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

Sec. 109 (1)(R), 1997 Tax Code, as amended
BIR Ruling No. 1342-18; BIR Ruling No. 007-2011 & BIR Ruling No. 255-12
VAT-0373-2020
JUL 03 2020

Kristin Educational Exponents Publications, Inc.
7 Commercial Unit, Teacher Bliss
Balong Bato, Quezon City

Attention: **Ms. Corazon G. Sempio**
Chairperson of the Board

Gentlemen:

This refers to your letter dated March 13, 2019 requesting for a ruling confirming your opinion that **KRISTIN EDUCATIONAL EXPONENTS PUBLICATIONS, INC.** ("KEEP") is exempt from the payment of value-added tax (VAT) and three percent (3%) percentage tax pursuant to Section 109 (1)(R) of the 1997 Tax Code, as amended.

As represented, KEEP with Taxpayer's Identification No. , is a domestic corporation registered with the Securities and Exchange Commission (SEC) under Company Registration No. dated April 7, 2016. It is engaged in the business of "publishing of books, brochures, musical books". KEEP is registered with the National Book Development Board (NBDB) as a Book Wholesaler/Retailer and Distributor per NBDB Registration No. . Likewise, it is registered in the Philippine Government Electronic Procurement System on April 13, 2009.

In reply, please be informed that under Section 109 (1) (R) of the 1997 Tax Code, as amended and as implemented by Section 4.109-1 (B) (r) of Revenue Regulations (RR) No. 16-2005, the *"sale, importation, printing or publication of books and any newspaper, magazine, review or bulletin, which appears at regular intervals with fixed prices or subscription and sale and which is not devoted principally to the publication of paid advertisements is exempt from the imposition of the VAT."*

Prescinding from the above-cited provisions, it is clear that there are four (4) activities that are exempt from the coverage of VAT, i.e., sale, importation, printing and publication of books, newspapers, magazines, reviews and bulletins. Moreover, the said items, like magazine, must be printed or published in hard copies at regular intervals, available for subscription and sale at fixed prices, and not devoted principally to the publication of paid advertisements.

VAT- 0373-2020
JUL 0 3 2020

In relation thereto, Revenue Memorandum Circular (RMC) No. 75-2012 clarifies that in order to be exempt from VAT, a newspaper, magazine, review or bulletin must be: (1) printed or published at regular intervals; (2) available for subscription and sale at fixed prices; and (3) are not principally devoted to the publication of paid advertisements. The terms "book", "newspaper", "magazine", "review" and "bulletin" as used in the provision refer to printed materials in hard copies. These do not include those in digital or electronic format or computerized versions, including but not limited to: e-books, e-journals, electronic copies, online library sources, CDs and software.

With regard to the sale and publication of electronically printed materials or digital/computerized versions, including but not limited to: e-books, e-journals, electronic copies, online library sources, CDs and software, this Office had clarified in RMC No. 75-2012, that the terms "book," "newspaper," "magazine," "review" and "bulletin," for purposes of the VAT law, only apply to printed materials in hard copies. It does not apply to electronic copy of any book or publication.

Please take note that VAT is an indirect tax payable by the seller and not the purchaser of goods. Being an indirect tax, it can be shifted or passed on to the buyer/purchaser, transferee or lessee of the goods, properties or services. Once shifted to the buyer/customer as an addition to the cost of goods or services sold, it is no longer a tax but an additional cost which the buyer/customer has to pay in order to obtain the goods or services. Thus, notwithstanding that KEEP is VAT-exempt, the purchases of goods, properties or services from its suppliers shall nevertheless be subject to the 12% VAT pursuant to Sections 106, 107 and/or 108, as applicable, of the 1997 Tax Code, as amended.

In view of all the foregoing, KEEP's business of publishing books, but excluding the publication of brochures, is exempt from the payment of VAT/creditable VAT and from the 3% percentage tax. If KEEP has other transactions (ex. printing of brochures, bookbinding, engraving, stereotyping, electrotyping, lithographing of various reference books, trade books, journals and other literary works) which are subject to the VAT, it is required to register as a VAT business entity and issue a separate VAT invoice/receipt to record such transactions.

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
035424

K-1