Bringing In Revenues
for Nation-Building

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

BAGONG PILIPINAS

OCT 18 2024

REVENUE MEMORANDUM CIRCULAR NO. 115-2024

SUBJECT : Clarification of Certain Policies and Procedures Relative to the Implementation of the Risk-Based Approach in the Verification and Processing of Value-Added Tax (VAT) Refund Claims, as Introduced in Republic Act No. 11976, Otherwise Known as the "Ease of Paying Taxes Act"

TO : All Internal Revenue Officials, Employees and Others Concerned

---

This Circular is being issued to clarify and address concerns in the risk-based approach verification and processing of VAT refund claims pursuant to Section 112(A) of the National Internal Revenue Code of 1997 (Tax Code), as amended by Republic Act No. 11976 or the Ease of Paying Taxes (EOPT) Act, and as implemented by Revenue Regulations (RR) No. 05-2024, and Revenue Memorandum Order (RMO) No. 23-2024, as amended by RMO No. 42-2024.

Q1 : **Is the submission of all documentary requirements mandated in the Checklist of Mandatory Requirements for VAT refund purposes prescribed under Annex "A.1" of Revenue Memorandum Circular (RMC) No. 71-2023 required regardless of the identified risk level?**

A1 : **Yes.** All documentary requirements mandated by the BIR for purposes of VAT refund under Section 112(A) of the Tax Code shall be submitted by the taxpayer regardless of the identified risk level. The determination of the risk level of the VAT refund claim can only be established once the application is officially received by the appropriate BIR processing office, inasmuch as the amount of claim, period covered, frequency of filing, among others, are already ascertained.

Q2 : **What constitutes the submission of complete documentary requirements for purposes of VAT refund claims and what is the consequence for non-compliance thereof?**

A2 : The submission of complete documentary requirements shall be based on the completeness of documents as enumerated in the Checklist of Mandatory Requirements (Annex A.1). Non-compliance with the completeness of mandatory requirements shall result in the non-acceptance of the VAT refund application.

BUREAU OF INTERNAL REVENUE
RECORDS MANAGEMENT DIVISION
RECEIVED
OCT 18 2024
ADMIN UNIT - 1
BY: _____ TIME: 8:55

Q3 : With the number of documents required in the said Checklist of Mandatory Requirements which are sometimes voluminous, how can the receiving office ensure that all documents are indeed submitted?

A3 : During checklisting of submitted documents, the receiving offices shall perform the following procedures:

a. Check the completeness and propriety in the accomplishment of the application form for VAT refund particularly those falling under "General Requirements";

b. Check if the schedules comply with the prescribed format and that the required supporting documents are present but without confirmation if all the indicated transactions (e.g., sales, purchases) are individually supported.

Once all the documentary requirements were checked as submitted, the application for refund is accepted and the cursory checking of the completeness of documents supporting sales and purchases shall be done after acceptance.

Q4 : When does the 90-day period to process VAT refund claims start?

A4 : The 90-day period to process and decide shall start from the time of acceptance of the processing office of the claim/application for VAT refund with complete documentary requirements as a result of the checklisting procedure as discussed in Q&A No. 3.

Q5 : What is the difference between the "Checklisting" procedure as compared to the "Verification" procedure?

A5 : **Checklisting procedure** is the initial stage in the processing of VAT refund claims and is limited only to ensuring the completeness of the submitted documentary requirements by the taxpayer-claimant. This includes the procedure being done prior to acceptance of the application and the cursory checking of the completeness of the supporting documents submitted for sales of goods, sales of services and purchases, which is done after the acceptance of the application. This supersedes the verification procedures under Item 5 of Annex D.1 *(sales of goods)*, Item 5 of Annex E *(sale of services)*, and Item 3 of Annex F *(purchases)* under RMO No. 23-2023.

Verification procedure, on the other hand, is the process that ensures the correctness and accuracy of documents, involving thorough examination, evaluation and a deeper level of analysis and investigation. This includes the verification procedures for claims under Section 112(A) of the Tax Code, as amended, as outlined in Annex C.1 of RMO No. 23-2023.

Q6 : With the enactment of the EOPT Act, will there be changes in the sequence of processing of VAT refund claims?

A6 : **Yes.** VAT refund claims have to be classified as to low-, medium-, or high-risk claims. The sequence in the processing of VAT refund claims shall now be as follows:

1. Checklisting based on the Checklist of Mandatory Requirements;

BUREAU OF INTERNAL REVENUE
RECORDS MANAGEMENT DIVISION
RECEIVED
OCT 18 2024
ADMIN UNIT - 1
BY: TIME: 4:58

2. Cursory checking of completeness of supporting documents submitted for sales and purchases of goods and services after the application has been accepted;
3. Determination of the risk level of the claim;
4. Processing and verification for medium and high-risk claims. For low-risk claims, these will be automatically recommended for refund, net of the effect of the sales and purchases that are tagged as "no supporting documents (NSD)".

Q7 : What is the impact of the noted "NSD" upon confirmation of the completeness of supporting documents submitted for sales and purchases of goods and services?

A7 : Sales and purchases determined to be "NSD" (e.g., a supporting document indicated in the schedules cannot be found in the physical documents submitted) during cursory checking of the completeness of the supporting documents, such "NSD" shall not be considered as incomplete submission, but the same shall result in the disallowance of the unsubstantiated portion of the sales or purchases regardless of the risk classification

However, in the event that the "NSD" for sales and purchases exceeded at least 1% of the total amount of sales (for sale transactions) or total amount of claim (for purchase transactions), the application shall automatically be classified as high-risk and shall require 100% verification.

Example 1: The taxpayer-claimant submitted the following documents in support of its claim for VAT refund amounting to P107,000,000.00:

Type of transaction	No. of transactions per schedules	Total amount of sales per schedules	Total amount of noted NSD	Percentage of NSD to the Total Amount of Sales
Sales transactions				
Zero-Rated Sales	300 line item	P 500,000,000.00	P 5,100,000.00	1.02%
VAT Exempt	50 line item	P 2,000,000.00	P 50,000.00	2.5%

Type of transaction	No. of transactions per schedules	Total amount of input VAT claimed per schedules	Total amount of noted NSD	Percentage of NSD to the/ Total Amount of Claim
Purchases				
Local Purchases	1000 line item	P 100,000,000.00	P 1,500,000.00	1.50%
Importations	100 line item	P 7,000,000.00	P 100,000.00	

Result: The noted NSD for both sales and purchases transactions exceeded the 1% of the total amount of sales and the total amount of claim. Hence, the application shall be automatically classified as high-risk.

Example 2: The taxpayer-claimant submitted the following documents in support of its claim for VAT refund amounting to P7,000,000.00:

Type of transaction	No. of transactions per schedules	Total amount of sales per schedules	Total amount of noted NSD	Percentage of NSD to the Total Amount of Sales
Sales transactions				
Zero-Rated Sales	100 line item	P 50,000,000.00	P 200,000.00	0.40%

BUREAU OF INTERNAL REVENUE
RECORDS MANAGEMENT DIVISION
RECEIVED
OCT 18 2024
ADMIN UNIT - 1
BY: TIME: 8:58

Type of transaction	No. of transactions per schedules	Total amount of input VAT claimed per schedules	Total amount of noted NSD	Percentage of NSD to the/ Total Amount of Claim
Purchases				
Local Purchases	500 line item	P 7,000,000.00	P 100,000.00	1.43%

Result: The noted NSD for sales transactions did not exceed the 1% of the total amount of sales but did exceed 1% of the total amount of claim for purchases transactions. Hence, the application shall still be automatically classified as high-risk.

Q8 : What will be the treatment on missing/incomplete information in the schedules of sales and purchases submitted?

A8 : Applications with missing/incomplete information (e.g., no reference details, incomplete/no transaction details, etc.) in the schedules of sales and purchases shall automatically be classified as high-risk claim and shall require 100% verification pursuant to RMO No. 42-2024.

Q9 : What is the meaning of "No Verification" on the scope of verification of Sales and Purchases for "Low-risk" claims?

A9 : Processing of VAT refund claims classified as low-risk shall be limited only to the checklisting and completeness of documentary requirements under the Checklist of Mandatory Requirements. Verification procedures for sales of goods and services as well as purchases and input tax shall no longer be performed.

Q10 : What should the assigned Revenue Officer (RO) do if they notice any potential findings during the processing of VAT refund claims for Low-risk claims?

A10 : If the assigned Revenue Officer (RO) notices any potential findings during the processing of the VAT refund claims (e.g., possible findings from AFS disclosures, discrepancies in the amounts reported in the VAT returns, etc.), these findings shall be:

a. Endorsed for further verification and/or consolidation with the existing audit if the processing is conducted by an Office other than the BIR office that has jurisdiction over the claimant; or

b. Incorporate to the existing audit for the taxable year covered by the claim if processed within the same BIR office that has jurisdiction over the claimant.

Moreover, the RO shall mention in his/her memorandum report the findings noted and the endorsement for further verification.

Q11 : What verification procedures to be observed for "Medium-risk" and "High-risk" claims?

A11 : For both medium-risk and high-risk claims, the verification procedures outlined in RMO No. 23-2023 shall still apply, with the exception of sales and purchases transactions not included in the required percentage of documents to be verified for medium-risk claims.

BUREAU OF INTERNAL REVENUE
RECORDS MANAGEMENT DIVISION
RECEIVED
OCT 18 2024
ADMIN UNIT - 1
BY: TIME: 8:58

Q12 : What will be the treatment on local suppliers with input VAT claimed that are not selected for verification but are identified as Cannot Be Located (CBL) taxpayers and/or included in the Run After Fake Transactions (RAFT) program for Medium-risk claims?

A12 : Input VAT claimed from local suppliers that are not selected for verification but are identified as CBL taxpayers shall not be allowed and shall form part of the disallowance of the claim pursuant to Revenue Memorandum Circular (RMC) No. 29-2023.

Similarly, input VAT claimed from local suppliers not selected for verification but included in the RAFT program shall not be allowed, leading to outright disallowance for those identified suppliers.

The local suppliers identified as CBL taxpayers and/or included in the RAFT program shall be included for disallowance, in addition to the selected suppliers not included thereto.

Q13 : What is the effectivity of this Circular?

A13 : This Circular shall take effect immediately upon posting in the BIR Website.

Moreover, this shall cover on-going VAT refund claims currently being processed by the appropriate processing office/s and were not endorsed for review by the reviewing offices upon the issuance of this Circular.

All revenue issuances inconsistent herewith are hereby considered amended, modified or revoked accordingly.

All internal revenue officers, employees and others concerned are hereby enjoined to strictly implement the provision of this Circular.

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

BUREAU OF INTERNAL REVENUE
RECORDS MANAGEMENT DIVISION
RECEIVED
OCT 18 2024
ADMIN UNIT - 1
BY: _____ TIME: 8:58