REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

Section 109 (1) (B), Tax Code of 1997, as amended
BIR Ruling No. 816-2018; BIR Ruling No. 044-2014
VAT-[illegible]-2021
DEC 21 2021

SHEINAMARIA PARTNERSHIP CO.
Rm. 301, 1010 Building, A. Mabini St.
Brgy. 666, Zone 072, Ermita, Manila 1000

Attention: **MICHELLE M. DELA CRUZ**
President

Gentlemen:

This refers to your request for confirmation that the importation by SheinaMaria Partnership Co. (SMPC) of Soybean Meal (SBM) and its sale to Batangas Egg Producers Multipurpose Cooperative (BEPMC) to be used as its raw material in making animal feeds, is exempt from value-added tax (VAT) pursuant to Section 109 (1) (B) of the National Internal Revenue Code (Tax Code) of 1997, as amended, as implemented by Revenue Regulations (RR) No. 16-2005, as amended.

Documents submitted disclosed that SMPC, with Taxpayer Identification No. (TIN)), is a corporation duly organized and existing under the laws of the Republic of the Philippines; that it is duly registered with the Securities and Exchange Commission (SEC) under SEC Company Reg. No. dated November 20, 2017, to engage in the business of trading, importer of fruits and other agricultural products: and that it is also registered with the Bureau of Animal Industry pursuant to the provisions of Republic Act (RA) No. 1556 under BAI License to Operate No. valid until December 31, 2021, as importer of livestock and poultry feeds.

On November 24, 2021, SMPC and BEPMC executed an Agreement where the former agreed to import on behalf of the latter 5000MT of SBM from Hong Nga Sai Gon Trading Company Limited located at K8, 1 Highway, Gia Ray, Xuan Loc, Dong Nai Province, Vietnam, with the following specification:

Protein Basis	:	46.5 PCT, Minimum 45.5PCT
Fiber Basis	:	Maximum 4PCT
Moisture	:	Maximum 13.00PCT
Sand/Silica	:	Max 2.5PCT
Aflatoxin	:	Bi or Aflatoxin B1, B2, G1, G2 – MAX30PBB
Urease	:	Max .3PCT

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

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(B) ***Sale or importation*** *of fertilizers; seeds, seedlings and fingerlings; fish, prawn, livestock and poultry feeds,* ***including ingredients, whether***

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locally produced or imported, used in the manufacture of finished feeds *(except specialty feeds for race horses, fighting cocks, aquarium fish, zoo animals and other animals generally considered as pets);* (Emphasis underlining supplied)

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The words "ingredients" and "feeds" are defined in Section 3 of RA No. 1556 (An Act to Regulate and Control the Manufacturer, Importation, Labelling, Advertising, and Sale of Livestock and Poultry Feeds), otherwise known as the "Livestock and Poultry Feeds Act", as amended by Presidential Decree (PD) No. 7, as follows:

"Section 3. Definitions. - For the purpose of this Act, the following terms shall mean:

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(d) "Feeds" or "Feeding Stuff" shall include all such articles to be used as feeds for the purpose of feeding purporting to supply proteins, carbohydrates, fats, minerals, vitamins, antibiotics and/or correcting nutritional disorders. Such articles may be locally produced or imported, mixed or in the form of simple ingredients.

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(l) "Ingredients" means any single article of feed or feeding stuff which enters into the composition of a ration, concentrate, or supplement."

Corollarily, Section 4 *supra* states that:

"Section 4. Registration. - (a) Any person, partnership, firm, corporation or association desiring to engage in the manufacturer, importation, sale or distribution of feeds or feeding stuffs shall first be registered in the Office of the Director.

(b) Applications for registration or annual renewal thereof, shall be made by the person, partnership, firm, corporation or association marketing, manufacturing, or importing such feeds or feeding stuffs, or by his accredited agent in such form and manner as may be prescribed from time to time by regulation.

(c) An application for registration shall be accompanied by a registration fee of five pesos for a person, firm, partnership, corporation or association engaged in the retailing or distribution of commercial feeds or feeding stuffs, and one hundred pesos for manufacturers and/or importers of commercial feeds or feeding stuffs.

(d) No feeds or feeding stuffs in the form of complete mixture, concentrate, supplement, or ingredients which have not been registered with the Director, shall be manufactured, imported, advertised, sold or offered for sale or held in possession for sale in the Philippines.

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Likewise, the Department of Agriculture (DA) in DA Administrative Order No. 12-07 (Revised Implementing Rules and Regulations on the Registration of Feed Establishments and Feed Products) defined the following terms as follows:

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"Section 2. Definition of Terms. -

For purposes of these rules and regulations, the following definitions are hereby adopted:

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2.28. Feed Additive - refers to an ingredient or combination of ingredients which is added to the basic mixed feed to fulfill a specific need which include, but not limited to, acidifiers, antioxidants, aromatics, deodorizing agents, flavour enhancers, mold inhibitors, pellet binders, preservatives, sweeteners, toxin binders, etc. It is usually used in micro quantities and requires careful handling and mixing. A feed additive may have no nutritive value but is added to the feed to improve its quality and efficacy.

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2.38. Feed Premix — refers to a uniform mixture of one or more micro-ingredients with diluents and/or carrier. Premixes are used to facilitate uniform dispersion of the micro-ingredients in large mix.

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2.41. Feed Supplement — refers to a feed ingredient or mixture of feed ingredients intended to supply the deficiencies in a ration or improve the nutritive balance or performance of the total mixture. For purposes of this AO, amino acids, fatty acids, vitamins and minerals are considered as feed supplements.

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In BIR Ruling 044-2014 dated February 5, 2014, this Office ruled that:

"In view of the foregoing and considering that Tajami Feed Premix Powder Enzymes with 10% Tolerance (Protease, Rice Bran 80%, Wheat 15%, ***soybean*** *oil cake and others 5%) has been certified by the BAI as a duly registered product for livestock, poultry and aquaculture feeds use, the importation of such additives for livestock feeds shall be exempt from VAT pursuant to the provision of the Tax Code of 1997, as amended......"* (Emphasis and underscoring supplied)

Also, in BIR Ruling 816-2018, this Office held that:

"Therefore, as represented since the above-mentioned products are classified as feed additives, feed ingredients, or feed supplements based on the BAI Certificates of Product Registration, and are primarily used for the production of livestock and poultry feeds, this Office holds that the sale or importation of the above-mentioned feed additives, feed ingredients, or feed supplements are EXEMPT from VAT pursuant to Section 109 (1) (B) of the National Internal Revenue Code of 1997, as amended, as implemented by Revenue Regulations No. 16-2005, as amended......"

Therefore, the importation by SMPC of 5000MT of SBM from Hong Nga Sai Gon Trading Company Limited and its sale to BEPMC are exempt from the twelve percent (12%) VAT pursuant to Section 109 (1) (B) of the Tax Code of 1997, as amended, and as implemented by RR No. 16-2005, as amended, provided that said product is classified as feed additive, feed ingredient, or feed supplement through the issuance by the BAI of Certificate/s of Product

Registration; provided further that the said product shall be primarily used for the production of livestock and poultry feeds.

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

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