REVENUE REGULATIONS NO. 8-2015 issued on May 27, 2015 amends Revenue Regulations (RR) No. 6-2015 on the definition of raw cane sugar for purposes of the imposition of advance business tax (Value-Added Tax [VAT] or Percentage Tax) and for other related purposes.

For purposes of these Regulations, the following terms shall have the following meaning:

a. Raw Cane Sugar — the natural sugar extracted from sugarcane through simple mechanical process by pressing for the juice; boiled to crystallize; filtered using centrifuge to separate these crystals, and dried, resulting to crystallize brown sugar (brown color due to natural molasses content present in sugar cane). Provided, that it shall refer to raw cane sugar produced from conducting only one (1) stage of filtering and centrifugal without any other further process applied thereto, such as but not limited to washing, bleaching, etc.: Provided further, that its color is greater than 800 ICU and that its content of sucrose by weight in dry state corresponds to a polarimeter reading of less than 99.5°.

The said definition includes muscovado, which has standard specifications as produced, namely: Powder Class A – polarization of 86° minimum; Powder Class B – polarization of 77° minimum; and, Lump – polarization of 57° minimum.

Thus, only those falling under the said definition of Raw Cane Sugar, including muscovado, are exempt from VAT or from Percentage Tax, pursuant to Section 109 (1)(A) of the Tax Code.

b. Sugar — refers to sugar other than Raw Cane Sugar, as defined in the preceding paragraph. This includes sugar whose content of sucrose by weight, in the dry state corresponds to a polarimeter reading of 99.5° and above and/or whose color is 800 ICU or less.

Cane Sugar produced from the following shall be presumed, for internal revenue purposes, to be refined sugar:

a. Product of a refining process,

b. Products of a sugar refinery, or

c. Product of a production line of a sugar mill accredited by the BIR to be producing and/or capable of producing sugar with polarimeter reading of 99.5° and above, and for which the quedan issued therefor as verified by the Sugar Regulatory Administration identifies the sugar to be a polarimeter reading of 99.5° and above.

Nonetheless, sugar produced from sugar production lines accredited by the BIR to be capable of producing sugar with polarimeter reading of 99.5° or above shall be prima facie presumed to be refined sugar.

The business tax (VAT or Percentage Tax) on the sale of 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. The amount of advance VAT payment shall be determined by applying the VAT rate of 12% on the applicable base price of ₱1,400.00 per 50 kg. bag for sugar.

Moreover, any person whose sales or receipts are exempt under Section 109(1)(V) of the NIRC from the payment of VAT and who is not a VAT-registered person shall pay an advance Percentage Tax equivalent to Three Percent (3%) of the gross monthly sales or receipts 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 National Internal Revenue Code (NIRC) from the payment of VAT 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. Provided, that cooperatives shall be exempt from the 3% gross 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 the 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 Code, the amount of advance payment of VAT made by sellers of sugar under the 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 Certificate (TCC) upon application duly filed with the BIR by the owner/seller within two (2) years from the date of filing of the 4th quarter VAT return of the year such advance payments were made, or if filed out of time, from the last day prescribed by law for filing the return.

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.