REVENUE REGULATIONS NO. 7-2004 issued on May 21, 2004 amends certain provisions of RR No. 1-2003, as amended, by excluding the services rendered by doctors of medicine duly registered with the Professional Regulatory Commission (PRC) and services rendered by lawyers duly registered with the Integrated Bar of the Philippines (IBP) from the coverage of Value-Added Tax (VAT).

Beginning January 1, 2004, services rendered by the following shall be excluded from the coverage of VAT, in accordance with Section 2 of Republic Act (RA) No. 9238:

a. Services rendered by a doctor of medicine duly registered and of good standing with the PRC in the practice of his medical profession, for such services which may be rendered, under existing law, only by a duly licensed doctor of medicine in good standing with the PRC.

b. Legal services rendered by a lawyer duly registered and of good standing with the IBP in the practice of his legal profession for such services which may be rendered, under existing law, only by a lawyer duly registered and in good standing with the IBP.

c. Medical services rendered by a general professional partnership whose partners are composed exclusively of doctors of medicine registered with the PRC where the general professional partnership was organized solely and exclusively for the practice of medical profession, and for such services which may be rendered, under existing law, only by a duly licensed doctor of medicine in good standing with the PRC.

d. Legal services rendered by a general professional partnership whose partners are composed exclusively of lawyers duly registered with the IBP in the practice of legal profession where the general professional partnership was organized solely and exclusively for the practice of law, and for such services which may be rendered, under existing law, only by a lawyer duly registered and of good standing with the IBP.

Doctors of medicine and lawyers and general professional partnerships referred to above, whether registered as a VAT taxpayer or a NON-VAT taxpayer, are required to update their corresponding registration records with the concerned Revenue District Office on or before June 20, 2004, by filing the necessary registration update forms (BIR Form No. 1905) converting their status from VAT to NON-VAT or Non-Percentage Tax taxpayer, for those whose services were not subject to VAT but to Percentage Tax.

Doctors of medicine and lawyers and general professional partnerships referred to in the Regulations, who change status from VAT to NON-VAT as a result of the effectivity of RA No. 9238 should submit on or before the date he/she/it registered as a NON-VAT taxpayer (which shall in no case be later than June 30, 2004) an inventory of unused receipts as of the date he registered as a NON-VAT taxpayer, indicating the number of booklets and the corresponding serial numbers. Unused VAT receipts included in the said inventory submitted to the BIR shall be allowed for use in transactions provided the phrase “NON-VAT registered as of ________________” is stamped on all copies thereof. These receipts with the proper stamp shall be allowed for use until July 31, 2004.