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

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December 21, 2018

REVENUE REGULATIONS NO. 25-2018

SUBJECT : Regulations Implementing Section 109 (AA) of the National Internal Revenue Code (NIRC) of 1997, as amended, Pursuant to Section 34 of the Republic Act (RA) No. 10963 or the "Tax Reform for Acceleration and Inclusion (TRAIN Law)" Providing for Value-Added Tax (VAT) Exemption on the Sale of Drugs and Medicines Prescribed for Diabetes, High Cholesterol and Hypertension

TO : All Internal Revenue Officials, Employees and Others Concerned

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SECTION 1. SCOPE. – Pursuant to the provisions of Sections 244 and 245 of the National Internal Revenue Code of 1997 (Tax Code), as amended, and Section 84 of Republic Act (R.A) No. 10963 otherwise known as the "Tax Reform for Acceleration and Inclusion (TRAIN Law), these Regulations are hereby promulgated to implement Section 109 (AA) of the Tax Code, as amended by the TRAIN Law, and prescribe the guidelines for:

1. The VAT exemption on sale of drugs and medicines prescribed for the treatment and/or prevention of diabetes, high cholesterol and hypertension; and

2. The identification of drugs and medicines entitled to exemption from VAT.

SECTION 2. SCOPE. – The exemption from VAT provided herein shall apply to the sale by manufacturers, distributors, wholesalers and retailers of drugs and medicines prescribed for the treatment and/or prevention of diabetes, high-cholesterol and hypertension starting January 1, 2019. The importation of the above-described drugs and medicines shall be subject to VAT under Section 107 of the Tax Code, as amended.

For this purpose, the "List of VAT-exempt Diabetes, High-Cholesterol and Hypertension Drugs" as identified and published by the Food and Drug Authority (FDA), shall be posted in the BIR Website thru a Revenue Memorandum Circular. Any update, such as registration of new and/or additional drugs and medicines, as well as de-registration of those previously published by the FDA, shall likewise be posted in the BIR Website.

The sale of drugs not included in the List of VAT-exempt Diabetes, High-Cholesterol and Hypertension Drugs published by the FDA shall be subject to VAT.

SECTION 3. ISSUANCE OF VAT-EXEMPT INVOICE. – In accordance with the invoicing requirements, the word "VAT-EXEMPT" shall prominently be indicated in the invoice issued for the sale of drugs and prescribed for the treatment and prevention of diabetes, high-cholesterol and hypertension.

SECTION 4. HANDLING OF COMPLAINTS. – Complaints for non-compliance and violation of these regulations shall be forwarded to ecomplaints@bir.gov.ph for proper handling and/or dissemination to the concerned BIR Office.

SECTION 5. PENALTIES AND OTHER SANCTIONS. – Notwithstanding other penalties which may be imposed for violation/s of specific regulations, any person who violates any provision of these Regulations shall, in addition to the tax required to be paid, if there is any, upon conviction for each act or omission, be punished by a fine of not more than One Thousand Pesos (P1,000) or suffer imprisonment of not more than six (6) months, or both, pursuant to Section 275 of the Tax Code, as amended.

SECTION 6. REVENUE DATA REPORT. – For purposes of submission, the duly validated revenue data report on the sale of drugs and medicines prescribed for the treatment of diabetes, high cholesterol and hypertension shall be submitted to Department of Finance (DOF).

SECTION 7. REPEALING CLAUSE. — Any rules and regulations, issuances or parts thereof inconsistent with the provisions of these Regulations are hereby repealed, amended or modified accordingly.

SECTION 8. 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 9. EFFECTIVITY. — These Regulations shall take effect beginning January 1, 2019.

CARLOS G. DOMINGUEZ
Secretary of Finance
DEC 21 2018

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Recommending Approval:

CAESAR R. DULAY
Commissioner of Internal Revenue

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