REVENUE REGULATIONS NO. 1-2003 issued on January 7, 2003 imposes Value-Added Tax (VAT) on the sale of services by persons engaged in the practice of profession or calling and professional services rendered by general professional partnerships; services rendered by actors, actresses, talents, singers and emcees; radio and television broadcasters and choreographers; musical, radio, movie, television and stage directors; and professional athletes, as well as services rendered by customs, real estate, stock, immigration and commercial brokers.

Beginning January 1, 2003, all the aforecited persons shall be governed by the provisions of RR No. 7-95, as amended, otherwise known as the “Consolidated Value-Added Tax Regulations”. For purposes of this Regulations, a professional partnership shall be treated as a separate and distinct taxable person from the individual partners composing the partnership.

Affected taxpayers are required to register as VAT taxpayers not later than January 31, 2003 without penalty. Taxpayers who have changed their status from NON-VAT to VAT should submit on or before January 31, 2003 an inventory of unused receipts as of December 31, 2002, indicating the number of booklets and the corresponding serial numbers.

Amounts due on sale of services rendered on or before December 31, 2002 and becoming liable to VAT starting January 1, 2003 (payments of which are due on or after that date) shall be considered accrued as of December 31, 2002 for the purpose of VAT-exemption and payment of any applicable Percentage Tax, subject to the conditions specified in the Regulations. Failure to comply with the said conditions shall automatically subject the gross receipts to VAT.

For goods (other than capital goods), materials or supplies not for sale but purchased for use in business in their present condition, which are not intended for further processing and are on hand on December 31, 2002, a presumptive input tax equivalent to 8% of the value thereof, or the actual VAT paid on such goods, materials and/or supplies, whichever is higher, shall be allowed. For this purpose, an inventory as of December 31, 2002 of such goods, materials and/or supplies showing the quantity, description and value should be filed with the taxpayer’s respective Revenue District Office not later than January 31, 2003.

In the case of brokers, any input tax outstanding in their books as corroborated by their VAT returns as of December 31, 1999 and still unused as of December 31, 2002 shall be allowed as transitional input tax.