

Section 106 Value-Added Tax on Sale of Goods or Properties

(A2) The following sales by VAT-registered persons shall be subject to zero percent (0%) rate

EXPORT SALES. - The term "export sales" means:

1. Direct Export- The sale and actual shipment of goods from the Philippines to a foreign country, paid for an acceptable foreign currency or its equivalent in goods or services, and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);
2. Sale of raw materials or packaging materials to a nonresident buyer for delivery to a resident local export-oriented enterprise;
3. Sale of raw materials or packaging materials to export-oriented enterprise whose export sales exceed seventy percent (70%) of total annual production.
4. Sale of gold to the Bangko Sentral ng Pilipinas (BSP).
5. Those considered export sales under Executive Order no. 226, otherwise known as the "Omnibus Investment Code of 1987", and other special laws.
 - a) Sales of export producer to another export producer
 - b) Sales of export producer to export trader
 - c) Constructive export even without actual exportation
 1. Sales to bonded manufacturing warehouse of export oriented manufacturers
 2. Sales to export processing zones pursuant to RA 7916, as amended, 7903, 7922 and other similar export processing zones.
 3. Sales to diplomatic missions and other agencies and/or instrumentalities granted tax immunities, of locally manufactured assembled or repacked products whether paid for in foreign currency or not.
6. The sale of goods, supplies, equipment and fuel to persons engaged in international shipping or international air transport operations attributable to transport of goods and passenger from a port in the Philippines directly to a foreign port or vice versa without docking or stopping to any other port in the Philippines unless the docking or stopping is for the purpose of unloading passengers or cargoes that originated from abroad or to load passengers and cargoes bound for abroad;
 - (a) Provided further that if any of portions of such fuel, goods or supplies is used for purposes other than what was mentioned, such portion shall be subject to 12% VAT
 - (b) Foreign Currency Denominated Sale.- The phrase "foreign currency denominated sale" means sale to a nonresident of goods, except those mentioned in Sections 149 and 150, assembled or manufactured in the Philippines for delivery to a resident in the Philippines paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP.

Also includes as export sales are sales of locally manufactured or assembled goods for household and personal use of Filipinos abroad and other nonresident of the Philippines as well as returning overseas Filipinos under the Internal Export Program of the government paid for in convertible foreign currency and duly accounted for in accordance with the BSP rules and regulations.
 - (c) Sales to Persons or Entities Deemed-Tax Exempt under Special laws or international agreements to which the Philippines is a signatory such as Asian Development Bank (ADB), International Rice Research Institute (IRRI), etc.

Section 108 Value-added Tax on Sale of Services and Use or Lease of Properties

(B) Transactions Subject to Zero Percent (0%) rate - The following services performed in the Philippines by VAT - registered persons shall be subject to zero percent (0%) rate.

1. Processing, manufacturing or repacking goods for other persons doing business outside the Philippines which goods are subsequently exported.
2. Services other than those mentioned in the preceding paragraph, rendered to a person engaged in business conducted outside the Philippines or to a nonresident person not engaged in business who is outside the Philippines when the services are performed.
3. Services rendered to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects the supply of such services to zero percent (0%) rate.
4. Services rendered to persons engaged in international shipping or international air transport operations, including leases of property for use thereof.
5. Services performed by subcontractors and/or contractors in processing, converting, or manufacturing goods for an enterprise whose export sales exceed seventy percent (70%) of total annual production.
6. Transport of passengers and cargo by air or sea vessels from the Philippines to a foreign country.
7. Sale of power or fuel generated through renewable sources of energy such as, but not limited to, biomass, solar, wind, hydropower, geothermal, ocean energy.