REVENUE REGULATIONS NO. 29-2003 issued on December 1, 2003 prescribes the policies and procedures for the advance payment of Value-Added Tax (VAT) on the sale of flour, which is milled from imported wheat.

Inasmuch as wheat is the principal raw material in the milling of flour, and wheat is entirely imported, the point of payment of the advance VAT on sale of flour is established at the time of importation of the wheat by the flour miller so as to effectively ensure the payment of VAT on flour, which shall subsequently be milled from this imported wheat. Thus the advance VAT on flour tax shall be paid prior to the release of the wheat from the Bureau of Customs's custody of the wheat, which is imported and declared for flour milling. Purchases by flour millers of imported wheat from traders shall also be subjected to advance VAT and shall be paid by the flour miller prior to its delivery.

Unless and until prior and full payment of the advance VAT has been made by the flour miller at time of importation of wheat, any withdrawal in any manner or form, in full or partially, of imported wheat to be used in the milling of flour, from customs custody shall not be allowed.

Importation of wheat by any trader shall still be exempt from the payment of VAT. However, in order to monitor all importation of wheat regardless of its intended use, the importer, whether miller or trader, shall be required to secure Authority to Release Imported Goods (ATRIG) from the BIR. The Bureau of Customs will require the submission of the ATRIG by the importer before releasing the imported wheat from its custody. For this purpose, importation of wheat shall be treated as an exception to the list of imported articles exempted from the issuance of ATRIG.

The amount of advance VAT payment shall be determined by applying the VAT rate of 10% on the tax base defined as follows:

- For wheat imported by flour millers - 75% of the sum of: (a) the invoice value multiplied by the currency exchange rate on the date of payment; (b) estimated customs duties and other charges prior to the release of the imported wheat from customs custody, except for the advance VAT; and (c) 5% mark-up on the sum of (a) and (b).
- For wheat purchased from traders - 75% of the sum of (a) invoice value, (b) estimated freight expenses and (c) 5% on the sum of (a) and (b).

The tax base shall be adjusted whenever deemed necessary by the Commissioner of Internal Revenue, after proper prior consultations with the flour milling industry associations and upon approval by the Secretary of the Department of Finance.

The amount of advance VAT payments made by the flour miller shall be allowed as credit against the output tax on the actual gross selling price of the flour sold by the miller.