REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA 7459; RR 19-93
BIR Ruling No. 011-16 BIR Ruling No. 328-12
INV- 0508-2020
SEP 09 2020

[redacted]

Dear Mr. [redacted]:

This refers to your letter dated January 7, 2019, with attachments, requesting for tax exemption as a registered inventor of patented product, under Republic Act (RA) No. 7459, otherwise known as the Inventors and Inventions Incentives Act of the Philippines.

Records show that you are an accredited member of the Filipino Inventors Society (FIS) and a registered patent holder of the following products:

Utility Model	Patent No.	Date Issued	Date of First Sale
Molded Coarse Particle Product with Cast Paper-based Reinforcement	[redacted]	August 17, 2012	October 12, 2016
Cast Stone Product with Embedded Surface Accentuations	[redacted]	July 22, 2005	October 12, 2016

The above-mentioned patented inventions are being manufactured and marketed in a commercial scale by Natures Legacy Eximport, Inc.

The Technology Application and Promotion Institute (TAPI) Screening Committee has evaluated and recommended that the above-mentioned patented inventions are eligible for the tax incentives pursuant to its Resolution Nos. [redacted] dated June 29, 2017 and 2018-01 dated April 11, 2018 as confirmed by Confirmation Certificates Nos. [redacted], respectively, issued by Mr. Romulo T. Aggangan, Chairperson of TAPI Screening Committee.

In support of your application for tax exemption, you submitted the following:

1. Certified true copy of Letters Patent Nos. [redacted] dated August 17, 2012 and [redacted] dated July 22, 2005;
2. Certification of Membership of Inventor and Endorsement of Invention for Tax Exemption under RA No. 7459 dated October 17, 2018 issued by FIS;

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3. Certified true copy of DOST TAPI Confirmation Certificates Nos. [redacted] dated June 29, 2017 and 2018-01 dated April 11, 2018 and certified true copy of TAPI Screening Committee Resolution Nos. [redacted] dated June 29, 2017 and [redacted] dated April 11, 2018;
4. BIR Certificate of Registration No. [redacted] dated June 25, 1999; and
5. Invoice Nos. [redacted] and [redacted] and Purchase Order Nos. [redacted], [redacted] and [redacted], respectively, as proof of first sale on commercial scale.

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

> *"**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."*

You can avail of said exemption during the first ten (10) years from the date of the first sale on a commercial scale, provided that this exemption/privilege pertaining to the invention shall be extended to your legal heir or assignee upon your death. This exemption does not extend to any other entity that commercially produces and distributes your invented product. (BIR Ruling No. 328-12 dated May 11, 2012)

It is important to note that the Final Resolution of the Office of the President (OP), in OP Case No. 03-G-422 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 tax exemption granted by the first paragraph of Section 6 of RA No. 7459 refers to income tax only.

In effect, you 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 15%[1] 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, as amended;

3. Capital gains tax on sale of real property prescribed under section 24 (D) of the Tax Code of 1997, as amended;

[1] Increased from 7-1/2% to 15% as amended by TRAIN Law.

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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; and

6. Other percentage taxes under Title V of the Tax Code of 1997, as amended;

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 shall register with the proper Revenue District Office of the Bureau of Internal Revenue 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, as amended.

Finally, you shall prepare and file in triplicate on or before April 15 of each year for the preceding calendar year, or if you have designated a fiscal 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, as amended.

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

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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