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

October 18, 2005

REVENUE MEMORANDUM CIRCULAR NO. 62 - 2005

SUBJECT : **Revised Guidelines in the Registration & Invoicing Requirements Including Clarification on Common Issues Affecting Value Added Tax (VAT) Taxpayers Pursuant to RA 9337 (An Act Amending Sections 27, 28, 34, 106, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 148, 151, 236, 237 and 288 of the National Internal Revenue Code of 1997, as Amended, and for other Purposes).**

TO : All Internal Revenue Officials and Employees and Others Concerned

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Hereunder are guidelines in the form of basic questions and answers regarding the registration and invoicing requirements relative to VAT taxpayers as required under RA 9337:

Q1 : **Who are liable to register as VAT taxpayers?**

A1 : Any person who, in the course of trade or business, sells, barters or exchanges goods or properties or engages in the sale or exchange of services shall be liable to register if:

(a) His gross sales or receipts for the past twelve (12) months, other than those that are exempt under Section 109 (A) to (U), have exceeded one million five hundred thousand pesos (P1,500,000); or

(b) There are reasonable grounds to believe that his gross sales or receipts for the next twelve (12) months, other than those that are exempt under Section 109 (A) to (U), will exceed one million five hundred thousand pesos (P1,500,000).

Q2 : **Are all VAT taxpayers mentioned in Q-1 above still required to register?**

A2 : Those taxpayers previously registered as VAT taxpayers under the old VAT Law are not required to register anew, taxpayers who are previously registered as non-VAT taxpayers but are now covered by the VAT Law shall update their

registration by filing BIR Form 1905 (Application for Registration Information Update) at the RDO having jurisdiction over the taxpayer's Head Office.

Q3 : Can the BIR automatically register previously Non-VAT taxpayers who are now subject to VAT?

A3 : Yes, the BIR will automatically register taxpayers who were previously registered as Non-VAT but are now subject to VAT through its Information System Group.

Q4 : What is the criterion to be considered to be automatically registered in relation to No. 3 above?

A4 : Those taxpayers whose transactions were previously not subject to VAT but are now VATable (including previously VAT-exempt transactions), provided his gross sales exceeded the P1.5M threshold.

Q5 : May a taxpayer already registered as VAT taxpayer under the old VAT Law but whose annual gross sales does not exceed P1.5M change his status to non-VAT taxpayer?

A5 : Yes, previously registered VAT taxpayer under the old VAT Law may change his status to non-VAT taxpayer by making a written application, filing BIR Form 1905 and by demonstrating to the Commissioner's satisfaction that his gross sales or receipts for the following twelve (12) months, other than those that are exempt under Section 109 (A) to (U), will not exceed one million five hundred thousand pesos (P1,500,000.00).

Q6 : What will be the registration requirements of professionals now covered by VAT pursuant to R.A. 9337 (e.g. doctors and lawyers)?

A6 : Following are the registration requirements:

1. Professionals now covered by VAT pursuant to R.A. 9337 are required to update their registration using BIR Form 1905:

    1.1 If their gross sales or receipts for the past twelve (12) months have exceeded the P1.5M threshold, they are required to register as VAT taxpayers by registering VAT as additional tax type of said taxpayers. They have to accomplish BIR Form No. 1905;

    1.2 If their gross sales or receipts for the past twelve months have not exceeded the P1.5M threshold, they are still required to update

their registration by registering PT as tax type because they are now subject to percentage tax.

2. Apply for Authority to Print Receipts (ATP) using BIR Form 1906 to be able to have printed VAT Receipts.

Q7 : Where should a new VAT taxpayer register?

A7 : All taxpayers are required to register with the RDO having jurisdiction over the taxpayer's principal place of business following existing procedures on registration.

Q8 : When is a new VAT taxpayer required to apply for registration and pay the registration fee?

A8 : New VAT taxpayers shall apply for registration as VAT Taxpayers and pay the corresponding registration fee of five hundred pesos (P500.00) before the start of their business following existing issuances on registration.

Thereafter, taxpayers are required to pay the annual registration fee of five hundred pesos (P500) not later than January 31, every year.

Q9 : What is the liability of a taxpayer becoming liable to VAT and did not register as such?

A9 : Any person who becomes liable to VAT and fails to register as such shall be liable to pay the output tax as if he were a VAT-registered person, but without the benefit of input tax credits for the period in which he was not properly registered.

Q10 : Who may opt to register as VAT and what will be his liability?

A10 :

1. Any person who is VAT-exempt under Sec. 4.109-1 (B) (1) (V) not required to register for VAT may, in relation to Sec. 4.109-2, elect to be VAT-registered by registering with the RDO that has jurisdiction over the head office of that person, and pay the annual registration fee of ₱500.00 for every separate and distinct establishment.

2. Any person who is VAT-registered but enters into transactions which are exempt from VAT (mixed transactions) may opt that the VAT apply to his transactions which would have been exempt under Section 109(1) of the Tax Code, as amended. [Sec. 109(2)].

3. Franchise grantees of radio and/or television broadcasting whose annual gross receipts of the preceding year do not exceed ten million pesos (P10,000,000.00) derived from the business covered by the law granting the franchise may opt for VAT registration. This option, once exercised, shall be irrevocable. (Sec. 119, Tax Code).

4. Any person who elects to register under subsections (1) and (2) above shall not be allowed to cancel his registration for the next three (3) years.

The above-stated taxpayers may apply for VAT registration not later than ten (10) days before the beginning of the calendar quarter and shall pay the registration fee prescribed under sub-paragraph (a) of this Section, unless they have already paid at the beginning of the year. In any case, the Commissioner of Internal Revenue may, for administrative reason deny any application for registration. Once registered as a VAT person, the taxpayer shall be liable to output tax and be entitled to input tax credit beginning on the first day of the month following registration.

Q11 : What are the instances when a VAT-registered person may cancel his VAT registration?

A11 : 1. If he makes a written application and can demonstrate to the commissioner's satisfaction that his gross sales or receipts for the following twelve (12) months, other than those that are exempt under Section 109 (A) to (U), will not exceed one million five hundred thousand pesos (P1,500,000); or

2. If he has ceased to carry on his trade or business, and does not expect to recommence any trade or business within the next twelve (12) months.

Q12 : When will the cancellation for registration be effective?

A12 : The cancellation for registration will be effective from the first day of the following month the cancellation was approved.

Q13 : What is the invoicing/receipt requirement of a VAT-registered person?

A13 : A VAT registered person shall issue:

(1) A VAT invoice for every sale, barter or exchange of goods or properties; and

(2) A VAT official receipt for every lease of goods or properties and for every sale, barter or exchange of services.

Q14 : May a VAT registered person issue a single invoice/receipt involving VAT and Non-VAT transactions?

A14 : Yes. He may issue a single invoice/receipt involving VAT and non-VAT transactions provided that the invoice or receipt shall clearly indicate the break-down of the sales price between its taxable, exempt and zero-rated components and the calculation of the Value Added Tax on each portion of the sale shall be shown on the invoice or receipt.

Q15 : May a VAT registered person issue separate invoices/receipts involving VAT and Non-VAT transactions?

A15 : Yes. A VAT registered person may issue separate invoices/receipts for the taxable, exempt, and zero-rated component of its sales provided that if the sale is exempt from value-added tax, the term "VAT-EXEMPT SALE" shall be written or printed prominently on the invoice or receipt and if the sale is subject to zero percent (0%) VAT, the term "ZERO-RATED SALE" shall be written or printed prominently on the invoice or receipt.

Q16 : How is the Value Added Tax presented in the receipt/invoice?

A16 : The amount of the tax shall be shown as a separate item in the invoice or receipt.

Sample:

Sales Price	P100,000.00
VAT	10,000.00
Invoice Amount	P110,000.00

Q17 : What is the information that must be contained in the VAT invoice or VAT official receipt?

A17 :

1. Name of the Seller
2. Business Style of the Seller
3. Business Address of Seller
4. A statement that the seller is a VAT-registered person, followed by his TIN
5. Name of Buyer
6. Business Style of Buyer

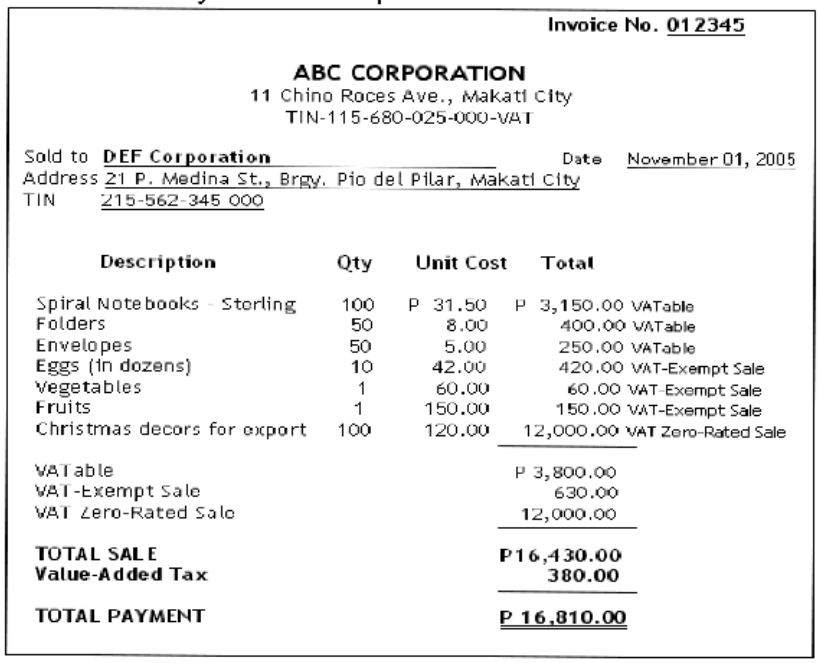
7. Address of Buyer
8. TIN of buyer, if VAT-registered and amount exceed P1,000.00
9. Date of transaction
10. Quantity
11. Unit cost
12. Description of the goods or properties or nature of the service
13. Purchase price plus the VAT, provided that:

    - The amount of tax shall be shown as a separate item in the invoice or receipt;
    - If the sale is exempt from VAT, the term "VAT-EXEMPT SALE" shall be written or printed prominently on the invoice or receipt;
    - If the sale is subject to zero percent (0%) VAT, the term "ZERO-RATED SALE" shall be written or printed prominently on the invoice receipt;
    - If the sale involves goods, properties or services some of which are subject to and some of which are zero-rated or exempt from VAT, the invoice or receipt shall clearly indicate the breakdown of the sales price between its taxable, exempt and zero-rated components, and the calculation of the VAT on each portion of the sale shall be shown on the invoice or receipt.

14. Authority to Print Receipt Number at the lower left corner of the invoice or receipt.

Sample Receipt/Invoice:

1. Invoice for manually issued receipt:



Invoice No. 012345

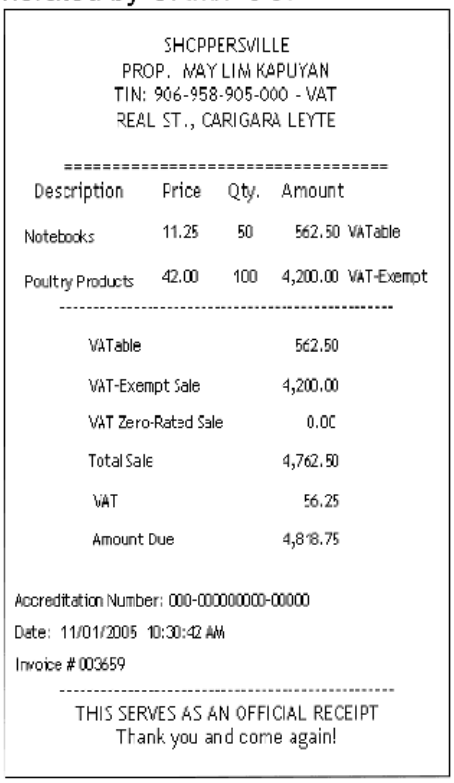
ABC CORPORATION
11 Chino Roces Ave., Makati City
TIN-115-680-025-000-VAT

Sold to **DEF Corporation** Date November 01, 2005
Address 21 P. Medina St., Brgy. Pio del Pilar, Makati City
TIN 215-562-345 000

Description	Qty	Unit Cost	Total	
Spiral Notebooks - Sterling	100	P 31.50	P 3,150.00	VATable
Folders	50	8.00	400.00	VATable
Envelopes	50	5.00	250.00	VATable
Eggs (in dozens)	10	42.00	420.00	VAT-Exempt Sale
Vegetables	1	60.00	60.00	VAT-Exempt Sale
Fruits	1	150.00	150.00	VAT-Exempt Sale
Christmas decors for export	100	120.00	12,000.00	VAT Zero-Rated Sale

VATable	P 3,800.00
VAT-Exempt Sale	630.00
VAT Zero-Rated Sale	12,000.00
TOTAL SALE	**P16,430.00**
Value-Added Tax	**380.00**
TOTAL PAYMENT	**P 16,810.00**

2. Official Receipt generated by CRM/POS:



SHOPPERSVILLE
PROP. MAY LIM KAPUYAN
TIN: 906-958-905-000 - VAT
REAL ST., CARIGARA LEYTE

Description	Price	Qty.	Amount	
Notebooks	11.25	50	562.50	VATable
Poultry Products	42.00	100	4,200.00	VAT-Exempt

VATable	562.50
VAT-Exempt Sale	4,200.00
VAT Zero-Rated Sale	0.00
Total Sale	4,762.50
VAT	56.25
Amount Due	4,818.75

Accreditation Number: 000-000000000-00000
Date: 11/01/2005 10:30:42 AM
Invoice # 003659

THIS SERVES AS AN OFFICIAL RECEIPT
Thank you and come again!

Q18 : What additional information must be contained in the VAT invoice or VAT receipt in the case of sales in the amount of one thousand pesos (P1,000.00) or more?

A18 : In the case of sales in the amount of one thousand pesos (P1,000.00) or more where the sale or transfer is made by a VAT-registered taxpayer to another VAT-registered person, the name, business style, if any, address and Taxpayer Identification Number (TIN) of the purchaser, customer or client.

Q19 : What is the liability of a taxpayer not registered as VAT and issues a VAT invoice/receipt?

A19 : The non-VAT registered person shall, in addition to paying other percentage taxes, be liable to the tax imposed in Section 106 or 108 of the Tax Code without the benefit of any input tax credit plus 50% surcharge on the VAT payable (output tax). If the invoice/receipts contain the required information, purchaser shall be allowed to recognize an input tax credit.

Q20 : What is the liability of a VAT-registered person in the issuance of a VAT invoice/receipt for VAT-exempt transactions?

A20 : If a VAT-registered person issues a VAT invoice or VAT official receipt for a

VAT-exempt transaction, but fails to display prominently on the invoice or receipt the words "VAT-EXEMPT SALE", the transactions shall become taxable and the issuer shall be liable to pay the VAT thereon. The purchaser shall be entitled to claim an input tax credit on his purchase.

Q21 : Are transactions "deemed sale" on withdrawal of goods for personal use required to issue invoice for VAT purposes?

A21 : In the case of deemed sale on withdrawal of goods for personal use, a memo entry in the subsidiary sales journal to record withdrawal of goods for personal use is required.

The data appearing in the subsidiary sales journal and the total amount of "deemed sale" shall be included in the return to be filed for the month or quarter.

Q22 : Can a VAT taxpayer engaged in sale of goods who usually makes sales of goods on credit issue CASH RECEIPT document for the collection of accounts receivable and other miscellaneous receipts?

A22 : Yes, provided the format of the CASH RECEIPT document is such that it shall not show the breakdown of the quantity, description, unit cost and total price of the goods sold. The reason for this is to prevent the recipient of this document to use it as proof for claiming input tax.

Q23 : Are franchise grantees of radio and television required to register as VAT taxpayer?

A23 : If their annual gross receipt for the preceding calendar year exceeded ten million pesos (P10,000,000.00), they are required to register within thirty (30) days after the end of the calendar year.

Q24 : Can taxpayers previously registered as VAT who are now <u>not subject to VAT</u> still use their existing VAT invoices/receipts?

A24 : Yes. Taxpayers previously registered as VAT may continue to issue VAT invoices and VAT official receipts for the period November 1, 2005 to December 31, 2005, in accordance with the Bureau of Internal Revenue administrative practices that existed as of December 31, 2004 provided these receipts/invoices are stamped by the word "NON-VAT registered as of November 1, 2005".

Q25 : Can taxpayers who were previously registered as non-VAT who are now subject to VAT still use their existing Non-VAT receipts/invoices?

A25 : Yes, non-VAT receipts/invoices may still be used by the new VAT taxpayer for the period November 1, 2005 to December 31, 2005, provided these receipts/invoices are stamped by the word "VAT registered as of November 1, 2005".

Q26 : What is the effect of the New VAT law on CRM/POS and other sales machines relative to the issuance of receipts?

A26 Taxpayer-users who have been issued permit to use sales machines are required to re-configure their machines in conformity with the new VAT law and have until December 31, 2005 to do so.

Suppliers who have been granted accreditation are not required to apply for re-accreditation but they have the responsibility to re-configure the machines they intend to sell in conformity with the new VAT law. However the Bureau reserves the right to randomly check their compliance and if found to be non-compliant, the Bureau shall withdraw their accreditation.

Sample Receipt to be generated by CRM/POS and other sales machines:

SHOPPERSVILLE
PROP. MAY LIM KAPUYAN
TIN: 906-958-905-000 - VAT
REAL ST , CARIGARA LEYTE

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Description	Price	Qty.	Amount	
Notebooks	11.25	50	562.50	VATable
Poultry Products	42.00	100	4,200.00	VAT-Exempt

VATable	562.50
VAT-Exempt Sale	4,200.00
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Total Sale	4,762.50
VAT	56.25
Amount Due	4,818.75

Accreditation Number: 000-000000000-00000
Date: 11/01/2005 10:30:42 AM
Invoice # 003659

THIS SERVES AS AN OFFICIAL RECEIPT
Thank you and come again!

Q27 : What will be the basis of the Output VAT Payable if, as part of the transitory provision, the generated receipts of CRM/POS are inclusive

of VAT which shall be allowed up to December 31, 2005 pending re-configuration of their systems?

A27 : The Output VAT Payable shall be computed by multiplying the total invoice/receipt amount by 1/11.

Q28 : **What are the requirements to be submitted to the BIR concerned office on or before November 30, 2005 by those taxpayers becoming liable to pay VAT?**

A28 :

1. A list of inventory of goods or supplies as of October 31, 2005 showing the quantity, description and amount.

2. A list of inventory of unused invoice or receipt as of October 31, 2005.

Q29 : **What is the rule on claims for input tax on purchases of depreciable capital goods (local/imported) if purchase amount exceeds P1M?**

A29 : If aggregate acquisition cost of all depreciable goods acquired in a month exceeded P1M, the claims for input tax shall be spread over the life of the depreciable goods or sixty (60) months, whichever is shorter.

Q30 : **What are the accounting requirements in the acquisition, purchase or importation of depreciable assets or capital goods?**

A30 : A subsidiary record in ledger form shall be maintained for the acquisition, purchase or importation of depreciable assets or capital goods which shall contain, among others, information on the purchase amount, date of purchase, description of the goods, total input tax thereon as well as the monthly input tax claimed in the VAT declaration or return.

Q31 : **How much input tax on sale of goods and services to the government or any of its political subdivisions, instrumentalities or agencies, including government-owned and controlled corporations (GOCCs) can a VAT taxpayer claim?**

A31 : The allowable input tax for sales of goods and services to the government shall not exceed five percent (5%) of the selling price/gross receipts. If actual input tax exceeds five percent (5%) of gross payments, the excess shall form part of the seller's cost or expense. On the other hand, if actual input VAT is less than five (5%) of gross payments, the difference shall be closed to cost or expense of the seller.

Illustration:

Assumption No. 1: Sales P100,000.00; Output VAT 10,000.00; Purchase P90,000.00; Input VAT 9,000.00.

Sales Invoice

Selling Price	P100,000.00
VAT	10,000.00
Total Invoice Amount	P110,000.00

Balance Sheet/Income Statement:

Output VAT Payable		P10,000.00
Actual Input VAT	P 9,000.00	
Less: Standard Input VAT (5%)	5,000.00	5,000.00
Income & Expense Summary	P 4,000.00	
Net VAT Payable		P 5,000.00
Less: Creditable Withholding Input VAT		5,000.00
Output Tax Payable		P 0.00

	DEBIT	**CREDIT**
Journal Entry to take up Sales:		
Cash/AR	105,000.00	
Creditable Withholding VAT	5,000.00	
Sales		100,000.00
Output VAT Payable		10,000.00
Journal Entry to take up Purchases:		
Purchases	90,000.00	
Input Tax	9,000.00	
Cash/Accounts Payable		99,000.00

Journal Entry to reflect the excess of actual input VAT over the allowable input tax of 5% of gross payments/gross sales:

Output VAT Payable	1 0,000.00	
Income & Expense Summary	4,000.00	
Input Tax		9,000.00
Creditable Withholding VAT		5,000.00

Assumption No. 2: Sales P100,000.00; Output VAT Payable P10,000.00; Purchases P10,000.00; Input Tax P1,000.00.

Balance Sheet/Income Statement:

Output VAT		P 10,000.00
Actual Input VAT	P 1,000.00	
Less: Standard Input VAT (5%)	5,000.00	5,000.00
Income & Expense Summary	(P4,000.00)	
Net Output VAT Payable		P 5,000.00
Less: Creditable Withholding Input VAT		5,000.00
Output Tax Payable		P 0.00

	DEBIT	**CREDIT**
Journal Entry to take up Sales:		
Cash/AR	105,000.00	
Creditable Withholding VAT	5,000.00	
Sales		100,000.00
Output VAT Payable		10,000.00
Journal Entry to take up Purchases:		
Purchases	10,000.00	
Input Tax	1,000.00	
Cash/Accounts Payable		11,000.00

Journal Entry to reflect the actual input VAT which is less than (5%) of gross payments:

Output VAT Payable	10,000.00	
Input Tax		1,000.00
Income & Expense Summary		4,000.00
Creditable Withholding Input VAT		5,000.00

Q32 : Who are entitled to transitional input tax?

A32 : Taxpayers who become VAT-registered persons upon exceeding Gross Sales or Gross Receipts amounting to P1,500,000.00 or who voluntarily register even if the Gross Sales or Gross Receipts does not exceed P1,500,000.00 are entitled to transitional input tax.

Q33 : What is the rate of transitional input tax allowed for every VAT registered taxpayer?

A33 : A VAT taxpayer is allowed a transitional input tax on his inventory of goods, materials and supplies equivalent to two percent (2%) value thereof or the actual VAT paid on such goods, materials and supplies whichever is higher. Goods exempt from VAT shall be excluded in the computation of transitional input tax.

Q34 : What is the adjusting entry to record/set-up the transitional input tax?

A34 : ***Journal entry:***

	DEBIT	CREDIT
Input Tax	xxx	
Inventory		xxx

Q35 : Who are entitled to presumptive input tax?

A35 : Persons or firms engaged in the processing of the following products are entitled to presumptive input tax:

a. Sardines;
b. Mackerel;
c. Milk;
d. Refined sugar;
e. Cooking oil; and
f. Packed noodle-based instant meals.

Q36 : What is the rate and basis of presumptive input tax?

A36 : A VAT taxpayer is allowed a presumptive input tax equivalent to four percent (4%) of the gross value of his purchases of primary agricultural products used in his production.

Q37 : How is VAT payable computed?

A37 : The VAT payable is computed by deducting the allowable input tax credit of a VAT registered taxpayer from his output tax. However, in no case shall the VAT payable be less than 30% of the output tax due for VAT taxpayers with excess input taxes. The amount of input tax not claimed as a credit against

output tax during the period shall be carried over to the succeeding taxable period/s.

Q38 : What is the basis in computing output tax?

A38 : The basis for computing the output tax is either the gross selling price or the gross receipts.

Gross Selling Price means the total amount of money or its equivalent which the purchaser pays or is obligated to pay the seller in consideration of the sale, barter or exchange of the goods or properties, excluding the VAT. The excise tax, if any on such goods or properties shall form part of the gross selling price.

For sale, barter or exchange of real property subject to VAT, gross selling price shall mean the consideration stated in the sales documents or the fair market value of the property whichever is higher. The fair market value of the property, shall be the FMV as determined by the BIR, or the FMV as determined by the assessor, whichever is higher.

If the selling price is based on the fair market value of the asset, such fair market value shall be inclusive of VAT.

If the amount of VAT is erroneously billed in the invoice, it shall be presumed that the invoice amount is VAT inclusive. Hence, the output tax shall be computed by multiplying the total invoice amount by a fraction using the rate of VAT as numerator and one hundred percent (100%) plus rate of VAT as the denominator (e.g. VAT is 10%, invoice amount shall be multiplied by 1/11 to get the Output VAT).

Q39 : What is the difference between actual and allowable input tax?

A39 : Actual input tax means the VAT due from or paid by a VAT-registered person on importation of goods or local purchases of goods, properties or services including lease or use of properties, in the course of his trade or business. It shall also include the input tax carry over from previous period, transitional input tax and presumptive input tax determined in accordance with Section 111 of the Tax Code.

Allowable input tax is the amount of creditable input tax to be deducted from the output tax payable. The creditable input tax is computed by deducting from actual input taxes all the required deductions from available input taxes. This

applies only in cases where input tax inclusive of input tax carried over from the previous quarter exceeds the output tax.

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

(Original Signed)
JOSE MARIO C. BUNAG
OIC-Commissioner of Internal Revenue