

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

January 2, 2003

REVENUE REGULATIONS NO. 1-2003

SUBJECT : Implementing Section 5 of Republic Act No. 8424, Otherwise Known as the Tax Reform Act of 1997, and Other Pertinent Provisions of the National Internal Revenue Code of 1997, as last Amended by Republic Act No. 9010, Imposing Value-Added Tax (VAT) on Sale of Services by Persons Engaged in the Practice of Profession or Calling and Professional Services Rendered by General Professional Partnerships; Services Rendered by Actors, Actresses, Talents, Singers and Emcees; Radio and Television Broadcasters and Choreographers; Musical, Radio, Movie, Television and Stage Directors; and Professional Athletes, as Well as Services Rendered by Customs, Real Estate, Stock, Immigration and Commercial Brokers, beginning January 1, 2003.

TO : All Internal Revenue Officers and Others Concerned

SECTION 1. SCOPE.- Pursuant to the provisions of Sections 244 and 108 of the National Internal Revenue Code of 1997, in relation to Section 5 of Republic Act No. 8424, as last amended by Section 1 of Republic Act No. 9010, these Regulations are hereby promulgated to govern the imposition of value-added tax on sale of services by persons engaged in the practice of profession or calling and professional services rendered by general professional partnerships; services rendered by actors, actresses, talents, singers and emcees; radio and television broadcasters and choreographers; musical, radio, movie, television and stage directors; and professional athletes, as well as services rendered by customs, real estate, stock, immigration and commercial brokers.

SEC. 2. COVERAGE.- Beginning January 1, 2003, general professional partnerships, professionals, brokers and other persons enumerated under Section 1 hereof shall be governed by the provisions of Revenue Regulations No. 7-95, as amended, otherwise known as the "Consolidated Value-Added Tax Regulations". *Provided*, however, that for purposes of these Regulations, a professional partnership shall be treated as a separate and distinct taxable person from the individual partners composing the partnership. *Provided, further*, that all gross receipts from sales of services rendered by the partners for and in the name of the partnership shall entirely be taxable against the

partnership. *Provided, finally*, that sales of services made by any of the partners thereof in his personal and individual capacity shall not be attributed to the partnership but shall rather be taxable against such partner in his individual capacity.

SEC. 3. TRANSITORY PROVISIONS. – During the transition, the following guidelines shall be followed:

- a. **Registration** – Affected taxpayers are required to register as VAT taxpayers not later than January 31, 2003 without penalty.
- b. **Unused receipts** – Taxpayers who change status from NON-VAT to VAT as a result of the lapse of effectivity of RA 9010 should submit on or before January 31, 2003 an inventory of unused receipts as of December 31, 2002 indicating the number of booklets and the corresponding serial numbers. Unused NON-VAT receipts shall be allowed for use in transactions subject to VAT provided the phrase “VAT-registered as of _____” is stamped on all copies thereof. These receipts with the proper stamp shall be allowed for use in transactions subject to VAT until June 30, 2003.
- c. **Billed but uncollected sale of services.** – Amounts due on sale of services rendered on or before December 31, 2002 and becoming liable to VAT starting January 1, 2003 payments of which are due on or after that date shall be considered accrued as of December 31, 2002 for the purpose of VAT-exemption and payment of any applicable percentage tax, subject to the following conditions:
 1. An information return shall be filed showing the name/s of the contractee/s, client/s, customer/s, and the amount/s of the contract price outstanding as of December 31, 2002, and containing a declaration to pay the applicable percentage tax due, if any;
 2. The seller billed the unpaid amount not later than December 31, 2002 and a copy of such billing is attached to the information return required in (1) hereof;
 3. The seller has recorded in its books of accounts for the year 2002 the amount receivable;
 4. The seller issued or should issue non-VAT invoice and/or receipt to the buyer for this purpose; and
 5. The seller files not later than January 20, 2003 or on or before the 20th day of the next month, depending upon the month of collection of the consideration, the regular percentage tax return for the payment of the percentage tax on payments received after 2002 (applicable to brokers only).

Failure to comply with the above-stated conditions shall automatically subject the gross receipts to value added tax.

- d. **Transitional input tax credits.** - For goods (other than capital goods), materials or supplies not for sale but purchased for use in business in their present condition which are not intended for further processing and are on hand on December 31, 2002, a presumptive input tax equivalent to 8% of the value thereof, or the actual value-added tax paid on such goods, materials and/or supplies, whichever is higher, shall be allowed. For this purpose, an inventory as of December 31, 2002 of such goods, materials and/or supplies showing the quantity, description and value should be filed with the RDO not later January 31, 2003. In recognizing presumptive input tax as of December 31, 2002, a journal entry should be made in the books debiting the input tax account and crediting the aforementioned asset accounts. Provided, however, that this paragraph does not apply to brokers.

In the case of brokers, any input tax outstanding in their books as corroborated by their VAT returns as of December 31, 1999 and still unused as of December 31, 2002 shall be allowed as transitional input tax.

SEC. 4. REPEALING CLAUSE.- Any revenue issuance inconsistent herewith is hereby amended, revoked, modified or repealed accordingly.

SEC. 5. EFFECTIVITY CLAUSE.- These Regulations shall take effect beginning January 1, 2003.

(Original Signed)
JOSE ISIDRO N. CAMACHO
Secretary of Finance

Recommending Approval:

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue