

**REVENUE REGULATIONS NO. 18-2020** issued on July 8, 2020 implements Section 1 of Republic Act (RA) No. 11467, further amending Section 109(AA) of the National Internal Revenue Code (NIRC) of 1997, as amended by RA No. 10963 (TRAIN Law), providing for Value-Added Tax (VAT) Exemption on the sales and importation of drugs and medicines prescribed for diabetes, high cholesterol, hypertension, cancer, mental illness, tuberculosis and kidney diseases.

Section 4.109-1 of Revenue Regulations (RR) No. 16-2005, as amended by RR No. 13-2018, is further amended to read as follows:

**"SEC. 4.109-1. VAT-Exempt Transactions. —**

xxx xxx xxx

**(B) Exempt transactions. —**

(I) Subject to the provisions of Section 4.109-2 hereof, the following transactions shall be exempt from VAT:

(a) xxx xxx xxx

xxx xxx xxx

(aa) Sale or importation of prescription drugs and medicines for:

- (i) Diabetes, high cholesterol, and hypertension beginning January 1, 2020; and
- (ii) Cancer, mental illness, tuberculosis, and kidney diseases beginning January 1, 2023.

The exemption from VAT under this subsection shall only apply to the sale or importation by the manufacturers, distributors, wholesalers and retailer of drugs and medicines included in the "list of approved drugs and medicines" issued by the Department of Health (DOH) for this purpose.

xxx xxx xxx"

The VAT on importation of prescription drugs and medicines for diabetes, high cholesterol and hypertension included in the DOH-Food and Drug Administration (DOH-FDA) approved list from the effectivity of RA No. 11467 on January 27, 2020 until the effectivity of these Regulations, shall be refunded pursuant to Section 204(C) of the Tax Code of 1997, as amended, in accordance with the existing procedures for refund of VAT on importation, provided that the input tax on the imported items have not been reported and claimed as input tax credit in the monthly and/or quarterly VAT returns. The same shall not be allowed as input tax credit pursuant to Section 110 of the Tax Code of 1997, as amended, for purposes of computing the VAT payable of the concerned taxpayer/s for the said period.