REVENUE REGULATIONS NO. 6-2015 issued on March 31, 2015 implements regulations imposing advance business tax [Value-Added Tax (VAT) or Percentage Tax] payments on sugar and for other related purposes.

The business tax (VAT or Percentage Tax) on the sale of raw and refined sugar, shall be paid in advance by the owner/seller before any warehouse receipt or quedans are issued, or before the sugar is withdrawn from any sugar refinery/mill.

Upon representation by the Sugar Regulatory Administration that raw sugar classified as “A” and covered by quedans clearly designating the raw sugar to be classified as “A” as solely and exclusively intended for export to the United States of America (USA) in compliance and fulfillment of our sugar export quota obligation to the USA, and to lessen the administrative burden of processing refunds, no advance VAT shall be collected. Provided, however, that if upon audit, it shall be discovered that the said raw sugar was: (a) not actually exported to the USA as evidenced by sales invoices, official receipts, airway bills, bills of lading, inward letters of credit, landing certificates, export declaration and other commercial documents; and (b) no receipt of payments in acceptable foreign currency or its equivalent in goods or services and/or it was not accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP), the deficiency VAT together with the surcharge and interest thereon computed from when it should have been due and paid for shall be collected. Provided, further, that the exemption herein shall not include liability from the advance 3% Percentage Tax for non-VAT taxpayer.

Raw sugar “D” and “E” are subject to advance payment of VAT subject to refund upon showing of compliance with the requirements for VAT zero-rating, to wit:

- sale and actual shipment of raw sugar from the Philippines to a foreign country/territory as evidence by sales invoices, official receipts, airway bills, bills of lading, inward letters of credit, landing certificates, export declaration and other commercial documents; and
- payments in acceptable foreign currency or its equivalent in goods or services, and accounted for in accordance with the rules and regulations of the BSP.

Moreover, any person whose sales or receipts are exempt under Section 109 (1)(V) of the National Internal Revenue Code (NIRC) from the payment of VAT and who is not a VAT-registered person shall pay an advance Percentage Tax equivalent to 3% of the gross monthly sales or receipts of sugar, whether raw or refined, and of whatever classification it might be.

The amount of advance VAT payment shall be determined by applying the VAT rate of 12% on the applicable base price of P1,400.00 per 50 kg. bag for refined sugar, and P1,000.00 per 50 kg. bag for all types of sugar.

The base price upon which the advance payment of VAT will be computed under the preceding paragraph shall be adjusted when deemed necessary by the Commissioner, depending on the prevailing market price of sugar.

For taxpayers exempted under Section 109 (1)(V) of the NIRC from the payment of VAT and who are not a VAT-registered person, the amount of advance Percentage Tax shall be determined by applying the Percentage Tax rate equivalent to 3% of the gross sales or receipts.

The following withdrawals shall be exempt from the payment of the advance VAT:

a. Withdrawal of raw cane sugar

b. Withdrawal of sugar by duly accredited and registered agricultural cooperative of good standing

c. Withdrawal of sugar by duly accredited and registered agricultural cooperative which is sold to another agricultural cooperative
The proprietor of a sugar refinery/mill shall not allow the issuance of quedan/warehouse receipts or other evidence of ownership or allow any withdrawal of sugar from its premises without proof of payment of advance VAT/Percentage Taxes required in these Regulations. Any person making the withdrawal or transfer shall submit proof of such payment or exemption from payment thereof.

In addition to the input tax credits allowed under Section 110 of the NIRC, the amount of advance payment of VAT made by sellers of sugar under these Regulations shall be allowed as credit against the output tax based on the actual gross selling price of sugar. The Certificate of Advance Payment of the VAT/Percentage Tax and a copy of the payment form shall be attached to the Monthly /Quarterly return to support the claim for credit of advance VAT/Percentage Tax payment.

The advance tax payments made by the seller/owner of sugar which remain unutilized at the end of taxpayer's taxable year where the advance payment was made, which is tantamount to excess payment, may, at the option of the owner/seller, be available for the issuance of Tax Credit C.

Unutilized advance tax payments which have been the subject of an application for the issuance of TCC shall not be allowed as carry-over nor credited against the output tax/Percentage Tax of the succeeding month/quarter/year.

Issuance of TCC shall be limited to the unutilized advance tax payments and shall not include excess input tax. Issuance of TCC for input tax attributable to zero-rated sales shall be covered by a separate application for TCC following applicable pertinent rules.

The provisions of these Regulations shall take effect on May 1, 2015.