



Tax Law  
for  
Business

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## Senior-citizen discount

IN 2010 our legislature enacted the Expanded Senior Citizens Act of 2010, which amended the Senior Citizens Act of 2003.

To implement the tax privilege provision of the law, the Department of Finance issued Revenue Regulations (RR) 7-2010, later amended by RR 8-2010. Despite the issuance of these regulations and the guidelines issued by the Department of Social Welfare and Development, there are still issues and difficulties related to its implementation, which sometimes results to denial or improperly availing of the benefit.

To further clarify these tax privileges as provided in the law and as implemented by RR 7-2010 and 8-2010, the Bureau of Internal Revenue issued RMC 38-2012. One of the areas that the circular sought to clarify is how senior citizens can properly avail themselves of the 20-percent discount on certain purchases.

The discount, as well as the value-added tax (VAT) exemption, is for the exclusive benefit of the senior citizen. Non-eligible individuals cannot ride with the privileges. Thus, if a group consisting of senior citizens and non-senior citizens eat in a restaurant, only the shares of the senior citizen shall be entitled to the discount and VAT exemption. To get the share of the senior citizen, the total billing, exclusive of the VAT, shall be divided equally to the number in the group. But this applies only if no individualized food item can be ordered or if the transaction with the senior citizen is not processed separately. Thus, the circular also recommends that the purchase of the senior citizen be processed separately as independent transaction to ensure that it is for his exclusive enjoyment.

The circular also clarifies that the discount is available to all other consumable items served by the establishments offered for the consumption of the general public. These include condiments and side products offered by restaurants. But for set meals purchased by the senior citizens, the discount shall be limited to a single-serving meal with beverage. The said discount shall apply to dine, take-out and take-home order as long as it is the senior citizen who is present and personally ordering with senior citizen ID card. Nevertheless, meals primarily prepared and intentionally marketed for children and not for senior citizen's personal consumption are not entitled to 20-percent discount.

Likewise, food ordered through the telephone for delivery orders are entitled to 20-percent discount and VAT exemption provided the senior citizen ID card number must be given while making the order over the telephone and must be presented upon delivery to verify the identity of the senior citizen and subject to the proportionate discount depending on the number of senior citizens involved. The delivery charge for delivery orders is subject to the discount and exemption if not billed separately, otherwise it is not entitled to the discount and exemption. Also, there must be no fixed maximum or cap that limits the discount below the rate of 20 percent.

How about if a senior citizen visits bar or clubs to order alcoholic beverages and cigarettes? For alcoholic beverages, if served as a single serving drink, the purchase of a senior citizen is entitled to the discount and exemption. However, the discount is not allowed to purchases "in bulk," "in buckets" or "in cases." For cigars and cigarettes, the discount and exemption does not apply in the sense that these are not considered essential goods and are hazardous to the health of the senior citizens, as the objective of the law and regulations is to promote the health and benefits of the senior citizens.

There are also cases when a senior citizen may happen to purchase goods and services that are on promotional discount. The senior citizen shall avail himself only either the promotional discount or the 20-percent discount, whichever is higher, provided the discount must not be less than the 20- percent discount.

Further, the term fares and toll must be distinguished. Fares are subject to 20-percent discount and exemption while the toll is not. Thus, driving senior citizens paying toll are not entitled to the discount and exemption, while senior citizens riding in public utility vehicles are entitled to avail the same.

At any rate, the burden for the efficient implementation of Republic Act 9994 is on the part of the establishment, store or the restaurant where the senior citizens purchase goods and services. It is their duty to familiarize themselves with the law and the regulations and in explaining to their customers—the senior citizens—the rules in availing the discount and exemption.

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