REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Sec. 109 (1)(H) , Tax Code
VAT Ruling No. 017-02; VAT Ruling No. 031-03; BIR Ruling No. 169-2011
VAT-0510-2020
SEP 09 2020

Singapore School Manila, Inc.
Lots 1 & 40 Block 2 East Street East District
ASEANA City, Parañaque 1702

Attention: **Ms. Ana Leilani I. Atienza**
President

Gentlemen:

This refers to your letters, both dated August 6, 2018, requesting for the exemption of **Singapore School Manila, Inc.** from the payment of Value-Added Tax (VAT) under Section 109 (H) of the Tax Code of 1997, as amended, and tax refund/tax credit.

As represented, Singapore School Manila, Inc. is a private educational institution duly accredited and recognized by the Department of Education (DepEd) under the following:

Recognition/Government Permit No.	Date Issued	Course/Track
	July 15, 2015	Nursery/Kindergarten
	July 15, 2015	Complete Elementary
	November 5, 2012	Complete Secondary
	April 28, 2016	Arts and Design
	April 28, 2016	Academic (Accountancy, Business and Management)

In reply, please be informed that Section 109 (H) of the Tax 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.

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> *(H) Educational services rendered by private educational institutions, duly accredited by the Department of Education (DepEd), the Commission on Higher Education (CHED), the Technical Education and Skills Development Authority (TESDA) and those rendered by government educational institutions."*

Pursuant to Section 109 (H) of the Tax Code of 1997, as amended, gross receipts from the operations of educational institutions are exempt from the 12% VAT provided that it is accredited as such by the Department of Education, the Commission on Higher Education or the Technical Education and Skills Development Authority.

The VAT exemption provided under Section 109 (H) of the Tax Code of 1997, as amended, only pertains to the educational services rendered by private educational institutions but does not include VAT on their purchases of goods and services. Thus, while the school is exempt from VAT on its educational services, it cannot invoke the same exemption privilege to avoid paying VAT on its purchase of goods and/or services even if intended for school operational use because its exemption covers only taxes for which it is directly liable. It does not cover indirect tax such as VAT on its purchases of goods and services from VAT-registered suppliers. The 12% VAT for the purchase of goods and services may be shifted or passed on to the school by its VAT-registered suppliers. Once shifted, the VAT will form part of the cost of the goods and/or services supplied to the school. (VAT Ruling No. 017-02 dated March 20, 2002 and VAT Ruling No. 031-03 dated June 24, 2003).

Moreover, the above exemption does not extend to the school's other activities involving its sale of goods and services not in connection with its primary purposes which are subject to the 12% VAT imposed under Sections 106 and 108 of the Tax Code of 1997, as amended, or 3% percentage tax imposed under Section 116 in relation to Section 109 (V) of the same Code if the gross sales or receipts from such sale of goods and services do not exceed Three Million Pesos (P3,000,000.00)[1] which tax payment may legitimately be passed on to buyers of such goods and services. (BIR Ruling No. 169-2011 dated May 25, 2011)

Since Singapore School Manila, Inc. is a private educational institution duly accredited by the Department of Education, this Office hereby holds that educational services rendered by Singapore School Manila, Inc. is exempt from the payment of VAT under Section 109 (H) of the Tax Code of 1997, as amended.

As to the issue of tax refund/tax credit, an educational institution exempt from the payment of VAT is not entitled to apply for tax refund/tax credit of (excess) input tax. As discussed above, the 12% input VAT for the purchase of goods and services may be shifted or passed on to Singapore School Manila, Inc. by its VAT-registered suppliers. Once shifted, it

[1] R.A. No. 10963 increased the VAT threshold from P1,919,500 to P3,000,000 effective January 1, 2018.

shall form part of the cost of the goods and/or services purchased and shall be recorded by Singapore School Manila, Inc. as cost or expense.

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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