REVENUE MEMORANDUM CIRCULAR NO. 38-2022 issued on April 6, 2022 clarifies the Transitory Provisions for the non-income related tax incentives granted to Registered Export Enterprises (REEs) under Investment Promotion Agencies (IPAs) pursuant to Section 5, Rule 18 of the amended Implementing Rules and Regulations in relation to Section 311 of Title Xlll of Republic Act No. 11534 (CREATE Act).

All existing REEs prior to CREATE that will continue to avail of their existing Income Tax incentives may continue to enjoy the Value-Added Tax (VAT) zero-rating on local purchases that are directly attributable and exclusively used in the registered project or activity until the expiration of the transitory period, as follows:

a. For REEs which are granted **only** an Income Tax Holiday (ITH) — until the remaining period of the ITH.
b. For REEs which are granted an ITH **and/or** five percent (5%) tax on gross income earned - until the expiration of the ten (10) year limit.

The extent for the availment of VAT zero-rating on local purchases is anchored on the transitory period above. Thus, if the Income Tax incentive of REE has already expired prior to CREATE then, the VAT zero-rating on local purchases could no longer be availed.