REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

January 31, 2006

REVENUE MEMORANDUM CIRCULAR NO. 8-2006

SUBJECT : **Clarifying Certain Issues Relating to the Implementation of the Increase in the VAT Rate from 10% to 12% pursuant to Republic Act No. 9337.**

TO : **All Internal Revenue Officials, Employees and Others Concerned**

I. Tax Treatment of Services Rendered Prior to Feb. 1, 2006 Payment of which was Received on or after Feb. 1, 2006 - Amounts due on sale of services rendered on or before January 31, 2006, payments of which are received on or after February 1, 2006, shall be considered as accrued as of January 31, 2006 subject to the following conditions:

1. Taxpayer files an Information Return on or before **February 28, 2006** showing the name(s) of the contractor(s), client(s), customer(s) and the amount(s) of the **contract price earned and outstanding as of Jan 31, 2006**, and containing a declaration of the obligation to pay the applicable rate of value-added tax due, if any;

2. The seller billed the unpaid amount **not later than January 31, 2006**, and a copy of such billing is attached to the information return required in (i) hereof;

3. The seller has recorded in his books of accounts the amount **receivable as of January 31, 2006.**

Failure to comply with the above-stated conditions shall automatically subject the gross receipts received on or after February 1, 2006, to the 12% VAT.

II. Procedures to be followed by Taxpayers still using Cash Register Machine(CRM)/Point-of-Sales (POS) Machine with System or Program for Value-added Tax Rate Configured at 10% upon the Effectivity of the 12%

Output VAT– Effective February 1, 2006, pursuant to the approval of the President, the VAT rate shall be 12%. Taxpayers who are unable to immediately adjust their CRM/POS Systems to account for the 12% VAT shall be required to issue manual invoices/official receipts which reflect the output VAT at 12%.

If the taxpayer is unable to issue manual invoices/official receipts to reflect the 12% output VAT and therefore imperatively or optionally continue to use the CRM/POS System with program for VAT rate at still 10% output VAT, said transactions are already subject to the 12% output VAT even if the amount of VAT shifted to customers is only 10%. The amount of input VAT that the buyer may claim is the amount of output VAT separately billed by the seller in the manual invoice or official receipt, whichever is applicable, issued to the buyer.

III. Obligation of Taxpayers still Using Cash Register Machine (CRM)/Point of Sale Machine (POS) with System or Program of VAT Rate Configured at 10% Output VAT at the Time of the Effectivity of the 12% Output VAT- Immediately upon the effectivity of the 12% Output VAT, taxpayers using CRM/POS machines should reconfigure the machines' program to reflect and show separately the 12% Output VAT.

All revenue officials and employees are enjoined to give this Circular as wide publicity as possible.

(Original Signed)
JOSE MARIO C. BUÑAG
Commissioner of Internal Revenue