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

June 16, 2004

REVENEUE MEMORANDUM CIRCULAR NO. 37-2004

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

SUBJECT : Settlement of the Value Added Tax Liabilities of Pawnshops for Taxable years 1996 to 2002.

For the information and guidance of all revenue officials, employees and others concerned, on June 4, 2004, the Commissioner of Internal Revenue, in the exercise of its authority to compromise and abate tax liabilities under Section 204 of the Tax Reform Act of 1997 (Code), have entered into a memorandum of agreement with the Chambers of Pawnbrokers of the Philippines, Inc. for a mechanism which will allow those engaged in the pawnshop business to pay and settle their value added tax (VAT) liabilities for tax years 1996 to 2002.

Pawnshops who shall duly execute the Settlement Agreement and fully comply with the terms and conditions of the said Settlement Agreement, a copy of which is attached hereto as Annex"A" and made an integral part hereof, shall be allowed to settle in full their VAT liabilities for tax years 1996 to 2002, by paying the equivalent of twenty five percent (25%) of its value added tax due for tax years 1996 to 2002, inclusive, where the basic value added tax due shall be computed by multiplying its gross receipts for the period covered by ten percent (10%), provided that the payment and the requirement for tax years 2000 to 2002, inclusive, shall be due on or before July 15, 2004. Provided, further, that the payment and the requirement for tax years 1996 to 1999, inclusive, shall be due on or before December 15, 2004. The duly executed Settlement Agreement, the requirements contained in the Settlement Agreement, and the payment due shall be made by the pawnshops availing thereof to the Revenue District Office/Large Taxpayer Service/Large Taxpayer District Office (RDO/LTS/LTDO) having jurisdiction of said pawnshop. Thereafter said office shall forward a copy of the Settlement Agreement, together with copies of the requirements submitted by the pawnshop in compliance of said Settlement Agreement, and proof of payment of the value added tax due shall be forwarded to the Office of the Commissioner. In addition, the RDO/LTS/LTDO concerned is hereby ordered to verify the truth and correctness of the self assessment made by the pawnshop. They shall have one year from July 15, 2004 to verify the truth and correctness of the self assessment made by the pawnshop for tax years 2000 to 2002, inclusive, and one year from December 15, 2004 to verify the truth and correctness of the self assessment made by the pawnshop for tax years 1996 to 1999, inclusive. In the event they shall determine the self assessment made by the pawnshop is not true or correct, they shall forthwith inform the Office of the Commissioner in writing of such fact.

After the date referred to in the foregoing paragraph, pawnshops shall no longer be allowed to settle their VAT liability for the years referred to under the terms and condition of the Settlement Agreement. After the dates referred to, all revenue officers are hereby instructed to apply the full force of the law on such pawnshops who have not availed of the terms and conditions of the Settlement Agreement, and to collect the full amount of tax due and the increments thereto.

In addition to the foregoing, all revenue officers are hereby instructed to ensure that all VAT due from pawnshops beginning January 1, 2003, including increments thereto, if any, are assessed and collected from pawnshops under its jurisdiction.

This circular is to be given a wide publicity as possible.

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