REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA No. 7459; RR No. 19-93
BIR Ruling No. 505-19
NV - [illegible]
WG

FORMING ACCESS & SUPPORT INC.
1407-E Angono St. cor. Osmeña St.
Brgy. Poblacion, Makati City 1210

Attention: **Mr. Frederick Vital Erum**
President / CEO

Gentlemen:

This refers to your letter dated February 13, 2020 requesting on behalf of **Alberto P. Cabrera, Cassandra O. Erum, Frederick V. Erum, Mario J. Estacio, Ranielo Villaroman,** and their assignee, **Forming Access & Support Inc.** (FASI), for tax exemption, as registered inventors of a patented product, under Republic Act (RA) No. 7459, otherwise known as the Inventors and Inventions Incentives Act of the Philippines.

Records show that **Alberto P. Cabrera, Cassandra O. Erum, Frederick V. Erum, Mario J. Estacio, Ranielo Villaroman** are accredited members of the Filipino Inventors Society (FIS) Inc. and registered patent holders of the following product:

Utility Model	Industrial Design Registration No.	Date Issued	Date of First Sale
Modular Formwork Panel	3-2017-001235	May 4, 2018	July 11, 2019

The Technology Application and Promotion Institute (TAPI) Screening Committee has evaluated and recommended that the above-mentioned patented invention is eligible for the tax incentives pursuant to its Resolution No. 2019-14 dated October 31, 2019, as confirmed under Confirmation Certificate No. 2019-04 issued by TAPI Screening Committee.

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."

Based on the above law, the said exemption can be availed of by the inventors during the first ten (10) years from July 11, 2019 which is the date of the first sale on a commercial scale. provided that this exemption/privilege pertaining to the invention shall be extended to the inventor's legal heir or assignee upon his death. It must be emphasized, however, that the tax exemption under the aforesaid Section is for the inventors, in this case, **Alberto P. Cabrera**, **Cassandra O. Erum**, **Frederick V. Erum**, **Mario J. Estacio**, and **Ranielo Villaroman** and not for any other entity that commercially produces and distributes the invented product. Hence, any income received by the company, FASI, from such production/distribution/marketing is subject to the payment of appropriate taxes. (DOF Opinion No. 18-2019 dated December 18, 2019)

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, the aforementioned inventors 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 National Internal Revenue Code of 1997 (Tax Code), as amended;

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

4. Income tax on revenues not arising from the inventor's registered invention 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, 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.

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

Moreover, the aforesaid inventors 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 their employees; and (2) on their income payments to individuals or corporations subject to the expanded withholding tax provided for in Section 57 (B) of the Tax Code, as amended.

Finally, they shall prepare and file in triplicate on or before April 15 of each year for the preceding calendar year, or if they have designated a fiscal year, an Annual Information Return with the Revenue District Officer having jurisdiction over their place of business.

It is, of course, understood that their books of accounts and other pertinent records shall be subject to periodic examination by our Revenue Enforcement Officers for purposes of ascertaining whether they have been complying with the conditions under which they have been granted tax exemption or tax incentives and their tax liability, if any, pursuant to Section 235 of the Tax Code, 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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