REVENUE REGULATIONS NO. 25-2018 issued on December 27, 2018 prescribes the regulations implementing the Value-Added Tax (VAT) exemption on the sale of drugs and medicines prescribed for the treatment and/or prevention of diabetes, high cholesterol and hypertension provided under Republic Act No. 10963 (TRAIN Law).

The exemption from VAT shall apply to the sale by manufacturers, distributors, wholesalers and retailers of the said drugs and medicines starting January 1, 2019. The importation of the said drugs and medicines shall be subject to VAT under Section 107 of the Tax Code, as amended.

The “List of VAT-Exempt Diabetes, High-Cholesterol and Hypertension Drugs”, as identified and published by the Food and Drug Authority (FDA), shall be posted in the BIR Website thru a Revenue Memorandum Circular. Any update, such as registration of new and/or additional drugs and medicines, as well as de-registration of those previously published by the FDA, shall likewise be posted in the BIR Website. The sale of drugs not included in the said List shall be subject to VAT.

In accordance with the invoicing requirements, the word “VAT-EXEMPT” shall prominently be indicated in the invoice issued for the sale of drugs and prescribed for the treatment and prevention of diabetes, high-cholesterol and hypertension.

Any person who violates any provision of these Regulations shall, in addition to the tax required to be paid, if there is any, upon conviction for each act or omission, be punished by a fine of not more that One Thousand Pesos (P1,000) or suffer imprisonment of not more than six (6) months, or both, pursuant to Section 275 of the Tax Code, as amended.

Complaints for non-compliance and violation of these regulations shall be forwarded to ecomplaints@bir.gov.ph for proper handling and necessary action by the concerned office.

The duly validated revenue data report on the sale of drugs and medicines prescribed for the treatment of diabetes, high cholesterol and hypertension shall be submitted to the Department of Finance.