REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

RA 7459; RR 19-93	
BIR Ruling No. 328-12	
INV-001-2020	
JAN 2 4 2020	

BARBALITE TECHNOLOGIES
Barba Building, Km. 104.5 McArthur Highway
Cutcut I, Capas, Tarlac

Attention : **<u>PERCIVAL G. BARBA</u>**
General Manager

Gentlemen:

This refers to the letter of Filipino Inventors Society Producer Cooperative dated May 20, 2015 endorsing the request of Inventor Percival G. Barba for tax exemption under Republic Act (R.A.) No. 7459, otherwise known as the "Inventors and Inventions Incentives Act of the Philippines".

Records show that Inventor Percival G. Barba is the registered patent holder of the following product:

Utility Model	Registration No.	Date Issued	Date of First Sale
Solar Powered Road Marker		March 28, 2011	October 30, 2013

that Mr. Percival G. Barba is an accredited member of the Filipino Inventor Society Producer Cooperative; that the above-mentioned patented utility model is being commercially produced and distributed by Barbalite Technologies (TIN), a single proprietorship owned by Mr. Percival G. Barba located at B10 L20 Dayap Street, Palmera Homes I, Novaliches, Sta. Monica, Quezon City; and that the Screening Committee has evaluated and recommended that the above-mentioned patented utility model is eligible for the tax incentives pursuant to Resolution No. CC No. 2015-003 dated March 19, 2015.

In reply, please be informed that Section 6 of R.A. 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

INV-001-2020
JAN 2 4 2020

> *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 the inventor, Mr. Percival G. Barba, 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 the legal heir or assignee upon the death of the inventor. (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, Mr. Percival G. Barba, as a sole proprietor doing business under the name of Barbalite Technologies 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. [redacted] dated February 2, 2004, affirming the finding of the Department of Finance denying the appeal of an inventor relative to his tax exemption privileges, clarifies that the tax exemption granted by the first paragraph of Section 6 of RA 7459 merely refers to income tax.

In effect, Mr. Percival G. Barba is 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 fifteen (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;
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;
7. Excise taxes directly payable in connection with the sale of invention products; and
8. Documentary stamp tax on documents, instruments and papers.

---

[1] Republic Act No. 10963 increased the tax rate from 7.5% to 15% effective January 1, 2018.

L

INV-001-2020
JAN 2 4 2020

Moreover, Mr. Percival G. Barba shall register with the proper Revenue District Officer as a withholding agent and as such shall withhold taxes (1) on wages/salaries of his employees; and (2) on his 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, Mr. Percival G. Barba 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 his place of business.

It is, of course, understood that Mr. Percival G. Barba's books of accounts and other pertinent records shall be subject to periodic examination by our revenue enforcement officers for purposes of ascertaining whether he has been complying with the conditions under which he has been granted tax exemption or tax incentives and his 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 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

032359

K-1-JRC/JAC