REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA 7459; RR 19-93
BIR Ruling No. 328-12
537-2017
11-20-2017

Mr. JAIME JACINTO ESTEBAN
Proprietor
J.J. ESTEBAN ENTERPRISES
95 Maharlika Hi-way, Daan Sarile
Cabanatuan City, Nueva, Ecija

Dear Mr. Esteban:

This refers to your letter dated December 18, 2015, requesting tax exemption under R.A. No. 7459, otherwise known as the Inventors and Inventions Incentives Act of the Philippines.

Records show that you are the inventor and the registered patent holder of the following products:

INVENTIONS	REGISTRATION NO.	DATE ISSUED	DATE OF FIRST SALE
1. A Multi-Purpose Grinder		September 23, 2005	May 7, 2015
2. Rotary Drier		September 2, 2013	June 19, 2013
3. A Multi-purpose Mixer for Roasting, Mixing and Removing Seed Coats of Grains		September 2, 2013	September 16, 2014

that you are an accredited member of the Filipino Inventors Society Inc.; that the above-mentioned patented inventions are being commercially produced and distributed by J.J. Esteban Enterprises, a single proprietorship owned by you and is located at 95 Maharlika Hi-way, Daan Sarile, Cabanatuan City; and that the Screening Committee has evaluated and recommended that the above-mentioned patented inventions are eligible for the tax incentives pursuant to Confirmation Certificate No. 2015-004 dated November 23, 2015.

In reply, please be informed that Section 6 of R.A. No. 7459 provides:

#337-2017
11-20-2017

"SECTION 6. Tax Exemption. — To promote, encourage, develop and accelerate commercialization of technologies developed by local researchers or adapted locally from foreign sources including inventions, any income derived from these technologies shall be exempted from all kinds of taxes during the first ten (10) years from the date of the first sale, subject to the rules and regulations of the Department of Finance: Provided, that this tax exemption privilege pertaining to invention shall be extended to the legal heir or assignee upon the death of the inventor.

"The technologies, their manufacture or sale, shall also be exempt from payment of license, permit fees, customs duties and charges on imports."

The said exemption can be availed of by you as the inventor during the first ten (10) years from the date of the first sale on a commercial scale, which is indicated above opposite each product invented, provided that said exemption privileges pertaining to the invention shall be extended to your legal heir or assignee upon your death. (BIR Ruling No. 328-12 dated May 11, 2012)

In other words, the tax exemption under the aforesaid section is for the inventor, in this case you, Mr. Jaime J. Esteban, doing business under the name of J.J. Esteban Enterprises and not for any other entity that commercially produces and distributes the invented product.

It is important to note that the Final Resolution of the Office of the President (OP), in OP Case No. dated February 2, 2004, affirming the finding of the Department of Finance denying the appeal of an inventor relative to his tax exemption privileges granted by this Office, clarifies that the only tax exemption granted by the first paragraph of Section 6 of RA 7459 merely refers to income tax.

In effect, you, Mr. Jaime J. Esteban are still subject to the following taxes:

1. 20% final withholding taxes on interest from currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds and similar arrangements and 7 1/2% final withholding tax on interest from foreign currency deposit;
2. Capital gains tax on sale of shares of stock prescribed under Section 24(C) of the Tax Code of 1997;
3. Capital gains tax on sale of real property prescribed under Section 24(D) of the Tax Code of 1997;
4. Income tax on income not arising from the inventor's productive activity such as interest, royalties, prizes, winnings and dividends;
5. Value-added tax (VAT) on the gross receipts/revenues derived from the sale of the said invention products, and also VAT for which the inventor is not directly liable, e.g., VAT on his purchases of raw materials, supplies and equipment/machinery, which may be shifted to him as part of the cost of goods sold or for services rendered;
6. Other percentage taxes under Title V of the Tax Code;

WS.

7. Excise taxes directly payable in connection with the sale of invention products; and
8. Documentary stamp tax on documents, instruments and papers.

Moreover, you, Mr. Jaime J. Esteban shall register with the proper Revenue District Officer as a withholding agent and as such shall withhold taxes (1) on wages/salaries of your employees; and (2) on your income payments to individuals or corporations subject to the expanded withholding tax provided for in Section 57(B) of the Tax Code of 1997.

Finally, you, Mr. Jaime J. Esteban shall prepare and file in triplicate on or before April 15 of each year for the preceding calendar year an Annual Information Return with the Revenue District Officer having jurisdiction over your place of business.

It is, of course, understood that your books of accounts and other pertinent records shall be subject to periodic examination by our revenue enforcement officers for purposes of ascertaining whether you have been complying with the conditions under which you have been granted tax exemption or tax incentives and your tax liability, if any, pursuant to Section 235 of the Tax Code of 1997.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be disclosed that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

K-1-JRC

011237