REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

October 15, 2007

REVENUE REGULATIONS NO. 13-2007

SUBJECT : Prescribing the Rules on the Advance Payment of Value Added Tax/ Percentage Tax on the Transport of Naturally Grown and Planted Timber Products

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, 108, 109 and 110, all of the National Internal Revenue Code of 1997 (Code), as amended, these Regulations are hereby promulgated to prescribe the policies and procedures for the advance payment of value added tax (VAT) on the transport of naturally grown and planted timber products for purposes of consummating a sale.

SECTION 2. Requirement to Pay advance VAT on Transport of Naturally Grown and Planted Timber Products. – The value added tax on transport of naturally grown and planted timber products shall be paid in advance by the owner/seller to the Bureau of Internal Revenue through the Authorized Agent Banks (AABs), or to the Revenue Collection Officers (RCOs) or deputized City or Municipal Treasurers, in places where there are no AABs, before transporting them from place of production or concession.

SECTION 3. Persons liable to pay the advance VAT on naturally grown and planted timber products. – Owners/ sellers of naturally grown and planted timber products, whether natural or juridical, who are holders of permits issued by, or agreements entered into with, the Department of Environment and Natural Resources (DENR), are liable to pay the advance VAT on naturally grown and planted timber products harvested prior to its transport for purposes of consummating a sale. These permits and agreements are the following:

a.) Timber License agreements
b.) Industrial Forest Management Agreements
c.) Tree Farm Lease Agreements
d.) Agro-Forestry Farm Lease Agreements
e.) Private Forest Development Agreements
f.) Socialized Industrial Forest Management Program
g.) Community-Based Forest Management Program
h.) Timber Cutting/ Salvage & Related Permits

Naturally grown and planted timber products harvested from industrial tree plantations and in private lands covered by existing land titles and approved land applications are also subject to advance VAT.

SECTION 4. Basis for Determining the Amount of Advance VAT Payment.-

a.) **Base price** - The amount of advance payment shall be determined by applying the VAT rate of 12% on the corresponding value per cubic meter of the different species of naturally grown and planted timber products in accordance with the following schedule:

		LUZON	VISAYAS	MINDANAO
a.	Philippine Mahogany Group, Manggasinoro Group, Manggachapui Group, Narig Group, Palosapis Group, Guijo Group	1,400.00/cm 1,400.00/cm 1,400.00/cm 1,400.00/cm 1,400.00/cm 1,400.00/cm	1,400.00/cm 1,400.00/cm 1,400.00/cm 1,400.00/cm 1,400.00/cm 1,400.00/cm	1,425.00/cm 1,425.00/cm 1,425.00/cm 1,425.00/cm 1,425.00/cm 1,425.00/cm
b.	Yakal Group	1,500.00/cm	1,500.00/cm	1,530.00/cm
c.	Apitong Group	1,260.00/cm	1,260.00/cm	1,260.00/cm
d.	Solfwood Species except Igem	715.00/cm	715.00/cm	715.00/cm
e.	Igem	1,275.00/cm	1,275.00/cm	1,275.00/cm
f.	Nato	1,000.00/cm	1,000.00/cm	1,000.00/cm
g.	Furniture/Construction Hardwood	950.00/cm	950.00/cm	950.00/cm
h.	Premium species, allowed cut; and	3,000.00/cm	3,000.00/cm	3,000.00/cm
i.	Lesser-Used	700.00/cm	700.00/cm	700.00/cm
	Pulpwood, chip wood and Matchwood species (per cubic meter)	95.00/cm	95.00/cm	95.00/cm

b.) **Subsequent price adjustment**. – The valuation upon which the advance payment of VAT is computed under the preceding paragraph shall be adjusted when deemed necessary by the Commissioner of Internal Revenue upon prior consultation with the Secretary of the Department of Environment and Natural Resources.

SECTION 5. Proof of Advance VAT Payment - The concerned Revenue District Office or the duly constituted unit in its place shall issue a Certificate of Advance Payment of the VAT (Annex A), after payment of the Advance VAT as required in Section 3 of these Regulations. This certificate shall serve, together with the BIR payment form and documents issued by the DENR, like Certificate of Timber Origin (CTO), Certificate of Lumber Origin (CLO), Self Monitoring Form (SMF), or similar required certificate/form, as the authority to transport the naturally grown and planted timber products from cutting area to any destination which will be presented upon inspection by proper authorities, including officers and agents of the Department of Environment and Natural Resources (DENR) and Bureau of Internal Revenue (BIR).

A separate Revenue Memorandum Order (RMO) will be issued to prescribe the details and specific manner in the issuance of Certificate of Advance Payment of VAT and reports to be submitted for monitoring purposes.

SECTION 6. Prohibition of Withdrawal. – The owner/ concessionaire/ seller of the naturally grown or private timber products shall not allow any transport of said timber products from the cutting area without the advance payment of the VAT.

Absence of proof of payment of advance VAT will authorize the agents of DENR and BIR to hold in abeyance transport/sale of naturally grownand planted timber products.

An owner of naturally grown and planted timber products, who can present a Certificate of Registrations (BIR Form No. 2303) showing that the owner is subject only to 3% percentage tax, shall be exempt from payment of advance VAT but should pay the advance 3% percentage tax as provided in these regulations. SuchCertificate of Registrations (BIR Form No. 2303) and proof of payment of the advance 3% percentage tax shall serve as the authority to transport the naturally grown / planted timber products. Provided, however that despite the presentation of the COR herein mentioned, if the aggregate value of the products to be transported exceeds P1.5M, the same shall be subject to the advance VAT.

An internal revenue officer, to be assigned by the Revenue Regional Director upon the recommendation of the Revenue District Officer (RDO) of the district having jurisdiction over the physical location where the naturally grown and planted timber products are cut maybe present during the removal / transport of the said products from the premises of the cutting areas in order to ensure that the requirements of this Section are all complied with.

SECTION 7. Credit for Advance VAT Payments. – In addition to the input tax credits allowed under Section 110 of the Code, the amount of advance VAT payments made by sellers/ owners of naturally grown and planted timber products shall be allowed as credits against their output VAT on the actual gross selling price of the timber products. In the case of advance 3% percentage tax; the advance payment shall be credited to the monthly/ quarterly percentage tax return. The Certificate of Advance Payment of the VAT or Percentage Tax issued under Section 5 hereof shall be attached to the Monthly VAT Declaration/ Quarterly VAT Return or Percentage Tax Return to support the claim for credit of advance VAT or Percentage Tax payment.

SECTION 8. Penalty Clause. – Any violation of the provisions of these Regulations shall be subject to the penalties provided for in Sections 254, 275 and other pertinent provisions of the Code, as amended.

SECTION 9. Effectivity. - These Regulations shall take effect after fifteen (15) days following its publication in a newspaper of general circulation

(Original Signed)
MARGARITO B. TEVES
Secretary of Finance

Recommending Approval:

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