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

Bureau of Internal Revenue Ruling

National Internal Revenue Code of 1997, as amended. R.A. No. 8282 R.A. No. 10963	VAT- 0335-2020

Person to Contact: Chief, Law Division
Tel. Nos. 926-55-36 / 927-09-63

Date: JUN 16 2020

SOCIAL SECURITY SYSTEM
East Avenue, Diliman,
Quezon City

Attention: **AURORA CRUZ IGNACIO**
President and CEO

Madam:

This is to acknowledge your letter dated May 8, 2017 requesting for confirmation on the tax exempt status of the Social Security System (SSS) from the payment of Value Added Tax (VAT).

It is established that SSS is a government agency created under Republic Act (R.A.) No. 1161, as amended by R.A. No. 8282[1], whose primary function is to "establish, develop, promote and perfect a sound viable tax-exempt social security system suitable to the needs of the people throughout the Philippines which shall promote social justice and provide meaningful protection to members and their beneficiaries against the hazards of disability, sickness, maternity, old age, and death and other contingencies resulting in loss of income or financial burden."

Section 16 of RA No. 8282 further states that:

"SEC. 16. Exemption from Tax, Legal Process and Lien. - All laws to the contrary notwithstanding, the SSS and all its assets and properties, all contributions collected and all accruals thereto and income or investment earnings therefrom as well as all supplies, equipment, papers or documents shall be exempt from any tax, assessment, fee, charge, or customs or import duty; and all benefit payments made by the SSS shall likewise be exempt from all kinds of taxes, fees or charges, and shall not be liable to attachments, garnishments, levy or seizure by or under any legal or equitable process whatsoever, either before or after receipt by the person or persons entitled thereto, except to pay any debt of the member to the SSS. No tax measure of whatever nature enacted shall apply to the SSS, unless it expressly revokes the declared policy of the State in Section

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[1] Social Security Law

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> *2 hereof granting tax-exemption to the SSS. Any tax assessment imposed against the SSS shall be null and void. (As amended by Sec. 9, P.D. No. 24, S. 1972; and Sec. 14, P. D. No. 735, S. 1975)*

The policy of the State to exempt SSS from any and all kinds of taxes as enunciated in Section 2 and further reiterated in Section 16 of R.A. No. 8282 is explicitly stated. The above-quoted provision further provides that any tax assessments against SSS are null and void.

However, with the passage of R.A. No. 10963, entitled as "Tax Reform for Acceleration and Inclusion (TRAIN LAW)", Sections 2 and 16 of R.A. No. 8282, insofar as VAT exemption is concerned are declared repealed[2]. Hence, starting January 1, 2018, SSS is no longer exempt from the payment of VAT.

To ease the removal of the VAT exemption, the TRAIN Law states that *"Provided, That the VAT obligations of government-owned and –controlled corporations, state universities and colleges, and other government instrumentalities whose VAT exemption has been repealed under this Act shall be chargeable to the Tax Expenditure Fund (TEF) provided for in the annual General Appropriations Act[3] ..."*

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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[2] Sec. 86 (q) of R.A. No. 10963.
[3] Sec. 86 of R.A. No. 10963.