REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Date: JUN 26 2020

REVENUE REGULATIONS NO. 18-2020

SUBJECT : Regulations to Implement Section 1 of Republic Act (R.A.) No. 11467, Further Amending Section 109(AA) of the National Internal Revenue Code (Tax Code) of 1997, as Amended by Republic Act (R.A.) No. 10963 or the "TRAIN Law", Providing for Value-Added Tax (VAT) Exemption on the Sales and Importation of Drugs and Medicines Prescribed for Diabetes, High Cholesterol, Hypertension, Cancer, Mental Illness, Tuberculosis, and Kidney Diseases

TO : All Internal Revenue Officers and Others Concerned

SECTION 1. SCOPE. Pursuant to Sections 244 and 245 of the Tax Code of 1997, as amended, these Regulations are hereby promulgated to implement the provisions of Section 1 of R.A. No. 11467, amending Section 109(AA) of the Tax Code, as amended, and to further amend Revenue Regulations (RR) No. 16-2005, as amended by RR No. 13-2018.

SECTION 2. AMENDMENT. Section 4.109-1 of RR No. 16-2005, as amended by RR No. 13-2018, is hereby further amended to read as follows:

"SEC. 4.109-1. VAT-Exempt Transactions. –

XXX XXX XXX

(B) Exempt transactions. –

(1) Subject to the provisions of Section 4.109-2 hereof, the following transactions shall be exempt from VAT:

(a) XXX XXX XXX

XXX XXX XXX

(aa) Sale or importation of prescription drugs and medicines for:

(i) Diabetes, high cholesterol, and hypertension beginning January 1, 2020; and

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(ii) Cancer, mental illness, tuberculosis, and kidney diseases beginning January 1, 2023.

The exemption from VAT under this subsection shall only apply to the sale or importation by the manufacturers, distributors, wholesalers and retailer of drugs and medicines included in the "list of approved drugs and medicines" issued by the Department of Health (DOH) for this purpose.

xxx xxx xxx"

SECTION 3. TRANSITORY PROVISIONS. – VAT on importation of prescription drugs and medicines for diabetes, high cholesterol and hypertension included in the Department of Health-Food and Drug Administration (DOH-FDA) approved list from the effectivity of R.A. No. 11467 on January 27, 2020 until the effectivity of these Regulations, shall be refunded pursuant to Section 204(C) of the Tax Code of 1997, as amended, in accordance with the existing procedures for refund of VAT on importation, provided that the input tax on the imported items have not been reported and claimed as input tax credit in the monthly and/or quarterly VAT returns. The same shall not be allowed as input tax credit pursuant to Section 110 of the Tax Code of 1997, as amended, for purposes of computing the VAT payable of the concerned taxpayer/s for the said period.

SECTION 4. REPEALING CLAUSE. All rules and regulations and other revenue issuances or parts thereof which are inconsistent with these Regulations are hereby modified or repealed accordingly.

SECTION 5. SEPARABILITY CLAUSE. If any of the provisions of these Regulations is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SECTION 6. EFFECTIVITY. These Regulations shall take effect immediately following publication in leading newspapers of general circulation.

CARLOS G. DOMINGUEZ
Secretary of Finance

JUN 30 2020

Recommending Approval:

CAESAR R. DULAY
Commissioner of Internal Revenue

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