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ADVISORY

SERIES OF 2026

Revised Rules on Tax
Treatment of Local Sales by
Registered Business Entities
(RBEs)

REVISED RULES ON TAX TREATMENT OF LOCAL SALES BY REGISTERED BUSINESS ENTITIES (RBEs)

I. Clarification on Filing and Payment of VAT on Local Sales

Buyer is engaged in Business / Business-to-Business (B2B)

Activity	RR 9-2025	RR 1-2026
Filing and Payment of VAT	For purchase of goods from economic zones/freeport, filing and payment is on a per transaction basis	For purchase of goods from economic zones/freeport, filing and payment is on a per transaction basis However, the buyer may opt to pay the VAT in a single payment in case of bulk shipment of goods covering several invoices purchased in freeport or ecozone. Prior to release, the BIR Form No. 0605 with the list of all invoices covered shall be presented to the BOC.

II. Optional VAT Registration

- Emphasis that the optional VAT registration is solely for purposes of the RBE 's local sales
- Other portions of the provision were rephrased but there was no change in the rules

III. Exclusion of Certain RBEs from the Coverage of VAT on Local Sales

Revised Rule for VAT-registered Domestic Market Enterprises (DMEs)

Local purchases and importations of VAT-registered DMEs that do not qualify for VAT zero rating or VAT exemption, as the case may be, are subject to VAT. However, the application of the buyer 's payment and remittance of VAT to the BIR (for B2B transactions) would result in accumulated unutilized input VAT which are not eligible for refund.

To address this, the VAT on such local sales shall now be filed and paid by the RBE-seller to the BIR as a regular VAT taxpayer.

BUREAU OF INTERNAL REVENUE
Revenue Regulations No. 1-2026
December 10, 2025

Additional Exclusions to the VAT on Local Sales under Section 295(D) of the Tax Code

- ☑ Sale of the following goods/services:
 - ✓ VAT zero-rated goods under Section 106(A)(2);
 - ✓ VAT zero-rated services under Section 108(B);
 - ✓ VAT-exempt transactions under Section 109; and
 - ✓ VAT-exempt or zero-rated transactions under Title XIII of the Tax Code, as amended.
- ☑ BOI-registered entities that are not availing of incentives under Title XIII of the Tax Code, as amended
- ☑ Local sales by RBEs pertaining to activities not registered with the IPA (including scrap sales).

IV. Extended Deadline

Reconfiguration of the system/software (*i.e.* change “VAT/VAT Amount” to “VAT on Local Sales” or add the same term) is extended until December 31, 2026.

V. Effectivity

RR No. 1-2026 shall take effect 15 days after publication, or on March 03, 2026.

Source:
Revenue Regulations No. 01-2026
December 10, 2025

Learn more:

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