

ADVISORY ON VAT ZERO- RATING AND EXEMPTION UNDER CREATE

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BIR REVENUE REGULATIONS NO. 21-2021 Amendment of RR No. 16-2015 to Implement Sections 294(E) and 295(D) of the 1997 NIRC, as amended by CREATE	2

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Amendments on VAT Zero-Rating and Exemption under CREATE

On Zero-Rated Sales of Goods or Properties (Section 4.106-5)

- Persons or entities must be exempt from **direct and indirect taxes** under special laws or international agreements to which the Philippines is a signatory in order for the corresponding sales to be considered zero-rated; and
- Zero-rating shall now apply to **sales of raw materials, inventories, supplies, equipment, packaging materials, and goods to a registered export enterprise, to be used directly and exclusively in its registered project or activity pursuant to Sections 294(E) and 295(D) of CREATE and Section 5 Rule 2 of its IRR for a maximum period of seventeen (17) years from the date of registration, unless otherwise extended under the SIPP; Provided that:**
 - **the term “registered export enterprise” shall refer to an export enterprise as defined under Section 4(M), Rule 1 of the CREATE Act IRR**
 - **is also a registered business enterprise as defined in Section 4(W) of the same IRR**
 - **Provided further, That the above-described sales to existing registered export enterprises located inside ecozones and freeport zones shall also be qualified for VAT zero-rating under this sub-item until the expiration of the transitory period**

On Zero-Rated Sales of Services (Section 4.108-5)

- Persons or entities must be exempt from **direct and indirect taxes** under special laws or international agreements to which the Philippines is a signatory in order for the corresponding sales to be considered zero-rated; and
- Zero-rating shall now apply to **sale of services, including basic infrastructure, utilities, and maintenance, repair and overhaul of equipment, to a registered export enterprise, to be used directly and exclusively in its registered project or activity pursuant to Sections 294(E) and 295(D) of CREATE and Section 5 Rule 2 of its IRR for a maximum period of seventeen (17) years from the date of registration, unless otherwise extended under the SIPP; Provided that:**

- **the term “registered export enterprise” shall refer to an export enterprise as defined under Section 4(M), Rule 1 of the CREATE Act IRR**
- **is also a registered business enterprise as defined in Section 4(W) of the same IRR**
- **Provided further, That the above-described sales to existing registered export enterprises located inside ecozones and freeport zones shall also be qualified for VAT zero-rating under this sub-item until the expiration of the transitory period**

Source:
Revenue Regulations No. 21-2021