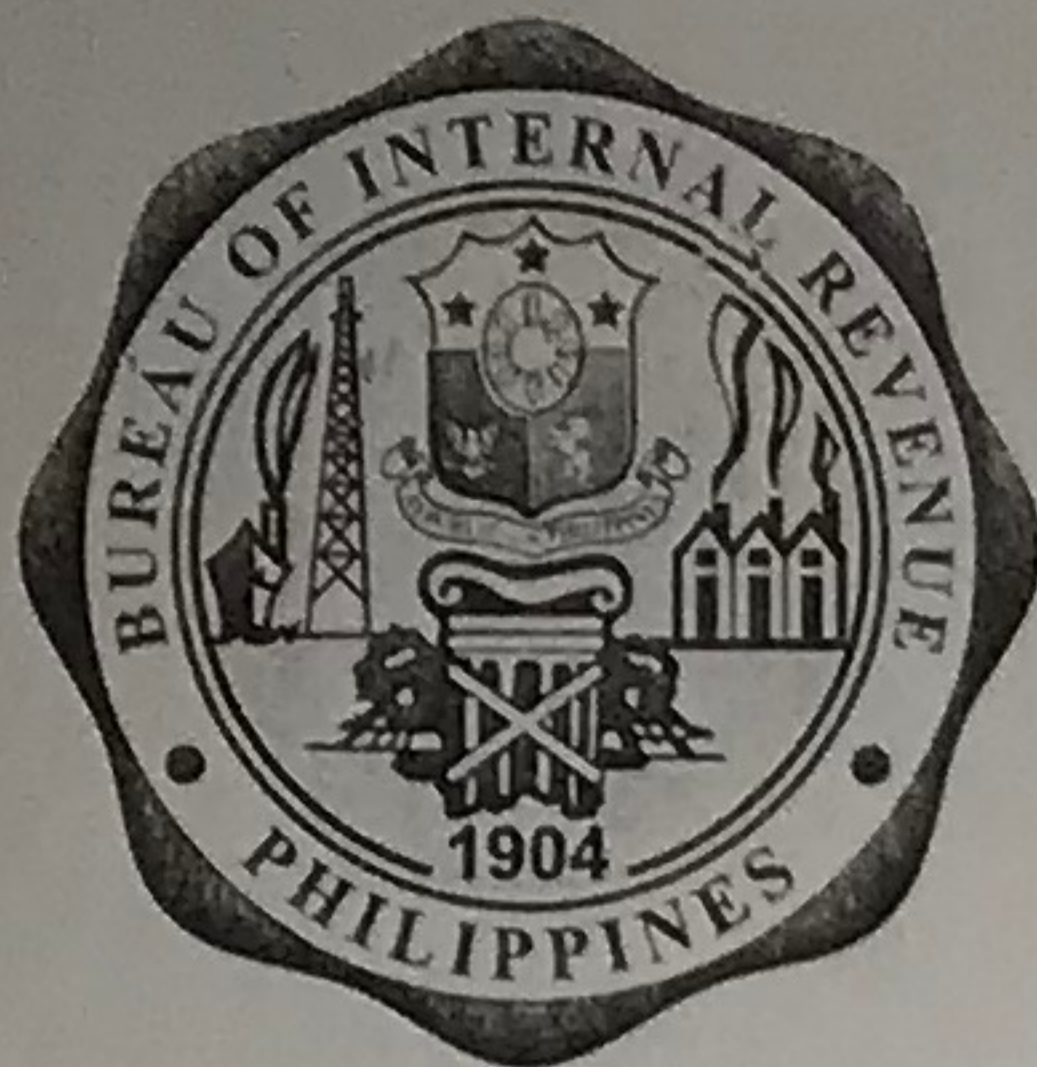




REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

Quezon City

Section 109 (G) of the NIRC of  
1997, as amended.

BIR Ruling No. 308-2017

VAT-0492-2020

SEP 08 2020

**OPTICARE DIAGNOSTIC LAB INC.**

5093 P. Burgos St., Poblacion,  
Makati City, 4<sup>th</sup> District 1210 M.M.

Attention : **OLIVER B. MENDIOLA**  
*President*

Gentlemen:

This refers to your request dated November 23, 2017 for an issuance of Certificate of VAT exemption in favor of **OPTICARE DIAGNOSTIC LAB INC.** pursuant to Revenue Regulations No. 16-2005 as amended by Revenue Regulations No. 04-2007.

Documents submitted show that **OPTICARE DIAGNOSTIC LAB INC.**, with Taxpayer's Identification Number (TIN) [REDACTED] is a corporation organized and existing under Philippine laws; that it is duly registered with the Securities and Exchange Commission (SEC) under SEC Reg. No. [REDACTED] dated January 13, 2017; and that as shown in its Articles of Incorporation, its primary purpose is to own, manage and operate diagnostic facility provided that such services shall be done by duly licensed and qualified personnel.

It is represented that the services being offered by **OPTICARE DIAGNOSTIC LAB INC.** are purely medical and laboratory services only; that it is also registered with the Department of Health (DOH) and was issued the necessary License to Operate a Hematology, Clinical Microscopy, Clinical Chemistry and Serology (w/ HIV Test).

In reply, please be informed that Section 109 (G) of the National Internal Revenue Code of 1997, as amended, provides:

"SEC. 109. *Exempt transactions.* — (1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from the value-added tax:

XXX

XXX

XXX

(G) Medical, dental, hospital and veterinary services except those rendered by professionals;

XXX

XXX

XXX."

9w  
f

In relation thereto, Revenue Regulations No. 16-2005 provides:

"Section 4.109-1. VAT-Exempt Transactions. —

- (A) *In general.* — "VAT-exempt transactions" refer to the sale of goods or properties and/or services and the use or lease of properties that is not subject to VAT (output tax) and the seller is not allowed any tax credit of VAT (input tax) on purchases.

The person making the exempt sale of goods, properties or services shall not bill any output tax to his customers because the said transaction is not subject to VAT.

- (B) *Exempt transaction.* —

xxx xxx xxx

- (g) Medical, dental, hospital and veterinary services, except those rendered by professionals.

*Laboratory services are exempted.* If the hospital or clinic operates a pharmacy or drug store, the sale of drugs and medicines is subject to VAT. (Emphasis ours)

xxx xxx xxx."

Based on the expressed provisions of the foregoing, it is clear that laboratory services are considered transactions exempt from VAT. Applying it to the instant case, insofar as the rendition of laboratory services by **OPTICARE DIAGNOSTIC LAB INC.** is concerned, this Office hereby confirms that this is considered exempt from VAT. As service provider, **OPTICARE DIAGNOSTIC LAB INC.** shall not pass on the VAT to its clients because said transactions is not subject to VAT.

However, in relation to the conduct of diagnostic services, whether such is also exempt from VAT shall depend on how it is provided. The process of *diagnosis* is defined as the discovery of the source of a patient's illness or the determination of the nature of his disease from a study of its symptoms.<sup>1</sup> The conduct of diagnostic service may either be carried out by an employee of **OPTICARE DIAGNOSTIC LAB INC.** or by an independent professional (consultants).

When conducted by the employees of **OPTICARE DIAGNOSTIC LAB INC.**, the process of diagnosis shall form part of the medical/laboratory services and the service fee, as payment for both diagnostic and laboratory services as a package, is VAT-exempt by express provision of Section 109 (G) of the Tax Code as implemented by Revenue Regulations No. 16-2005. On the other hand, diagnostic services, when rendered by an independent professional (consultant), shall appropriately be subject to VAT in the hands of the one who

<sup>1</sup> Definition is lifted from The Attorney's Pocket Dictionary (Law and Business Publications Inc.)

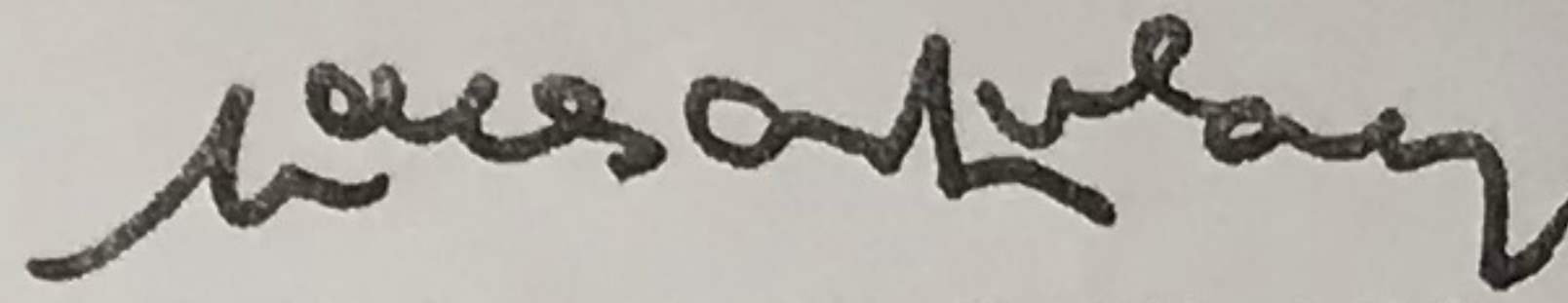
94/f

VAT-0492-2020  
SEP 08 2020

performs it but Opticare Diagnostic Lab Inc. cannot claim it as input tax credit. (Sec. 109(G) *supra*). Thus, the independent professional who conducted the diagnostic service must issue his/her own official receipts for the payment of fees therefor.

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.

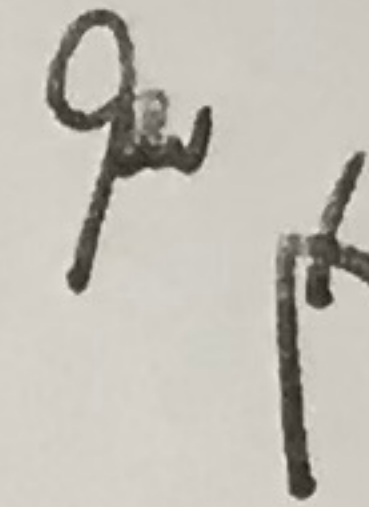
Very truly yours,



CAESAR R. DULAY

Commissioner of Internal Revenue

036590



K-1-JAC