REVENUE MEMORANDUM CIRCULAR NO. 53-2007 issued on August 7, 2007 reiterates the amendment made by Republic Act (RA) No. 9337 imposing Value-Added Tax (VAT) on the sale of non-food agricultural products, marine and forest products and on the sale of cotton and cotton seeds in their original state.

Prior to the enactment of RA No. 9337, which amended certain provisions of the National Internal Revenue Code (NIRC) of 1997, as amended, Section 109 has included the “sale of non-food agricultural products; marine and forest products in their original state by the primary producer or the owner of the land where the same are produced” as well as the “sale of cotton and cotton seeds in their original state; and copra” as among the transactions exempt from the imposition of VAT.

However, with the promulgation of RA No. 9337, the abovementioned exempt transactions were repealed by Section 7 of such Act when it amended Section 109 by excluding from the enumeration of VAT-exempt transactions the said aforementioned provisions.

Revenue Regulations (RR) No. 16-2005 implementing the provisions of RA No. 9337 became effective beginning November 1, 2005. Thus, beginning such date, primary producers of non-food agricultural products; marine and forest products, including owners of the land where the same are produced, as well as sellers of cotton and cotton seeds in their original state are already subject to VAT at the rate of 10% from November 2005 to January 2006 and to the rate of 12% beginning February 2006 onwards.

As such, these taxpayers are expected to have already filed their respective VAT declarations and paid the VAT due on these newly-covered VAT transactions beginning said period. In case they have inadvertently failed to file the VAT returns required or have wrongly continued to declare these transactions as VAT-exempt in their respective VAT returns filed beginning November 2005, they are encouraged to make the necessary corrections and self assessments in order that these transactions may properly be reflected in their rightful category as transactions subject to VAT with the corresponding payment of the deficiency VAT due.

For this purpose, all district offices are likewise directed to review the VAT returns filed by these taxpayers beginning on the month of November 2005 and onwards, check whether these previously exempt transactions have been declared for VAT purposes and issue deficiency assessments, if found to be otherwise.