REGULATIONS GOVERNING THE APPLICATION OF ZERO-RATE, EXEMPTION ON CERTAIN TRANSACTIONS RELATED TO EXPORTERS, AND REFUNDS OF INPUT TAXES.

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SECTION 1. Purpose . — These regulations amend Sections 8 and 16 of Revenue Regulations 5-87, governing the application of the zero rate and exemption on transactions of sellers of raw materials, contractors and/or subcontractors with BOI-registered firms, and claims for refund of input taxes.

SECTION 2. Zero-rating . —

a. Sales of raw materials to BOI-registered exporters: — Sales of raw materials to export-oriented BOI-registered enterprises whose export sales, under rules and regulations of the Board of Investments, exceed seventy percent (70%) of total annual production, shall be subject to zero-rate under the following conditions:

"(1) The seller shall file an application with the BIR, ATTN.: VAT Division, applying for zero-rating for each and every separate buyer, in accordance with Section 8(d) of Revenue Regulations No. 5-87. The application should be accompanied with a favorable recommendation from the Board of Investments."

"(2) The raw materials sold are to be used exclusively by the buyer in the manufacture, processing or repacking of his own registered export product;

"(3) The words "Zero-Rated Sales" shall be prominently indicated in the sales invoice. The exporter (buyer) can no longer claim from the Bureau of Internal Revenue or any other government office tax credits on their zero-rated purchases;

(b) Sale of raw materials to foreign buyer: — Sales of raw materials to a nonresident foreign buyer for delivery to a resident local export-oriented BOI-registered enterprise to be used in manufacturing, processing, or repacking of the said buyer's goods and paid for in foreign currency, inwardly remitted in accordance with Central Bank rules and regulations shall be subject to zero-rate.

SECTION 3. Exemption of BOI-registered subcontractors or contractors for exporters . — BOI-registered subcontractors or contractors performing services, such as processing, converting, or manufacturing goods for a BOI-registered exporter who exports at least 70% of its total production shall be exempt under the provisions of Sec. 103(u) of the Tax Code.

SECTION 4. Refunds of input taxes . — Refund of input taxes for zero-rated sale of goods under Section 2 of these regulations shall be allowed only upon presentation of documents of liquidation evidencing the actual utilization of the raw materials in the manufacture of goods at least 70% of which have been actually exported.

SECTION 5. These regulations shall take effect immediately.

Adopted: 15 Feb. 1988

(Sgd.) VICENTE JAYME
Secretary of Finance

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