REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

February 19, 2004

REVENUE MEMORANDUM CIRCULAR NO. 10-2004

SUBJECT : Guidelines and Policies to Supplement Revenue Memorandum Circular No. 9-2004 issued in Relation to the Implementation of Republic Act No. 9238 for Banks and Non-bank Financial Intermediaries, Specifically for the Re-imposition of Gross Receipts Tax.

TO : All Banks, Non-Bank Financial Intermediaries Performing Quasi-Banking Functions, Non-Bank Financial Intermediaries, Internal Revenue Officers and Others Concerned.

Background

Under the Value Added Tax Systems, government agencies and/or instrumentalities such as the Bureau of Treasury, Bangko Sentral ng Pilipinas were required under Section 114(c) of the Tax Code of 1997 to deduct and withhold the value-added tax at the rate of six percent (6%) on gross receipts for services rendered which shall be creditable against the value-added tax liability of the person from whom the amount was withheld. This Revenue Memorandum Circular is being issued to provide the manner of treating the said transaction. Furthermore, this Revenue Memorandum Circular to provide as guidance as to the treatment of interbank financial transactions entered into for the months in 2004 prior to the publication of Republic Act No. 9238 last February 16, 2004.

Policies and Guidelines

1. Banks and non-bank financial intermediaries shall not deduct from their VAT liability nor their gross receipt tax the value added tax collected from government agencies and instrumentalities for which the latter have deducted and withheld the value-added tax at the rate of six percent (6%) on gross receipts for services rendered and remitted the same to the Bureau in accordance with the provisions of Section 114(c) of the Tax Code of 1997. However, the Bureau shall refund the value-added tax charged by the banks and/or non-bank financial intermediaries to the said government agencies and/or instrumentalities upon application of the latter, and upon proof that

the amount required to be withheld and remitted to the Bureau under Section 114(c) of the Tax Code of 1997 have actually been remitted to and collected by the Bureau, and provided further that the banks and/or non-bank financial intermediaries have reported and listed the said government agencies and/or instrumentalities as one of the withholding agent which have withheld VAT from them in its January and February 2004 VAT return, and the amount withheld are reported therein. Provided further, that the request for refund is received by this Bureau on or before April 30, 2004 for transactions entered into in January 2004, and May 31, 2004 for transactions entered into in February 2004.

2. Interbank transactions entered into by banks and non-bank financial intermediaries entered in taxable year 2004 prior to the publication of Republic Act No. 9238 shall be governed by the following provisions:

    a. Banks and/or non-bank financial intermediaries shall file a VAT return, and remit the VAT on or before February 25, 2004 for transactions entered into in the month of January 2004, and March 20/25, 2004 for transactions entered into in the month of February 2004 prior to the publication of Republic Act No. 9238. No deduction or adjustment shall be allowed against the VAT liability arising from interbank transactions entered into during said period.

    b. Banks and/or non-bank financial intermediaries shall report and pay gross receipt tax on transactions entered into for the month of January 2004 on or before February 25, 2004, and on transactions entered into for subsequent months, on the 25th day following the month when the transactions occurred.

    c. No input tax shall be allowed for any VAT invoice issued by banks and/or non-bank financial intermediaries. However, the same may be included as part of the cost of goods/services subject of the invoice, or in the alternative, the VAT invoice may be surrendered to the banks and/or non-bank financial intermediaries issuing the same for the latter to cancel, and a new non-VAT invoice be issued in its place.

    d. For transactions entered into in this period, banks and/or non-bank financial intermediaries may request for a refund from its counterparty banks and/or non-bank financial intermediaries provided the VAT receipts issued for transactions entered into in January 2004 are surrendered on or before April 30, 2004 and transactions entered into in February 2004 are surrendered on or before May 31, 2004, to the bank and/or non-bank financial intermediaries issuing the same, and said VAT invoice is cancelled and a non-VAT invoice issued in its place.

e. The bank may claim an adjustment of the VAT actually refunded in accordance with the preceding subsection against its gross receipt tax liability for only up to the month of April 2004 for transactions entered into in January 2004, and the month of May 2004 for the transactions entered into in February 2004. Provided, the said transaction is further substantiated by the client surrendered-cancelled VAT invoice and the issuance of a non-VAT invoice in place thereof.

3. Banks and/or non-bank financial intermediaries shall be allowed to file its VAT return and pay the VAT due for transactions entered into in January 2004 on or before February 25, 2004, without being subjected to the surcharge, penalty and interest which may be due for late filing and payment.

All internal revenue officers and others concerned are enjoined to give this Circular as wide a publicity as possible.

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue