

**[ BIR (DOF) REVENUE REGULATION NO. 11-94,  
June 27, 1994 ]**

**REGULATIONS AMENDING REVENUE REGULATIONS NO. 10-94,  
OTHERWISE KNOWN AS THE REVISED AND CONSOLIDATED  
VALUE ADDED TAX REGULATIONS**

Pursuant to the provisions of Section 245 of the National Internal Revenue Code, as amended, in relation to Section 19 of Republic Act No. 7716, these Regulations are hereby promulgated to amend Revenue Regulations No. 10-94.

*SECTION 1. On Export Sales.* — Section 2, paragraph (j) (5) of Revenue Regulations No. 10-94 is hereby amended to read as follows:

"(5) Those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, and other special laws, e.g., SBMA Law, R.A. 7227. IT SHALL INCLUDE SALES TO BOI-REGISTERED FIRMS, AS WELL AS ENTERPRISES OPERATING WITHIN THE EXPORT PROCESSING ZONE AUTHORITY REGARDLESS OF THE BASIC LAW UNDER WHICH THEY ARE REGISTERED."

*SECTION 2. Definition of "In the course of trade or business."* — Section 2, paragraph (p) of Revenue Regulations No. 10-94 is hereby amended to read as follows:

In the course of trade or business" means the regular conduct or pursuit of a commercial or an economic activity, including transactions incidental thereto, by any person regardless of whether or not the person engaged therein is a non-stock, non-profit private organization (irrespective of the disposition of its net income and whether or not it sells exclusively to members or their guests), or government entity.

"HOWEVER, ANY BUSINESS WHERE THE GROSS SALES OR RECEIPTS DO NOT EXCEED P100,000.00 DURING ANY 12-MONTH PERIOD SHALL BE CONSIDERED PRINCIPALLY FOR SUBSISTENCE OR LIVELIHOOD AND NOT IN THE COURSE OF TRADE OR BUSINESS.

"The rule of regularity to the contrary notwithstanding, services as defined in the Code rendered in the Philippines by non-resident foreign persons shall be considered as being rendered in the course of trade or business."

*SECTION 3. Definition of "Lending Investors."* — Section 2, paragraph (t) of

Revenue Regulations No. 10-94 is hereby to read as follows:

Lending Investors — include all persons, OTHER THAN BANKS, NON-BANK FINANCIAL INTERMEDIARIES, FINANCE COMPANIES AND OTHER FINANCIAL INTERMEDIARIES NOT PERFORMING QUASI-BANKING FUNCTIONS, who make a practice of lending money for themselves or others at interest."

*SECTION 4. On franchise grantees.* — Section 8, paragraph (f) of Revenue Regulations No. 10-94 is hereby amended to read as follows:

"(f) Services of franchise grantees of telephone and telegraph, radio and television broadcasting and all other franchise grantees except electric, gas and water utilities shall be subject to VAT. However, they are no longer subject to the franchise tax on their gross receipts derived from their franchised operations under their respective charters or Section 117 of the Code."

*SECTION 5. On zero-rated sale of goods.* — Section 11, paragraph (b)(1) of Revenue Regulations No. 10-94 is hereby amended to read as follows:

"(1) Export sales as defined in Section 2(j) and (g) of these Regulations.

Any NON-BOI-REGISTERED enterprise whose export sales exceed 70% of total annual production of the preceding taxable year shall be considered an exporter upon accreditation as such by the Export Development Council."

*SECTION 6. On transactions subject to zero-rate.* — Section 11, paragraph (c) (4) of Revenue Regulations No. 10-94 is hereby amended to read as follows:

"(4) Services rendered to ships engaged exclusively in international shipping; and"

*SECTION 7. On exempt transactions: Educational services.* — Section 12, paragraph (B)(m) of Revenue Regulations No. 10-94 is hereby amended to read as follows:

"(m) Educational services exempted refer to academic, technical or vocational education provided by private educational institutions duly accredited by the Department of Education, Culture and Sports and those rendered by government educational institutions AND SHALL INCLUDE THE SALE OR RENTAL OF TEXTBOOKS USED IN THE ABOVE ACTIVITIES BY SUCH EDUCATIONAL INSTITUTIONS. It does not include seminars, in-service training, review classes and other similar services rendered by persons who are not accredited by the Department of Education, Culture and Sports."