REVENUE MEMORANDUM CIRCULAR NO. 40-2015 issued on July 15, 2015 clarifies the nature and extent of the agricultural cooperative being the producer of sugar for exemption from advance Value-Added Tax (VAT) and Percentage Tax purposes pursuant to Section 5(b)(c) of Revenue Regulations (RR) No. 8-2015, in relation to Section 4(a) of RR No. 13-2008, and in line with Section 8(b.2.1.2) of the Joint Rules and Regulations implementing Articles 60, 61 and 144 of Republic Act No. 9520 (Cooperative Code of 2008).

A duly registered agricultural cooperative is said to be the producer of sugar, consistent with the concept of a producer’s cooperative being a joint production wherein raw materials or goods are produced by its members for processing into finished or processed products, if the following requisites are present and concur:

(a) It is the tiller, thru its members, of the land it owns, or leases; and
(b) It incurs cost of agricultural production of the sugar and produces the sugar cane to be refined.

In the absence of any one of said requisites, an agricultural cooperative cannot be considered a producer of sugar and, thus, its withdrawals of sugar for sale to non-members or another agricultural cooperative are subject to advance VAT or Percentage Tax.