



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building

17 JAN 2023

REVENUE REGULATIONS No. 1-2023

SUBJECT : Implementing the Ten Percent (10%) Discount and the Value-Added Tax (VAT) Exemption under Republic Act (RA) No. 11861 or the "Expanded Solo Parents Welfare Act"

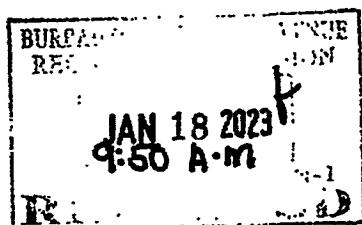
TO : All Internal Revenue Officers and Others Concerned

SEC. 1. Scope. — Pursuant to Section 244 of the National Internal Revenue Code of 1997, as amended (Tax Code), in relation to Section 15(b) of Republic Act No. 8972 or the "Solo Parents Welfare Act of 2000", as amended by RA No. 11861 or the "Expanded Solo Parents Welfare Act" (hereinafter referred to as the "Act"), and Section 33(b). Article VI of the Implementing Rules and Regulations (IRR) of the Act, these Regulations are hereby promulgated to prescribe the guidelines for:

1. The tax privileges granted to establishments giving the ten percent (10%) discount on their sale of goods identified in the Act to Solo Parents; and
2. The VAT exemption on the sale of goods identified in the Act to Solo Parents by VAT-registered taxpayers.

SEC. 2. Definitions. — For purposes of these Regulations, the following terms and phrases shall be defined as follows:

- a. "Baby's milk" – refers to breastmilk substitute, defined as any food being marketed or otherwise represented as partial or total replacement for breastmilk, whether or not suitable for that purpose. Infant formula is a breastmilk substitute formulated industrially in accordance with applicable Codex Alimentarius standards, to satisfy the normal nutritional requirements of infants up to six (6) months of age and adapted to their physiological characteristics, pursuant to the Implementing Rules and Regulations of Republic Act No. 10028 (RA No. 10028) or the Expanded Breastfeeding Act, Executive Order No. 51, series 1986 and its Revised Implementing Rules and Regulations issued as Administrative Order No 2006-0012;
- b. "SPD" – refers to the Solo Parents Division;
- c. "SPO" – refers to the Solo Parents Office;
- d. "Solo Parent Identification Card" and Booklet – The Solo Parent Identification Card (SPIC) is issued to the Solo Parent as his/her competent proof of identification and the primary evidence of his/her status as a Solo Parent to enable him/her to avail of the



benefits under the Act. The SPIC together with the Booklet are issued by the SPO of the province or city, or the SPD of the municipality, and shall be valid for one (1) year.

- e. Sales discount — the actual discount, or that discount, which in no case shall be lower than ten percent (10%) of the gross selling price of the goods identified in the Act sold to Solo Parents by certain establishments enumerated under the Act and in these Regulations.

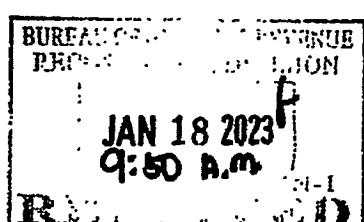
SEC. 3. Grant of Discounts and VAT Exemption to Solo Parents. — The following guidelines shall apply on the granting of the ten percent (10%) discount and VAT exemption herein mentioned:

- a. Solo parents that meet all of the following conditions shall qualify for the 10% discount and VAT exemption:
 1. Solo Parent has a child/children (as defined in RA No. 11861) with the age of six (6) years or under; and
 2. Solo Parent is earning less than P250,000.00 annually.
- b. The 10% discount and VAT exemption shall apply to a qualified Solo Parent's purchase of the following goods identified in the Act from drug stores, pharmacies, grocery stores, and similar establishments, and subject to the guidelines that shall be issued by the Department of Health (DOH), in coordination with the Food and Drug Administration (FDA), PhilHealth, and the Department of Interior and Local Government (DILG):
 1. Baby's milk;
 2. Food supplements and Micronutrient supplements;
 3. Sanitary diapers;
 4. Medicines;
 5. Vaccines; and
 6. Other medical supplements.

Upon its release, the guidelines of the DOH shall be circularized through a Revenue Memorandum Circular.

SEC. 4. Presentation of the SPIC and Solo Parent Booklet. - To avail of the 10% discount and VAT exemption on qualified purchases, the Solo Parent shall present his/her SPIC and Solo Parent Booklet. The SPIC should show that the Solo Parent is entitled to the 10% discount and VAT exemption by indicating that the Solo Parent is earning less than P250,000.00 annually, and the dorsal side of the SPIC indicates the name/s, birth date/s, and relation to the solo parent of the qualified children and/or dependents with the age of six (6) years or under.

SEC. 5. Determination of the Amount of Discount. — The grant of the discount is only for the purchase of goods identified in the Act for **THE EXCLUSIVE USE AND ENJOYMENT OR AVAILMENT OF THE SOLO PARENT'S CHILD OR CHILDREN WITH THE AGE OF SIX (6) YEARS OR UNDER**. The following rules shall be observed in granting the discount:



- (a) PRESCRIBED MEDICINE, VACCINE, AND OTHER MEDICAL SUPPLEMENTS – The 10% discount and VAT exemption shall apply to the purchase of generic or branded medicines, vaccines, and medical supplements, which are medically prescribed by an attending physician for the prevention and treatment of diseases, illness, or injury whose prescription is in the name of the Solo Parent's child/children with the age of six (6) years or under; and subject to the guidelines that shall be issued by the DOH.
- (b) BABY'S MILK; FOOD SUPPLEMENTS AND MICRONUTRIENT SUPPLEMENTS; AND SANITARY DIAPERS – The 10% discount and VAT exemption shall apply to the purchase of generic or branded baby's milk, food supplements, micronutrient supplements, and sanitary diapers, for the Solo Parent's child/children with the age of six (6) years or under and subject to the guidelines that shall be issued by the DOH.

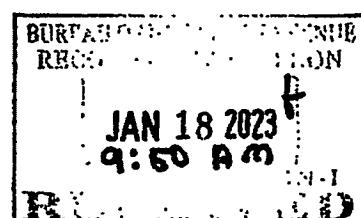
SEC. 6. Tax Treatment of the Discount Granted to Solo Parents. – All establishments supplying any of the goods identified in the Act and as referred to in Section 3 of these Regulations may claim the discounts granted to Solo Parents as a tax deduction based on the cost of goods sold. By way of example, if a VAT-registered grocery store sells Similac Infant Milk at an undiscounted selling price of P200 for 340grams, the cost of the discount is computed as:

Selling Price (VAT-exempt)	P200.00
Less: 10% Discount	20.00
Amount Payable by the Solo Parent	P180.00

The selling price to be charged by the seller must be net of VAT because the sale of goods identified in the Act to a qualified Solo Parent is exempt from VAT. The cost of the discount in the above illustration is P20.00 and shall be allowed as a deduction from gross income for the same taxable year that the discount is granted, *provided that*, the total amount of the claimed tax deduction net of VAT, if applicable, shall be included in their gross sales for tax purposes and shall be subject to proper documentation in accordance with the provisions of the Tax Code. This means that for the establishment to be allowed to claim the discount as a deduction, the amount of sales that must be reported for tax purposes is the undiscounted selling price and not the amount of sales net of the discount. The income statement of the seller must reflect the discount, not as a reduction of sales to arrive at net sales, but as a deduction from its gross income (sales less cost of sales). Thus the entry to record the transaction in the books of the seller should be as follows:

Debit – Cash	P180
Debit – Solo Parent Discount Expense	20
Credit – Sales	P200

The 10% discount granted by the seller of goods identified in the Act shall be treated as an ordinary and necessary expense deductible from the gross income of the seller falling under the category of itemized deductions, and can only be claimed if the seller does not opt for the *Optional Standard Deduction during the taxable quarter/year*. The claim of the discount granted under the Act as an additional item of deduction from the gross income of the seller is subject to the following conditions:



1. Only that portion of the gross sales exclusively used, consumed or enjoyed by the Solo Parent's child/children with the age of six (6) years or under shall be eligible for the deductible sales discount.
2. The gross selling price and the sales discount must be separately indicated in the sales invoice issued by the establishment for the sale of goods identified in the Act to the Solo Parent.
3. Only the actual amount of the discount granted or a sales discount not less than the statutory rate of 10%, whichever is higher, based on the gross selling price can be deducted from the gross income, net of value added tax, if applicable, for income tax purposes, and from gross sales of the business enterprise concerned, for VAT or other percentage tax purposes.
4. The seller must record its sales inclusive of the discount granted.
5. The discount can only be allowed as a deduction from gross income for the same taxable year that the discount is granted.
6. The business establishment giving sales discounts to qualified Solo Parents is required to keep a separate and accurate record of sales, which shall include the Name of the Solo Parent, SPIC number, Name/s of child/children with the age of six (6) year or under, gross sales, sales discount granted, date of transaction, and invoice number for every sale transaction to Solo Parent.
7. Only business establishments selling any of the goods identified in the Act to Solo Parents where an actual discount was granted may claim the deduction.
8. The seller must not claim the Optional Standard Deduction during the taxable year.

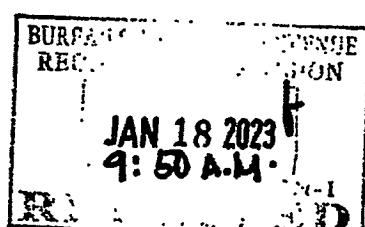
SEC. 7. Exemption from VAT of the Sale to Solo Parents.-

The sale of goods identified in the Act and under Section 3 of these Regulations to a qualified Solo Parent who has a child with the age of six (6) years or under and is earning less than P250,000.00 annually shall be exempt from VAT. To ensure the full entitlement of the Solo Parent to the discount prescribed in the Act, the sellers of goods are precluded from billing any VAT to the sale of goods identified in the Act to Solo Parents.

The sale of goods identified in the Act to a Solo Parent must follow the invoicing requirements prescribed under Revenue Regulations No. 16-2005, as amended. If the seller uses a Point of Sale Machine or a Cash Register Machine in lieu of the regular sales invoice, the machine tape must properly segregate the exempt sales from the taxable sales.

The input tax attributable to the exempt sale shall not be allowed as an input tax credit and must be closed to the cost or expense account by the seller.

SEC. 8. Penalties and Other Sanctions. — Any person who violates any provision of these Regulations shall suffer the penalties provided in the Tax Code and RA No. 11861.



SEC. 9. Repealing Clause. — The provisions of all existing rules, regulations and other issuance or portions thereof inconsistent with the provisions of these Regulations are hereby modified, repealed or revoked accordingly.

SEC. 10. Effectivity. — These Regulations shall take effect fifteen (15) days after publication in the Official Gazette or newspaper of general circulation, whichever comes first.

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BENJAMIN E. DIOKNO
Secretary of Finance



JAN 13 2023

Recommending Approval:

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Commissioner of Internal Revenue

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