EXEMPTING SUBSISTENCE LIVELIHOOD FROM PAYMENT OF VALUE-ADDED TAX OR PERCENTAGE TAX AND/OR THE PAYMENT OF REGISTRATION FEE IMPOSED UNDER R.A. 8424, OTHERWISE KNOWN AS THE TAX REF...

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It is one of the declared policies of the government to provide, as much as possible, an equitable relief to a greater number of taxpayers in order to improve levels of disposable income and increase economic activity.

In the coverage of persons liable to Value-Added Tax (VAT), it is provided in the Tax Code that any person who in the course of trade or business, sells, barters, exchanges, leases goods or properties, renders services or any person who imports goods shall be subject to the payment of VAT. The phrase "in the course of trade or business" has been defined to mean the regular conduct or pursuit of a commercial or economic activity, including transactions incidental thereto, by any person regardless of whether or not the person engaged therein is a non-stock, non-profit private organization.

In Revenue Regulations No. 7-95, the term "in the course of business" was further qualified in the light of the above-stated policy. Hence, this Bureau held that "any business or businesses pursued by an individual where the aggregate gross sales or receipts do not exceed P 100,000.00 during any 12-month period shall be considered principally for subsistence or livelihood and not in the course of business".

In view of the foregoing, individual taxpayers qualified under the aforestated definition, although still required to register, shall nevertheless be exempted from the payment of registration fee as prescribed under Sec. 236 (B) of the Tax Code, in addition to their being exempted from the payment of the following taxes, where applicable:

1. VALUE-ADDED TAX (VAT) under Title IV, Chapter I, NIRC of 1997;
2. PERCENTAGE TAXES under Title V, NIRC of 1997.

All internal revenue officers and others concerned are hereby enjoined to be guided accordingly and to give this Circular as wide a publicity as possible.

Adopted: 21 Jan. 1998

(SGD.) LIWAYWAY VINZONS-CHATO
Commissioner of Internal Revenue

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