DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Sec. 109 (1)(H), Tax Code
VAT Ruling No. 017-2002; VAT Ruling No. 031-2003; BIR Ruling No. 169-2011
VAT-420-2021
NOV 08 2021

FO GUANG SHAN FOUNDATION INC.
656 P Ocampo St, Brgy. 719
Zone 078, Malate, Manila 1004

Attention: **Mr. Lao Tian Ben**
President

Gentlemen:

This refers to your request on behalf of **FO GUANG SHAN FOUNDATION INC. DOING BUSINESS UNDER THE NAME AND STYLE OF FO GUANG SHAN AND GUANG MING COLLEGE**[1] **("FO GUANG SHAN")** for exemption from the payment of value-added tax (VAT) pursuant to Section 109 (H) of the National Internal Revenue Code (Tax Code) of 1997, as amended.

Documents submitted disclosed that **GUANG MING COLLEGE** is a private educational institution duly accredited and recognized by the Commission on Higher Education (CHED) under the following:

Government Recognition No/s.	Date Issued	Course
No. 043, s. 2017	September 06, 2017	Bachelor of Arts in Theater Arts
No. 044, s. 2017	September 08, 2017	Bachelor of Performing Arts and Dance
No. 055, s. 2017	October 06, 2017	Bachelor of Arts in Buddhist Studies

In reply, please be informed that Section 109 (1) (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.

[1] Formerly: FO GUANG SHAN FOUNDATION INC, DOING BUSINESS UNDER THE NAME AND STYLE OF FO GUANG SHAN AND FO GUANG COLLEGE

x x x x x x x x x

(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."

Moreover, Section 4.109-1 (B) (1) (h) of Revenue Regulation (RR) No. 16-2005, as amended, provides:

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

x x x x x x x x x

(B) Exempt transactions. —

(1) Subject to the provisions of Subsection (2) hereof, the following transactions shall be exempt from VAT:

x x x x x x x x x

(h) Educational services rendered by private educational institutions duly accredited by the Department of Education (DepED), the Commission on Higher Education (CHED) and the Technical Education and Skills Development Authority (TESDA) and those rendered by government educational institutions;

"Educational services" shall refer to academic, technical or vocational education provided by private educational institutions duly accredited by the DepED, the CHED and TESDA and those rendered by government educational institutions and it does not include seminars, in-service training, review classes and other similar services rendered by persons who are not accredited by the DepED, the CHED and/or the TESDA"

Accordingly, 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 CHED or the Technical Education and Skills Development Authority.

Thus, since **GUANG MING COLLEGE** is a private educational institution duly accredited by the CHED, this Office hereby holds that its educational services is exempt from the payment of VAT under Section 109 (1) (H) of the Tax Code of 1997, as amended.

However, the VAT exemption provided under Section 109 (1) (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 purchases 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.[2]

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)[3] which tax payment may legitimately be passed on to buyers of such goods and services.[4]

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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[2] VAT Ruling No. 017-02 dated March 20, 2002 and VAT Ruling No. 031-03 dated June 24, 2003.
[3] Republic Act No. 10963 increased the VAT threshold from P1,919,500 to P3,000,000 effective January 1, 2018.
[4] BIR Ruling No. 169-2011 dated May 25, 2011.