

## Significant Supreme Court Decision January 2019

### **Exemption from the payment of VAT on sales made by agricultural cooperatives to members or to non-members necessarily includes exemption from the payment of “advance VAT.”**

The BIR imposed against a multi-purpose cooperative an “advance VAT” as a condition before release of their refined sugar from the mill. The cooperative paid the advance VAT under protest.

The Court ruled that the cooperative is a VAT-exempt agricultural cooperative. Exemption from the payment of VAT on sales made by the agricultural cooperatives to members or to non-members necessarily includes exemption from the payment of "advance VAT" upon the withdrawal of the refined sugar from the sugar mill.

While the sale of raw sugar, by express provision of law, is exempt from VAT, the sale of refined sugar, on the other hand, is not so exempted as refined sugar already underwent several refining processes and as such, is no longer considered to be in its original state. However, if the sale of the sugar, whether raw or refined, was made by an agricultural cooperative to its members or non-members, such transaction is still VAT-exempt. (*Commissioner of Internal Revenue vs. Negros Consolidated Farmers Multi-Purpose Cooperative, G.R. No. 212735, December 5, 2018*).