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

Section 109 (G) of the NIRC of 1997, as amended.
BIR Ruling No. 308-2017
VAT-[illegible]
SEP 14 2021

CHINESE GENERAL HOSPITAL AND MEDICAL CENTER
(Owned and operated by Philippine-Chinese Charitable Association, Inc.)
1126 Soler Street, Binondo
Manila 1006

Attention : **Mr. Kelly H. Sia**
Exec. Vice-President and COO

Gentlemen:

This refers to your request dated July 27, 2021 for the issuance of Certificate of VAT exemption in favor of **CHINESE GENERAL HOSPITAL AND MEDICAL CENTER** (**"CGHMC"** for brevity) pursuant to Revenue Regulations No. 16-2005 as amended by Revenue Regulations No. 04-2007.

Documents submitted show that **CGHMC**, with Taxpayer's Identification Number (TIN) registered under the name of Philippine-Chinese Charitable Association, Inc., is a corporation organized and existing under Philippine laws; that it is duly registered with the Securities and Exchange Commission (SEC) under SEC Reg. No. 12774; and that as shown in its Amended By-Laws, its primary purpose is *"to own, maintain, equip, manage and operate a hospital or hospitals, such as but not limited to The Chinese General Hospital and Medical Center, which will provide for case, treatment and medical or surgical attendance to sick, afflicted, infirmed or injured persons."*.

In reply, please be informed that Section 109 (G) of the National Internal Revenue Code (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:
>
> xxx xxx xxx
>
> (G) Medical, dental, hospital and veterinary services except those rendered by professionals;
>
> xxx xxx xxx."

VAT-

In relation thereto, Revenue Regulations (RR) No. 16-2005 provides:

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

(A) *In general.* — "VAT-exempt transactions" refer to the sale of goods or properties and/or services and the use or lease of properties that is not subject to VAT (output tax) and the seller is not allowed any tax credit of VAT (input tax) on purchases.

The person making the exempt sale of goods, properties or services shall not bill any output tax to his customers because the said transaction is not subject to VAT.

(B) *Exempt transaction.* —

xxx xxx xxx

(g) Medical, dental, hospital and veterinary services, except those rendered by professionals.

Laboratory services are exempted. If the hospital or clinic operates a pharmacy or drug store, the sale of drugs and medicine is subject to VAT. (Emphasis ours)

xxx xxx xxx."

Based on the foregoing, it is clear that hospital services, including the laboratory services, are considered transactions exempt from VAT. Applying it to the instant case, insofar as the rendition of hospital and laboratory services by **CGHMC** is concerned, this Office hereby confirms that said transactions are considered exempt from VAT. As service provider, **CGHMC** shall not pass on VAT to its clients on its hospital and laboratory services because said transactions are not subject to VAT.

However, in relation to the conduct of diagnostic services, whether such is also exempt from VAT shall depend on how they are provided. The process of *diagnosis* is defined as the discovery of the source of a patient's illness or the determination of the nature of his disease from a study of its symptoms.[1] The conduct of diagnostic service may either be carried out by an employee of **CGHMC** or by an independent professional (consultants).

When conducted by the employee of **CGHMC**, the process of diagnosis shall form part of the medical/laboratory services and the service fee, as payment for both diagnostic and laboratory services as a package, is VAT-exempt by express provision of Section 109 (G) of the Tax Code of 1997, as amended, and as implemented by RR No. 16-2005. On the other hand, diagnostic services, when rendered by an independent professional (consultant), shall appropriately be subject to VAT in the hands of the professional who performs it but **CGHMC**

[1] Definition is lifted from The Attorney's Pocket Dictionary (Law and Business Publications Inc.)

cannot claim it as input tax credit. (Sec. 109 (G) *supra*). Thus, the independent professional who conducted the diagnostic service must issue official receipt for the payment of fees therefor. Lastly, if **CGHMC** operates a pharmacy or drug store, the sale of drugs and medicines is subject to VAT.

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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