REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

RA No. 7459; RR No. 19-1993
BIR Ruling No. 524-2018
INV-436-2021
DEC 02 2021

LYLE CHRISTIAN R. HERBOSA

Laguna

Sir:

This refers to your letter dated May 18, 2021 requesting for clarification on the tax privilege of inventors pursuant to Republic Act (RA) No. 7459, otherwise known as the "*Inventors and Inventions Incentives Act of the Philippines*" in relation to BIR Ruling No. 524-2018 dated March 15, 2018.

Prefatorily, Section 6 of RA No. 7459 provides for the tax exemption granted to Filipino inventors, *viz*:

> *SEC. 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.*

Pursuant to the aforecited provision, the Department of Finance (DOF) through this Bureau issued Revenue Regulations (RR) No. 19-1993 which provides for the tax exemption of an inventor, to wit:

> *SEC. 3. Tax Incentives and Tax Exemptions.*
>
> *xxx xxx xxx*
>
> *C. The Inventor shall be exempt from the following taxes for which otherwise he shall have been directly liable:*

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(a) Income tax on the Net Income derived from the sale on invention products resulting from newly discovered/ developed technologies by local researchers or new technology opted from foreign sources whether it be patented machine, product, process including implements or tools and other related gadgets of invention, utility model and industrial design patents;

(b) Value added tax (VAT) on the gross receipts/revenues derived from the sale of said invention products, Provided, however, that an inventor shall be exempt from taxes for which he is not directly liable, e.g. VAT on his purchase of raw materials, supplies and equipment/machineries, which may be shifted to him as part of cost of goods sold or for services rendered; and

(c) Excise taxes directly payable in connection with the sale of invention products.

Relative to the above, the Office of the President made a pronouncement enunciated in OP Case No. 03-G-422 dated February 2, 2004 wherein it clarified that the tax exemption granted by the first paragraph of Section 6 of RA No. 7459 only pertains to income tax.

In accordance with the above pronouncement of the Office of the President, the tax incentive of the inventors pursuant to RA No. 7459 is limited only to income tax exemption on the sale on invention products. The other taxes and obligations applicable thereto, as enumerated in BIR Ruling No. 524-2018, which are likewise provided under Sections 5 to 7 of RR No. 19-1993, are not covered by the exemption.

Please be guided accordingly.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

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