

[BIR Revenue Regulations No. 6-2015, March 31, 2015]

IMPLEMENTING REGULATIONS IMPOSING ADVANCE BUSINESS TAX (VALUE ADDED TAX OR PERCENTAGE TAX) PAYMENTS ON SUGAR AND FOR OTHER RELATED PURPOSES

Adopted: 31 March 2015

Date Filed: 23 April 2015

SECTION 1. Scope. – Pursuant to the provisions of Sections 6 and 244, in relation to Sections 106, 109, 110, 111 (B) and 116 all of the National Internal Revenue Code of 1997 (Tax Code), these regulations are hereby promulgated to consolidate and amend provisions of RR No. 13-2013 and RR 4-2015.

SECTION 2. Definition of Terms. – For purposes of these regulations the following terms shall have the following meaning:

- a) **Refined Sugar** – refers to sugar whose content of sucrose by weight, in the dry state corresponds to a polarimeter reading of 99.5° and above.

Cane Sugar produced from the following shall be presumed, for internal revenue purposes, to be refined sugar:

- (1) product of a refining process,
- (2) products of a Sugar Refinery, or
- (3) product of a production line of a sugar mill accredited by the Bureau of Internal Revenue (Bureau or BIR may be used interchangeably in these regulations) to be producing and/or capable of producing sugar with polarimeter reading of 99.5° and above, and for which the quedan issued therefor as verified by the Sugar Regulatory Administration (SRA) identifies the sugar to be of a polarimeter reading of 99.5° and above.

Nonetheless, sugar produced from sugar production lines accredited by the Bureau to be capable of producing sugar with polarimeter reading of 99.5° or above shall be prima facie presumed to be refined sugar.

- (b) **Raw Sugar** – refers to sugar whose content of sucrose by weight in dry state, corresponds to a polarimeter reading of less than 99.5°. Raw Sugar produced each production year shall be classified, for internal revenue purposes, as follows:
1. "A" is raw sugar which is intended for export to the United States Market.
 2. "B" is raw sugar which is intended for the Domestic Market.
 3. "C" is raw sugar which is reserved for, but have not yet matured for

release to the Domestic Market.

4. "D" is raw sugar which is intended for export to the World Market.
 5. "E" is reclassified "D" sugar for sale to Food Processors/Exporters operating Customs Bonded Warehouse (CBW) or to an enterprise located within the special processing export zone.
- (c) **Sugar Refinery/Mill refers** to entity, natural or juridical, engaged in the business or milling sugar cane into raw or in the refining of raw sugar.
- (d) **Sugar "Owners"** as used in this regulations may refer to persons who have ***legal title over the sugar*** and may include any of the following:
1. Sugar Planters;
 2. Traders;
 3. Sugar Millers;
 4. Cooperative/s
 5. Association/s.
- (e) **Raw Cane Sugar**– refers to sugar produced by simple process of conversion of sugar cane without a need of any of mechanical or similar device. For this purpose, raw cane sugar refers only to muscovado sugar. Thus, only raw cane sugar such as muscovado are exempt from VAT under Section 109.
- Centrifugal process of producing sugar is not in itself a simple process. Therefore, any type of sugar produced therefrom are not exempt from VAT such as raw sugar and refined sugar."
- (f) **Sugar**– refers to sugar other than raw cane sugar.

SECTION 3. Requirement to Pay in Advance Business Taxes, such as VAT or Percentage Tax on Sale of Raw and Refined Sugar – In general, the business tax (VAT or Percentage Tax) on the sale of raw and refined sugar, shall be paid in advance by the owner/seller before any warehouse receipt or quedans are issued, or before the sugar is withdrawn from any sugar refinery/mill.

Upon representation by the SRA that raw sugar classified as "A" and covered by quedans clearly designating the raw sugar to be classified as "A" as solely exclusively intended for the export to the United States of America (USA) in compliance and fulfillment of our sugar export quota obligation to the USA, and to lessen the administrative burden of processing refunds, no advance VAT shall be collected. Provided, however, that if upon audit it shall be discovered that the said raw sugar was:

- (a) Not actually exported to the USA as evidenced by sales invoices, official receipts, airway bills, bills of lading, inward letters of credit, landing certificates, export declaration and other commercial documents, and
- (b) No receipts of payments in acceptable foreign currency or its equivalent in goods or services and/or it was not accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP), the deficiency VAT together with the surcharge and interest thereon computed from when it should have been due and paid for shall be