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

February 27, 2018

REVENUE MEMORANDUM CIRCULAR NO. 17 – 2018

SUBJECT : Amending Revenue Memorandum Circular (RMC) No. 89-2017 and Certain Provisions of RMC No. 54-2014 Regarding the Processing of Claims for Issuance of Tax Refund/Tax Credit Certificate (TCC) in Relation to Amendments Made in the National Internal Revenue Code of 1997, as Amended by Republic Act No. 10963, Known as the Tax Reform for Acceleration and Inclusion (TRAIN)

TO : All Internal Revenue Officials and Employees Concerned

For the information and guidance of all concerned, this Circular is issued to amend the provisions in RMC Nos. 89-2017 and 54-2014 on the processing of claims for issuance of tax refund/TCC, except claims processed under the jurisdiction of the Legal Service.

I. Claims for value-added tax (VAT) refund

A. General Policies

1. Tax Verification Notices (TVNs) shall be issued by the head of the processing office in the verification of claims for VAT refund issued under this Circular.

2. The TVNs shall be manually issued until such time that the Tax Verification Notice Monitoring System (TVNMS) is fully operational.

3. Pursuant to Section 112 (C) of the National Internal Revenue Code of 1997 (Tax Code), as amended by R.A. No. 10963, the time frame to grant claims for VAT refund is ninety (90) days from the date of submission of the official receipts or invoices and other documents in support of the application filed in accordance with Subsections (A) and (B) of the Tax Code, as amended.

4. The claims shall be processed based on submitted documents which shall be verified by the assigned Revenue Officer (RO)/Group Supervisor (GS). This process shall not be construed as an audit/investigation; hence, the taxpayer-claimant may be issued subsequently a Letter of Authority (LA) by the VAT Audit Section (VATAS) in the Regional Assessment Division or the investigating office having jurisdiction over the taxpayer-claimant.

5. Any findings in the course of the verification/review of the VAT claims that may lead to a deficiency in internal revenue taxes, other than VAT, shall be communicated by the processing/reviewing office to the concerned investigating office having jurisdiction over the taxpayer-claimant. However, if the findings involve VAT, these may result to disallowance or denial of the claim, or if the case warrants, for possible assessment of VAT liability.

   Should the claim be for denial, such fact should be communicated in writing to the taxpayer within the 90-day period. The denial letter shall be signed by the Commissioner (CIR)/Deputy Commissioner - Operations Group (DCIR - OG)/Assistant Commissioner (ACIR)/Regional Director, as the case may be.

6. Cases where the results would be an assessment on VAT instead of a refund/TCC should be referred to the VATAS, for Regional Offices where the VATAS is already in place, Revenue District Office, Large Taxpayers Audit Division or Large Taxpayers VAT Audit Unit (LTVAU), as the case may be. A copy of the Revenue Officer's memorandum report and documents relevant to the findings shall be furnished to the aforesaid offices. The concerned Revenue District Officer/Chief of LT Audit Division/Head of VATAS/Head of LTVAU shall evaluate the report/findings referred to them and shall request for the issuance of an electronic Letter of Authority (eLA), if warranted.

   However, if there is already an existing eLA covering the same period, the concerned office shall consolidate the findings referred to them with their findings and recommend the issuance of a Notice for Informal Conference/Preliminary Assessment Notice (PAN)/Final Assessment Notice (FAN) for the collection of the deficiency tax. Subsequently, a feedback on the action taken shall be sent to the VAT claim processing office within fifteen (15) days from receipt of the findings.

B. Claims for VAT refund by direct exporters

1. All claims by direct exporters shall be filed with and processed by the VAT Credit Audit Division (VCAD), including direct exporters under the jurisdiction of the LTS.

2. The Tax Audit Review Division (TARD) shall review the docket with report on claims processed by the VCAD prior to approval of the claims.

3. The following are the authorized approving revenue officials based on the amount of claims:

Amount of Claim	Approving Revenue Official
Not more than ₱ 50,000,000.00	ACIR – Assessment Service (AS)
More than ₱ 50,000,000.00 up to ₱ 150,000,000.00	DCIR – OG
More than ₱ 150,000,000.00	CIR

C. Claims for VAT refund by other zero-rated taxpayers, indirect exporters and claims filed in accordance with Sec. 112 (B) of Tax Code, as amended by R.A. No. 10963

1. All claims for VAT refund by other zero-rated taxpayers, indirect exporters and claims filed in accordance with Sec.112 (B) of the Tax Code, as amended, shall be filed with and processed by the concerned Revenue District Office and LT Audit Division having jurisdiction over the taxpayer-claimant.

2. The docket with report on said claims shall be reviewed by the Assessment Division/Office of the Head Revenue Executive Assistant (HREA), and shall be subject to approval/disapproval by the Regional Director/ACIR – LTS, as the case may be, irrespective of amount.

II. Claims for issuance of tax refund/TCC on income tax, erroneous payment of taxes under Section 204 (C) and recovery of tax erroneously or illegally collected under Section 229 of the Tax Code, as amended, and other taxes, except VAT under Section 112

A. Issuance of eLA

1. An eLA shall be issued to cover the audit/verification of claims for issuance of tax refund/TCC other than VAT through the Electronic Letter of Authority Monitoring System (eLAMS) or Case Management System (CMS) of the electronic Tax Information System (eTIS)

2. The existing procedures in the request, issuance, approval, as well as in the updating of the status of the eLA, through eLAMS/CMS-eTIS, shall be observed by all concerned offices.

B. Claims of taxpayers registered with the RDO

1. The RDO shall process all claims for tax refund/TCC filed by their registered taxpayers-claimants which shall be reviewed by the Assessment Division prior to transmittal to the Regional Director.

2. The Regional Director shall be the authorized approving official for claims amounting to Ten Million (10M) Pesos and below. For claims exceeding 10M Pesos, the reports on the said claims shall be signed by the Regional Director, who shall recommend the approval/issuance of the tax refund/TCC.

3. The docket for claims exceeding 10M shall be transmitted to the TARD for further review prior to approval of the revenue officials in accordance with the thresholds set in item no. I.B.3 hereof.

4. All memorandum reports recommending claims within the applicable thresholds in item I.B.3 hereof shall be signed by the ACIR – AS prior to final approval by the DCIR – OG/CIR.

C. Claims of taxpayers registered with the LTS

All claims filed with and processed by the Divisions under the LTS shall be reviewed by the HREA prior to approval by the ACIR - LTS.

III. Time frame to process claims for VAT claims under Sections 112 (A) and (B) of the Tax Code, as amended further by R.A. No. 10963

1. The 90-day period prescribed under 112 (C) of the Tax Code, as amended, shall start from the actual date of filing of the application with complete documents duly received by the processing office.

2. The 90-day period shall be applied prospectively, i.e., for claims filed upon the effectivity of R.A. No. 10963.

3. The following time frame shall be strictly adhered to by the processing, reviewing and approving offices:

Time Frame to Verify/Process, Review and Approve/Disapprove the Claim

VCAD Cases	No. of Days from Receipt of Application		
	For claims not more than ₱ 50,000,000.00	For claims more than ₱ 50,000,000.00 up to ₱ 150,000,000.00	For claims more than ₱ 150,000,000.00
Verification/processing	65	60	55
Review (TARD)	20	20	20
Recommending/Final Approval			
ACIR-AS	5	5	5
DCIR-OG		5	5
CIR			5
Total No. of Days	90	90	90

LTS Cases	No. of Days from Receipt of Application
Verification/processing	60
Review (Office of the HREA)	20
Approval by ACIR-LTS	10
Total No. of Days	90

Regional Cases	No. of Days from Receipt of Application
Verification/processing RDOs)	60
Review (Assessment Division)	20
Approval by Regional Director	10
Total No. of Days	90

4. The concerned revenue officers/officials shall act on the recommended claims in accordance with the abovementioned time frame, including VAT claims on importations.

IV. Documents to be submitted by the taxpayer/claimant upon filing of the application for VAT refund:

1. The application must be accompanied by complete supporting documents enumerated in the Revised Checklist of Mandatory Requirements (Annex "A.1") for claims filed pursuant to Sec. 112 (A) of the Tax Code, as amended, or Checklist of Documentary Requirements (Annex "A.2") for claims filed under Sec. 112 (B) of the same Tax Code.

2. The taxpayer-claimant shall also attach a notarized sworn certification (Annex "B") attesting to the completeness and veracity of the documents submitted. Accordingly, the claim shall be processed based on the documents submitted, as well as the books of accounts and accounting records, presented by the taxpayer-claimant.

3. Failure on the part of the taxpayer-claimant to submit the relevant vital document/s in support of his/its claim upon filing of the application shall result to non-acceptance of the application, and failure to present the books of accounts and accounting records relevant to the claim is a ground for its denial.

V. Other documents that will form part of a VAT refund/credit case docket

The RO assigned to process the claim should prepare, submit and/or attach the reports/schedules and documents prescribed in Annex "C" hereof.

VI. Pending VAT refund/credit claims prior to the effectivity of R.A. No. 10963

A. VAT claims filed prior to the effectivity of RMC No. 54-2014

1. All pending claims shall continue to be processed in accordance with RR No. 1-2017. These claims shall be acted upon by the concerned offices not later than June 30, 2018.

2. Claims in the possession of the Revenue District and Regional Offices as of the effectivity of this Circular, including those claims which require further review and approval by the National Office shall no longer be transmitted to the TARD. The concerned Regional Assessment Division shall review these claims prior to transmittal to the Regional Director for approval/disapproval of the claim.

3. Claims in the possession of offices under the AS shall be acted upon based on the thresholds set under item no. I.B.3, while, claims in the possession of offices under the LTS shall be subject to approval/disapproval of the ACIR- LTS after review of the respective HREAs.

B. VAT claims filed after the effectivity of RMC No. 54-2014

1. All current pending claims filed prior to the effectivity of R.A. No. 10963, otherwise known as the TRAIN, shall be processed within the 120-day period, as clarified by RMC No. 54-2014.

2. These claims shall be acted upon by the concerned offices as mentioned in item nos. VI.A.2 and VI.A.3 hereof.

VII. Penalties

Any revenue officer or official who fails to act on the application within the 90-day period shall be punishable under Section 269 of the Tax Code, as amended.

All other issuances inconsistent herewith are hereby repealed or modified accordingly.

The amendments prescribed in this Circular shall take effect immediately.

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

(Original Signed)
CAESAR R. DULAY
Commissioner of Internal Revenue

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