REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

BIR RULING NO. INV- 485 - 2021 DEC 24 2021
Republic Act (RA) No. 7459; Revenue Regulations (RR) No. 19-1993; BIR Ruling No. 011-2016; BIR Ruling No. 190-2015

RMA NUTRACEUTICALS, INC.
Purok 163 Barnabites. nr. cor. SVCD Road
San Jose, Tagaytay City 4120

Attention: **Mr. Rene M. Alejandrino**
Inventor

Gentlemen:

This refers to your letter dated June 08, 2021 requesting for tax exemption pursuant to Republic Act (RA) No. 7459, otherwise known as the "Inventors and Inventions Incentives Act of the Philippines."

It is represented that Mr. Rene M. Alejandrino is the registered patent holder of the following product/s:

Patent Number	Title	Date Issued
	Method and apparatus for drying food products	March 10, 2014

that Mr. Rene M. Alejandrino is a Filipino Inventor and a *bonafide* member of the Filipino Inventors Society, Inc. (FISI); that the above-mentioned patented invention is being commercially produced and distributed exclusively by RMA Nutraceuticals, Inc., under the brand name and tradename "RMA Nutraceuticals, Inc."; that the Department of Science and Technology (DOST) – Technology Application and Promotion Institute (TAPI) certified that the above-mentioned inventions are new and original, and the technology is newly developed by local researchers; and that the Screening Committee of TAPI has evaluated and recommended that the above-mentioned patented inventions are eligible for the tax incentives pursuant to "Confirmation Certificate" dated January 20, 2015.

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 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. Rene M. Alejandrino, during the first ten (10) years from the date of the first sale on a commercial scale, as follows:

Patent Number	**Title**	**Date of First Sale**
	Method and apparatus for drying food products	January 30, 2020

provided that said exemption privileges pertaining to the invention shall be extended to the legal heir or assignee upon the death of the inventor. In other words, the tax exemption under the aforesaid Section is for the inventor, in this case, Mr. Rene M. Alejandrino, and not for any other entity that commercially produces and distributes the invented product. (BIR Ruling No. 011-2016 dated January 08, 2016) Hence, any income received by the company, RMA Nutraceuticals, Inc., from such production/distribution/marketing is subject to the payment of appropriate taxes. (BIR Ruling No. 190-2015 dated June 10, 2015)

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 only tax exemption granted by the first paragraph of Section 6 of RA No. 7459 merely refers to income tax.

In effect, Mr. Rene M. Alejandrino 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 percent (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, as amended;

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[1] *Republic Act (RA) No. 10963 increased the Final withholding tax on Income from 7.5% to 15% effective January 01, 2018*

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3. Capital gains tax on sale of property prescribed under Section 24 (D) of the National Internal Revenue Code of 1997, as amended;
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; and
6. Other percentage taxes under Title V of the National Internal Revenue Code of 1997, 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.

Moreover, Mr. Rene M. Alejandrino 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 income payments to individuals or corporations subject to the expanded withholding tax provided for in Section 57 (B) of the National Internal Revenue Code of 1997, as amended.

Finally, Mr. Rene M. Alejandrino 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. Rene M. Alejandrino'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 National Internal Revenue 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 and void.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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