

REVENUE REGULATIONS NO. 1-2023 issued on January 18, 2023 implements the ten percent (10%) discount and the Value-Added Tax (VAT) exemption under Republic Act (RA) No. 11861 (Expanded Solo Parents Welfare Act), to wit:

- a. Solo parents that meet all of the following conditions shall qualify for the 10% discount and VAT exemption:
 - Solo Parent has a child/children (as defined in RA No. 11861) with the age of six (6) years or under; and
 - Solo Parent is earning less than ₱ 250,000.00 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:
 - Baby's milk;
 - Food supplements and Micronutrient supplements;
 - Sanitary diapers;
 - Medicines;
 - Vaccines; and
 - Other medical supplements.

To avail of the 10% discount and VAT exemption on qualified purchases, the Solo Parent shall present his/her Solo Parent Identification Card (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 ₱ 250,000.00 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.

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.

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.

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:

- a. 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.
- b. 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
- c. 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 VAT, if applicable, for Income Tax purposes, and from gross sales of the business enterprise concerned, for VAT or other Percentage Tax purposes.
- d. The seller must record its sales inclusive of the discount granted.
- e. The discount can only be allowed as a deduction from gross income for the same taxable year that the discount is granted.
- f. 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.
- g. 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.
- h. The seller must not claim the Optional Standard Deduction during the taxable year.

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 ₱ 250,000.00 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.

Any person who violates any provision of these Regulations shall suffer the penalties provided in the Tax Code and RA No. 11861.