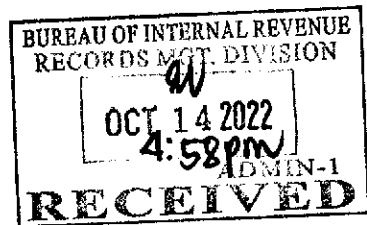




REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
BIR National Office Building
Diliman, Quezon City



Date: OCT 14 2022

REVENUE MEMORANDUM CIRCULAR NO. 137 - 2022

SUBJECT: Clarificatory Guidelines on the Availment of VAT Zero Rate (0%) on Health Maintenance Organization (HMO) Plans Acquired by Registered Export Enterprises (REEs) and Prescribing the Uniform Template of 'Detailed Information' Thereof

TO: All Internal Revenue Officials, Employees and Other Concerned

This Circular is being issued to expound further the clarification made in Q and A No. 14 of Revenue Memorandum Circular (RMC) No. 24-2022 on cost items that fall under "other expenditures" which are indispensable to the project or activity where there were examples provided. These include expenses that are necessary or required to be incurred depending on the nature of the registered project or activity of the export enterprise.

The list provided in the said RMC is not "exclusive", hence expenditures not listed therein may be allowed for VAT zero-rating, provided the same can be attributed directly to the registered activity of the REEs. This is true in the case of HMO plans acquired by REEs for employees directly involved in the operations of their registered projects or activities and forming part of their compensation package, for their health maintenance. Providing health benefits is not only an indispensable tool for building a competitive workforce but also ensures continuous and smooth operation of the registered project or activity. However, the VAT zero-rating shall not extend to HMO plans procured for employees' dependents, as well as HMO plans for employees **not** directly involved in the operations of the registered projects or activities of the REEs.

In this regard, all REEs availing of the VAT zero-rate on their acquisition of HMO plans for employees directly involved in their registered project or activity shall provide their suppliers a detailed information on the HMO plans acquired using the format in Annex "A" to ensure that only HMO expenses for qualified employees are given VAT zero rating. This shall also be part of the documents to be submitted by the suppliers in filing the application for VAT zero-rate.

All concerned are hereby enjoined to be guided accordingly and give this Circular a wide publicity as possible.

Lilia C. Guillermo
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Commissioner of Internal Revenue

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