

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**

May 7, 2004

**REVENUE REGULATIONS NO. 7-2004**

**SUBJECT : Implementing Section 109 (bb) and (cc) of the National Internal Revenue Code, as Amended by Republic Act No. 9238, Excluding Services Rendered by Doctors of Medicine duly Registered with the Professional Regulatory Commission (PRC), and Services Rendered by Lawyers Duly Registered with the Integrated Bar of the Philippines (IBP) from the Coverage of Value Added Tax.**

**TO : All Internal Revenue Officers and Others Concerned.**

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**SECTION 1. SCOPE.** – Pursuant to the provisions of Section 244 and 109 (bb) and (cc) of the National Internal Revenue Code of 1997 (Code), in relation to Section 5 of Republic Act No. 8424, as last amended by Section 2 of Republic Act No. 9238, these Regulations are hereby promulgated to amend certain provisions of Revenue Regulations No. 1-2003, as last amended by RR No. 11-2003, governing the imposition of Value Added Tax (VAT) on the sale of services by persons engaged in the practice of profession or calling and professional services rendered by general professional partnerships, in order to exclude from its coverage services rendered by doctors of medicine duly Registered with the Professional Regulatory Commission (PRC), and services rendered by lawyers duly registered with the Integrated Bar of the Philippines (IBP) from value added tax.

**SEC. 2. COVERAGE.** - Beginning January 1, 2004, medical services rendered by doctors of medicine duly registered with the Professional Regulatory Commission (PRC) and legal services rendered by lawyers duly registered with the Integrated Bar of the Philippines (IBP) shall no longer be subject to value added tax.

Services rendered by doctors of medicine specifically excluded from the coverage of value added tax under Section 109(bb) of the Code, are limited to services rendered by

individuals duly licensed as doctor of medicine by and of good standing with the PRC, or by general professional partnership whose partners are composed solely of individuals duly licensed as doctor of medicine by and of good standing with the PRC, organized solely and exclusively for the practice of medical profession. Provided, further, that the services rendered by doctors of medicine excluded from the coverage of value added tax shall be limited to those services which may be rendered, under existing law, only by doctors of medicine duly licensed by and of good standing with the PRC.

Legal services specifically excluded from the coverage of value added tax, are limited to those rendered by individual lawyer duly registered with and of good standing with the IBP, or by general professional partnership whose partners are solely composed of lawyers duly registered with the IBP in the practice of legal profession and organized solely and exclusively for the practice of law. And provided, further, that the legal services rendered by the foregoing which shall be excluded from the coverage of value added tax shall be limited to those legal services which may be rendered, under existing law, only by a lawyer duly registered with and of good standing with the IBP.

**SEC. 3. AMENDATORY PROVISION EXCLUDING DOCTORS OF MEDICINE DULY REGISTERED WITH PRC AND SERVICES RENDERED BY LAWYERS DULY REGISTERED WITH THE IBP AS WELL AS GENERAL PROFESSIONAL PARTNERSHIPS FOR THE SOLE AND EXCLUSIVE PURPOSE OF PRACTISING LAW OR MEDICINE FROM THE COVERAGE OF VAT ON SERVICES.** - Section 2 of RR No. 1-2003, as amended by RR No. 11-2003, is hereby amended to read as follows:

***“SECTION 2. Coverage.*** – Beginning January 1, 2003, general professional partnerships, professionals, brokers and other persons enumerated under Section 1 hereof shall be governed by the provisions of Revenue Regulations No. 7-95, as amended, otherwise known as the “Consolidated Value-Added Tax Regulations”. Provided, however, that for purposes of these Regulations, a professional partnership shall be treated as a separate and distinct taxable persons from the individual partners composing the partnership. Provided, further, that all gross receipts from sales of services rendered by the partners for and in the name of the partnership shall entirely be taxable against the partnership. Provided, further, that sales of services made by any partners thereof in his personal and individual capacity shall not be attributed to the partnership but shall rather be taxable against such partner in his individual capacity. Provided, finally, that beginning January 1, 2004, services rendered by the following shall be excluded from the coverage thereof in accordance with Section 2 of Republic Act No. 9238:

- a. services rendered by a doctor of medicine duly registered and of good standing with the PRC in the practice of his medical profession, for such services which may be rendered, under existing law, only by a duly licensed doctor of medicine in good standing with the PRC,
- b. legal services rendered by a lawyer duly registered and of good standing with the IBP in the practice of his legal profession for such services which may be rendered, under existing law, only by a lawyer duly registered and in good standing with the IBP,
- c. medical services rendered by a general professional partnership whose partners are composed exclusively of doctors of medicine registered with the PRC where the general professional partnership was organized solely and exclusively for the practice of medical profession, and for such services which may be rendered, under existing law, only by a duly licensed doctor of medicine in good standing with the PRC, or
- d. legal services rendered by a general professional partnership whose partners are composed exclusively of lawyers duly registered with the IBP in the practice of legal profession where the general professional partnership was organized solely and exclusively for the practice of law, and for such services which may be rendered, under existing law, only by a lawyer duly registered and of good standing with the IBP.”

**SEC. 4. TRANSITORY PROVISIONS.** - During the transition, the following guidelines shall be followed:

- a. **Registration.** - Doctors of medicine and lawyers and general professional partnerships referred to above whether registered as a VAT taxpayer or a NON-VAT taxpayer are required to update their corresponding registration records with the concerned RDOs on or before June 20, 2004, by filing the necessary registration update forms (BIR Form No. 1905) converting their status from that of a VAT to NON-VAT or non-percentage tax taxpayer for those whose services were not subject to VAT but to percentage tax.
- b. **Unused receipts.** - Doctors of medicine and lawyers and general professional partnerships referred to in this Regulations, who change status from VAT to NON-VAT as a result of the effectivity of RA 9238 should submit on or before the date he/she/it registered as a NON-VAT taxpayer, which shall in no case be later than June 30, 2004, an inventory of unused receipts as of the date he registered as a NON-VAT taxpayer, indicating the

number of booklets and the corresponding serial numbers. Unused VAT receipts included in the said inventory submitted to the BIR shall be allowed for use in transactions provided the phrase “NON-VAT registered as of \_\_\_\_\_” is stamped on all copies thereof. These receipts with the proper stamp shall be allowed for use until July 31, 2004.

- c. **Services For Which VAT Invoices were Issued.** - Any doctor/lawyer/general professional partnerships referred to in this Regulations, who had issued VAT invoices for services rendered, whether or not they have updated their registration, are liable for value added tax in accordance with the last paragraph of Section 109 (z), and are therefore require to pay and remit value added tax due thereon, and file a monthly VAT return for the month where VAT invoices were issued.

**SEC. 5. REPEALING CLAUSE.** - Any revenue issuance inconsistent herewith is hereby amended, revoked, modified or repealed accordingly.

**SEC. 6. EFFECTIVITY CLAUSE.** – These regulations shall take effect immediately unless otherwise provided in R.A. No. 9238.

(Original Signed)  
**JUANITA D. AMATONG**  
Secretary of Finance

Recommending Approval:

(Original Signed)  
**GUILLERMO L. PARAYNO, JR.**  
Commissioner of Internal Revenue

RR/lawyers & doctors & partnership