REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS
Quezon City

July 13, 2006

REVENUE MEMORANDUM CIRCULAR No. 45-2006

Subject : Publishing the Full Text of Department Order No.20-06, dated June 16, 2006, of the Department of Finance Providing for Measures to Safeguard the Integrity of the Tax Credit System being Administered by the One Stop Shop Inter-Agency Tax Credit and Duty Drawback Center, Bureau of Internal Revenue and Bureau of Customs as Issuing Agencies.

To : All Revenue Officials and Employees

For the information and guidance of all internal revenue officers, employees and others concerned, quoted hereunder is the full text of Department Order No. 20-06 providing for measures to safeguard the integrity of the Tax Credit System being administered by the One Stop Shop Inter-Agency Tax Credit and Duty Drawback Center, Bureau of Internal Revenue and Bureau of Customs as issuing agencies, reproduced as follows:

"DEPARTMENT ORDER No. 20-06
16 June 2006

In line with the government's continuing initiatives to streamline its revenue collection efforts, and there being a recognized need to further safeguard the integrity of tax credit certificates (TCCs) and rationalize their utilization with the view of serving the best interest of government, a Special Revalidation Program (hereinafter referred to as the " revalidation program"), covering all outstanding TCCs issued by the Bureau of Internal Revenue (BIR), the Bureau of Customs (BOC) and the One Stop

Shop Inter Agency Tax Credit and Duty Drawback Center (OSS Center), is hereby ordered.

Section 1. *Objectives.* The revalidation program, as established herein, seeks to achieve the following:

a. To determine the volume and value of all outstanding TCCs issued by the Bureau of Internal Revenue, the Bureau of Customs and the One-Stop Shop Inter-Agency Tax Credit and Duty Drawback Center (OSS Center), hereinafter likewise referred to collectively as "Issuing Agencies";
b. To prevent the use of expired, stolen, fake, tampered or recycled TCCs;
c. To develop a system that would provide a reliable source of adequate data central to an effective monitoring of the utilization of TCCs at any given time, including, but not limited to, the number and amount or value of outstanding TCCs.

Section 2. *Coverage*. The Revalidation Program refers to the retirement or recall and cancellation of all outstanding TCCs and their replacement with new TCCs, utilizing updated forms and containing enhanced security features. It shall cover all existing or outstanding TCCs as follows:

a. Those issued solely by the BIR pursuant to the National Internal Revenue Code, as amended, special laws, international agreements and final judicial orders;
b. Those issued solely by the BOC under the Tariff and Customs Code of the Philippines, as amended, and in accordance with the final judicial orders;
c. Those issued solely by the OSS-Center under Executive Order No. 226, otherwise known as The Omnibus Investment Code of 1987, and other existing laws and issuances;
d. Those jointly issued by the OSS-Center and the BIR under Section 112 of the National Internal Revenue Code as amended; and

e. Those jointly issued by the OSS-Center and the BOC under Sections 106(b) and (c) of the Tariff and Customs Code of the Philippines, as amended.

Section 3. *Definition of Terms.* For purposes of this Order, the terms below shall be correspondingly defined as follows:

a. Outstanding Tax Credit Certificate(s) – consists of all TCCs with creditable/outstanding balances whether in the possession of the original grantee or of its transferee.
b. Special Revalidation – refers to the process of cancellation of outstanding TCCs and their replacement with new ones, using the prescribed form as defined in this Order.
c. Unutilized TCC forms – refers to blank TCC forms which are still in the custody of the Issuing Agencies and unreleased to any claimant.
d. Outstanding Tax/Duty Liability – refers to a tax/duty assessment that is already final and executory.

Section 4. *Design/Issuance of the New TCC Form* – Consistent with the avowed objectives of the revalidation program, the Issuing Agencies shall procure new and updated forms with enhanced security features, which shall be used exclusively for all TCCs issued by them beginning August 1, 2006. The new form shall clearly indicate the legal basis of the issuance, the recommending/processing/investigating office and the approving authority of the agency or bureau concerned.

Section 5.*Period of Revalidation*. From August 1 to December 31, 2006, holders of outstanding TCCs shall be required to file their respective applications for revalidation, with the concerned agency which issued said TCCs.

Section 6. *Cancellation of TCCs*. Effective August 1, 2006, all outstanding TCCs shall be deemed automatically retired, recalled or cancelled, and shall no longer be accepted as payment for the outstanding tax/duty liability of their respective holder/s.

Section 7. *Disposition of Unutilized TCC Forms*. The BIR, BOC and OSS-Center shall prepare separate inventories of all

unutilized TCC forms in their possession, custody, and control, which shall be disposed of in accordance with pertinent laws, rules and regulations. In this regard, said issuing agencies shall prepare their separate reports on the inventory and disposition of unutilized TCC forms, which shall be submitted to the Secretary of Finance no later than August 31, 2006.

Section 8. *Specific Implementing Issuances.* The Issuing Agencies shall promulgate such specific orders or rules as may be appropriate and necessary to expedite the processing of applications for revalidation.

The implementing issuances, shall cover, among others, the relevant mechanics to govern the surrender of all unissued TCC forms in the custody of the officers & employees of the Issuing Agencies, and lay down the appropriate policies and procedures for the surrender and special revalidation of all outstanding TCCs in the hands of valid holders, whether unutilized or partially utilized, including outstanding TCCs submitted after the period of revalidation. Said implementing issuances shall likewise put in place such measures to prevent the use of fake, tampered, expired or recycled TCCs during the special revalidation period, and such other limitations as may be appropriate to carry out the objectives of this Order.

Section 9. *Reports.* The BIR, the BOC and the OSS-Center shall each submit to the Secretary of Finance their respective terminal reports on the revalidation program, no later than January 31, 2007.

For monitoring purposes, the BIR and BOC shall also submit to the Secretary of Finance, beginning August 2006, separate monthly reports on, among others, the issuance, utilization and transfer of such TCCs as may have been issued by said agencies.

Section 10. This Order shall take effect upon completion of its publication in at least two (2) newspapers of general circulation. This Order shall be given the widest publicity possible.

(Original Signed)
MARGARITO B. TEVES
Secretary"

The aforecited department order was published on June 22, 2006 in a newspaper of general circulation and shall take effect beginning August 1, 2006 up to December 31, 2006 as period of revalidation.

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

(Original Signed)
JOSE MARIO C. BUÑAG
Commissioner of Internal Revenue