REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

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RECORDS MGT. DIVISION

January 15, 2021

REVENUE MEMORANDUM CIRCULAR NO. 36-2021

SUBJECT: **Shift from Final to a Creditable System on the Value-Added Tax (VAT) Withheld on Sales to Government or Any of Its Political Subdivisions, Instrumentalities or Agencies, Including Government-Owned or –Controlled Corporations (GOCCs)**

TO : All Internal Revenue Officers and Others Concerned

This is in line with Section 37 of Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration or Inclusion" or the "TRAIN Law," amending certain provisions of Section 114 of the Tax Code of 1997, as amended, and as implemented under Section 4-114-2 of Revenue Regulations No. 13-2018, which reads:

> *"SEC.4-114-2. **Withholding of VAT on Government Money Payments and Payments to Non-Residents.***
>
> ***(a) Withholding of Value-added Tax.** – The Government or any of its political subdivisions, instrumentalities or agencies, including government-owned or -controlled corporations (GOCCs) shall, before making payment on account of each purchase of goods and services which are subject to the value-added tax imposed in Sections 106 and 108 of this Code, deduct and withhold the value-added tax imposed in Sections 106 and 108 of this Code, deduct and withhold a final value-added tax at the rate of five percent (5%) of the gross payment thereof: provided, that **beginning January 1, 2021, the VAT withholding system under this subsection shall shift from final to a creditable system**: xxx"*

In this regard, the following changes and guidelines are prescribed effective January 1, 2021:

A. Monthly and Quarterly VAT Returns (BIR Form Nos. 2550M and 2550Q). – The following changes/adjustments shall be effected to the following forms, in relation to VAT withholding, until a new version of the forms have been developed and prescribed for use:

BIR FORM NO.	LINE/ SCHEDULE AFFECTED	DESCRIPTION	REMARKS
2550M *(v. February 2007)*	20B	Input tax on sale to Govt. closed to expense (Sch. 4)	Not to be filled out/To be deactivated from the Electronic Payment and Filing System (eFPS)
	23C	VAT withheld on Sales to Government (Sch. 8)	Where the creditable VAT withheld will be reflected
	Schedule 4	Input Tax Attributable to Sale to Government	Not to be filled out/To be deactivated from the eFPS
	Schedule 8	VAT withheld on Sales to Government	Where the details of the creditable VAT withheld will be reflected

BIR FORM NO.	LINE/ SCHEDULE AFFECTED	DESCRIPTION	REMARKS
2550Q *(v. February 2007)*	23B	Input tax on sale to Govt. closed to expense (Sch. 4)	Not to be filled out/To be deactivated from the eFPS
	26D	VAT withheld on Sales to Government (Sch. 8)	Where the creditable VAT withheld will be reflected
	Schedule 4	Input Tax Attributable to Sale to Government	Not to be filled out/To be deactivated from the eFPS
	Schedule 8	VAT withheld on Sales to Government	Where the details of the creditable VAT withheld will be reflected

B. **Filing and Payment.** – The government or any of its political subdivisions, instrumentalities or agencies, including GOCCs who are required to withhold creditable VAT shall use the *"Monthly Remittance Return of Value-Added Tax Withheld"* (BIR Form No. 1600-VT) for filing and remittance of the amount withheld. However, for those using the eFPS, they shall still use BIR Form No 1600 due to unavailability of BIR Form No. 1600-VT.

C. **Proof of Withholding. -** The government or any of its political subdivisions, instrumentalities or agencies, including GOCCs who are required to withhold creditable VAT shall issue the Certificate of Creditable Tax Withheld at Source (BIR Form No. 2307) using Alphanumeric Tax Code (ATC) No. WV010 for purchases of goods or WV020 for purchases of services. Thus, the Certificate of Final Tax Withheld at Source (BIR Form No. 2306) shall no longer be issued for this purpose.

The BIR Form No. 2307 shall be used as proof by VAT taxpayers in claiming for VAT credit in their monthly and quarterly VAT declarations. Erroneous use of the same (i.e.; reflected as tax credit in the quarterly and annual Income Tax Return) shall result in disallowance of the withheld amount and forfeiture of the same in favor of the Government.

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

All concerned are hereby are enjoined to be guided accordingly and give this Circular as wide a publicity as possible.

CAESAR R. DULAY
Commissioner of Internal Revenue

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