

[IC CIRCULAR LETTER NO. 3-90, February 19, 1990]

PAYMENT OF THE 10% VALUE-ADDED TAX (VAT)

Upon inquiry, the Commissioner of Internal Revenue, by his letter-reply of September 13, 1989, had informed this Commission that "an insurance broker whether single proprietorship, partnership, or corporation is considered engaged in a service oriented business subject to VAT pursuant to Section 102 (a) of the Tax Code, as amended" but "such service is not subject to the occupation tax under the Local Tax Code".

The BIR Commissioner, by his supplementary letter-reply of February 14, 1990, further clarified "that the term 'insurance broker' as used in VAT Ruling No. 276-89 indeed, covers the more specific categories 'insurance and reinsurance brokers' the services of which are both subject to the 10% Value-Added Tax (VAT) pursuant to Section 102 (a) of the Tax Code, as amended".

In view thereof, both insurance and reinsurance brokers are required to pay the 10% Value-Added Tax (VAT), but not the Occupation Tax, before their licenses as such may be renewed by this Commission.

Compliance therewith is enjoined.

Adopted: 19 Feb. 1990

(SGD.) ADELITA A. VERGEL DE DIOS
Insurance Commissioner



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