provided that, within the first five (5) years reckoned from the day following the deadline in filing a return, or if filed after the deadline, from the date of the filing of the return, for the taxable year when the last entry was made in the books of accounts, the taxpayer shall retain hardcopies of the books of accounts, including subsidiary books and other accounting records. Thereafter, the taxpayer may retain only an electronic copy of the hardcopy (paper) of the books of accounts, subsidiary books and other accounting records in an electronic storage system which complies with the requirements set forth under Section 2-A of RR No. 5-2014.

SECTION 8. FILING AND PAYMENT –Agricultural Producers shall file Quarterly and Annual Income Tax Return and pay income tax due, if any, on the prescribed deadline. Any taxes withheld by the buyer or purchaser as supported by a BIR Form No. 2307 can be used as tax credit by the Agricultural Producer.

SECTION 9. CREDITABLE WITHHOLDING TAX - Income payments made by buyers or purchasers engaged in trade or business to Agricultural Producers not exceeding the cumulative amount of Three Hundred Thousand Pesos (P300,000.00) within the same taxable year shall be exempt from withholding tax. In this case, the buyer or purchaser engaged in trade or business is required to issue BIR Form No. 2304 to Agricultural Producers per purchase transaction.

Income payments made to Agricultural Producers which will exceed the cumulative amount of Three Hundred Thousand Pesos (P300,000.00) within the same taxable year, shall be subject to withholding tax at a rate of One Percent (1%). In this case, the buyer or purchaser engaged in trade or business shall issue a BIR Form No. 2307 to Agricultural Producers pursuant to pertinent existing revenue issuances.

The buyer or purchaser engaged in trade or business shall file Quarterly Remittance Return of Creditable Income Taxes Withheld (Expanded) [BIR Form No. 1601-EQ] together with the Quarterly Alphabetical List of Payees (QAP), whether actually subjected to or exempted from withholding tax in accordance with RR No. 11-2018.

SECTION 10. PENALTY CLAUSE – Any act or omission violating any provision of these Regulations shall be subject to an imposable penalty under Section 250 or 275, as may be applicable, of the Tax Code.

SECTION 11. SEPARABILITY CLAUSE – If any provision of these Regulations is declared invalid by a competent court, the remainder of these Regulations or any provision not affected by such declaration of invalidity shall remain in force and effect.

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SECTION 12. REPEALING CLAUSE – The provisions of any regulations, rulings or orders, or portions thereof which are inconsistent with the provisions of these Regulations are hereby revoked, repealed or amended accordingly.

SECTION 13. EFFECTIVITY – These regulations shall take effect fifteen (15) days following its publication in the Official Gazette or in a newspaper of general circulation, whichever comes first.

BENJAMIN E. DIOKNO
Secretary of Finance
SEP 29 2023

Recommending Approval:

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue
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