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

February 21, 2006

REVENUE MEMORANDUM CIRCULAR NO. 17-2006

SUBJECT : Clarifying Certain Provision of Revenue Regulations No. 16-2005, Particularly on the 70% Cap or Limitation on the Deductible Input Tax for VAT Purposes.

TO : All Internal Revenue Officers, Employees and Others Concerned.

This Revenue Memorandum Circular (RMC) is issued in order to clarify certain issues regarding the application of the 70% cap or limitation on the deductible input tax for VAT purposes.

Q-1. In case the output tax for any given taxable quarter exceeds the input tax, how much shall be the quarterly VAT payable?

A-1. Any excess of output tax over input tax shall be the amount payable by a VAT registered person.

Q-2. If input tax for any given quarter exceeds the output tax, how will the input tax be applied?

A-2. In case input tax exceeds the output tax in any given quarter, the input tax that may be credited shall not exceed 70% of the output tax or output VAT. Any excess input tax that cannot be credited against the output tax on a particular taxable quarter can be carried over to the succeeding quarter or quarters.

Q-3. Pursuant to Sec. 110(B) of Republic Act (RA) No. 9337, the 70% limitation on VAT input applies to any taxable quarter where input tax exceeds the output tax. Does this limitation apply to Monthly VAT Declaration?

A-3. The 70% limitation as specified under RA 9337 provides that it will be applied on a quarterly basis hence the taxpayer is not required to apply the same in the monthly VAT Declaration. However, the taxpayer is not prohibited to apply the same in the monthly VAT Declaration, at his option, in order to lessen possible VAT payment in the quarterly VAT Return.

Q-4 Does a taxpayer have an option to choose whether to apply or not to apply the 70% cap or limitation on the deductible input VAT in the quarterly VAT Return, in case the total available input tax exceeds the output tax for the quarter?

A-4. No, application of the 70% limitation on input VAT shall be mandatorily applied in the quarterly VAT Return once the input VAT exceeds the output VAT in any given quarter.

All revenue officers and employees are hereby enjoined to give this Circular as wide a publicity as possible.

(Original Signed)
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Commissioner of Internal Revenue

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