REVENUE REGULATIONS NO. 2-2004 issued on February 26, 2004 amends RR Nos. 7-89 and 29-2002 by further enhancing the rules on the advance payment of Value Added Tax (VAT) on sale of refined sugar.

The term “refined sugar” refers to sugar whose content of sucrose by weight, in the dry state, corresponds to a polarimeter reading of 99.5° and above. Sugar produced from sugar production lines accredited by the Bureau of Internal Revenue (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 advance VAT on the sale of refined sugar shall be paid by the owner/seller to the BIR through an Authorized Agent Bank (AAB) or to the Revenue Collection Officer (RCO) or deputized City or Municipal Treasurers in places where there are no AABs before any refined sugar can be withdrawn from any sugar refinery/mill. In the event the refined sugar is owned and/or withdrawn from the mill/refinery by a duly accredited and registered agricultural cooperative of good standing, said cooperative shall require its transferee/s or buyer/s to pay the advance VAT on the sale of such refined sugar to third party before ownership is transferred or any documents evidencing ownership of said refined sugar are endorsed and/or transferred by the cooperative to its transferee/s or buyer/s.

The proprietor or operator of a sugar mill/refinery shall not allow any withdrawal of refined sugar from its premises without the advance payment of VAT and submission of proof of such payment, except when the refined sugar is owned and withdrawn by the cooperative.

On the other hand, any duly accredited and registered agricultural cooperative of good standing, having earlier removed the refined sugar from the mill/refinery without advance payment of the VAT shall not transfer ownership of any refined sugar without the advance payment of VAT having been paid by the transferee/s or buyer/s, and submission of proof of such payment. Failure of any duly accredited and registered agricultural cooperative of good standing to comply with the foregoing shall be a ground for the revocation of the registration of the agricultural cooperative with the BIR, and the BIR shall further recommend the revocation of its accreditation as a cooperative with the Cooperative Development Authority.

The Revenue Regional Director, upon the recommendation of the Revenue District Officer (RDO) of the district having jurisdiction over the physical location of the sugar mill/refinery/cooperative, may direct an internal revenue officer to be present during the withdrawal of refined sugar from the premises of the sugar mill/refinery/cooperative in order to confirm and/or verify that the requirement are complied with.

The amount of advance payment shall be determined by applying the VAT rate of 10% on the applicable base price of ₱ 850.00 per 50 kg. Bag for refined sugar produced by a sugar refinery, and ₱ 760.00 per 50 kg. Bag for refined sugar produced by a sugar mill.