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

JUN 23 2023

REVENUE MEMORANDUM CIRCULAR NO. 71 – 2023

SUBJECT : Provides Streamlined Guidelines and Mandatory Requirements for Claims of Value-Added Tax (VAT) Credit/Refund Except Those Under the Authority and Jurisdiction of the Legal Group

TO : All Internal Revenue Officials, Employees and Others Concerned

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This Circular is issued to provide uniform guidelines and prescribe the revised mandatory documentary requirements in the processing and grant of VAT refund claims under Section 112 of the Tax Code of 1997, as amended (Tax Code, as amended), in line with the latest developments on VAT introduced by Republic Act (R.A.) No. 10963 or the Tax Reform for Acceleration and Inclusion or TRAIN and R.A. No. 11534, also known as Corporate Recovery and Tax Incentives for Enterprises Act or the CREATE Act.

I. GENERAL POLICIES

1. Pursuant to Section 2 of Revenue Regulations (RR) No. 26-2018, which amended Sections 4.106-5, 4.108-5, 4.112-1 and 13 of RR No. 13-2018, the time frame to process and 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 Sections 112 (A) and (B) of the Tax Code of 1997, as amended, up to the release of the payment for the approved amount of the refund.

2. The "Application for VAT Credit/Refund Claims" (BIR Form No. 1914) shall be received by the processing offices, to wit:

   a. The VAT Credit Audit Division (VCAD) in the National Office for claims of direct exporters, regardless of the percentage of export sales to total sales, pursuant to Section 106(A)(2)(a)(1) and 106(A)(2)(a)(6) for sale of goods and Sections 108(B)(2), 108(B)(4), and 108(B)(6) for sale of services, and whose claims are anchored under Section 112(A) of the Tax Code, as amended, except for claims with a mix of VAT zero-rated sales emanating from sales of power or fuel from renewable energy sources pursuant to Section 108(B)(7) of the Tax Code, as amended, in which case, Item 2(b) hereof shall apply;

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b. Claims of taxpayer-claimants (1) engaged in other VAT zero-rated activities, other than direct exports mentioned in Section (I)(2)(a) of this Order, such as but not limited to renewable energy developers pursuant to Section 108(B)(7) of the Tax Code, as amended, and those with indirect exports classified as effectively VAT zero-rated sales, pursuant to Section 112(A) of the Tax Code, as amended; (2) whose VAT registration has been cancelled or change in the VAT registration status to non-VAT but with accumulated unutilized input taxes pursuant to Section 112(B) of the Tax Code, as amended; and (3) those with claims for recovery of erroneously or illegally assessed or collected VAT pursuant to Sections 204 and 229 of the Tax Code, as amended, shall be filed at the following offices which have jurisdiction over the taxpayer-claimant:

b.1 The VAT Audit Section (VATAS) in the Regional Assessment Division; or

b.2 The respective Revenue District Office (RDO) if without VATAS; or

b.3 The Large Taxpayers VAT Audit Unit (LTVAU) of the Large Taxpayers Service (LTS).

3. Subject to the provisions of Sec. 4.112-1(b) of RR No. 13-2018, the filing of the claim for VAT refund of a VAT-registered person whose registration has been cancelled due to retirement from or cessation of business, or due to changes in or cessation of status under Section 106(C) of the Tax Code shall be at the Bureau of Internal Revenue (BIR) office which has jurisdiction over the taxpayer, within two (2) years from the date of issuance of the tax clearance by the BIR.

4. The taxpayer-claimant shall ensure the completeness and authenticity of the documentary requirements upon filing of the application for VAT refund. Hence, only applications with complete documentary requirements, as enumerated in the Checklist of Requirements (Annexes A.1, A.2 or A.3, whichever is applicable), shall be received and processed by the authorized processing office.

5. In case where the taxpayer-claimant filed VAT refund claim beyond the 2-year prescriptive period required to file under Section 112 of the Tax Code, as amended, the claim shall still be accepted, however, the processing office shall recommend outright denial of the claim.

6. If upon filing or during the processing of the VAT refund claim, the taxpayer-claimant has outstanding tax liabilities (final and executory) as defined under Section II(1) of Revenue Memorandum Order No. 11-2014, and evidenced by Delinquency Verification Certificate (DVC) (Annex "B") prescribed in Revenue Memorandum Circular No. 64-2019, the ensuing approved VAT refund shall be referred for garnishment to the Collection Section of the Revenue District Office and Collection Division of the Revenue Region having jurisdiction over the taxpayer-claimant, as may be used or settle to collect either fully or partially of the outstanding delinquent tax liability subject to existing tax laws and revenue issuances on the enforcement and settlement of delinquent accounts.

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7. The person who will sign and file the application for VAT refund, execute affidavit/s and/or such other document/s supporting the claim shall be duly authorized by the taxpayer-claimant. The "*Secretary's Certificate*" or "*Special Power of Attorney*" designating/authorizing said representative of the corporate claimant or sole proprietorship/partnership, as the case may be, should be notarized and must be presented to the processing office, together with one (1) valid government-issued Identification Card (ID) of the said authorized representative.

II. DOCUMENTS TO BE SUBMITTED BY THE TAXPAYER-CLAIMANT UPON FILING OF THE APPLICATION FOR VAT CREDIT/REFUND

1. The application/s must be accompanied with complete supporting documents enumerated in the Checklist of Requirements under Annexes A.1, A.2 or A.3, whichever is applicable. As could be gleaned from the said list of mandatory requirements, most documents or data that can be culled from the records of the BIR are no longer required to be submitted in compliance with The Ease of Doing Business Law (R.A. No. 11032). However, the taxpayer-claimants are not precluded from submitting copies of the same to aid the processing offices in the timely processing of the claim.

2. The original copies of invoices/receipts for sales and purchases shall be submitted for verification by the assigned Revenue Officers (ROs), which shall be forwarded to the Commission on Audit (COA) if the claim is approved for refund with notice to claimant of such transmittal. Should there be a need to obtain a copy of the same, the requesting party shall submit a written request for a certified copy with COA at no cost, stating therein the reason for the request and the specific document/s that need/s to be certified.

   However, for claims that have been denied in full, the processing office shall return the original copies of supporting sales invoices or receipts for sales and purchases to the taxpayer-claimants after stamping "VAT Credit/Refund Processed" to the supporting sales invoices or receipts for purchases.

3. Claims for refund of unutilized input VAT on importation shall be supported with a "VAT Payment Certification" issued by the Revenue Accounting Division (RAD) of the Bureau of Customs (BOC), including the supporting Import Entry and Internal Revenue Declarations (IEIRD)/Informal Import Declaration and Entry or Single Administrative Document (SAD). ***Only the importations appearing on the certification of BOC-RAD*** shall be considered in the computation of refundable amount.

4. For the amortized portion of the input VAT on aggregate purchases of capital goods exceeding one million pesos (P1,000,000.00) in a month pursuant to Section 110(A)(2)(b) of the Tax Code of 1997, as amended, the following rules shall apply:

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a. For current claims, the corresponding sales invoices and/or official receipts, including proofs of payment, if qualified as "big ticket" purchase, shall be required to be submitted and verified.

b. For the amortized deferred input VAT which originated from purchases prior to the period of claim, acceptability of supporting documents is clarified as follows:

b.1 If the source documents of the capital goods were submitted and verified during the time they were claimed, there is no need to re-submit the same source documents. Instead, the schedule of amortization of deferred input VAT in the approved report will be the basis in determining the amortized portion in the subsequent claims. The copy of the schedule should be authenticated by the head of the processing office by marking "Certified True Copy from the Original" on each and every page thereon to clearly show that the purchases have been duly verified in the previous VAT refund claim/s. In this regard, the processing office shall maintain a file for every claimant with amortized input VAT on purchases of capital goods exceeding P1,000,000.00 in a month. The processing office shall compare/reconcile the current amount claimed vis-à-vis the amount indicated in the schedule/s.

b.2 For claims coming from the amortized portion of the deferred input VAT on importation of capital goods, photocopies of previous certifications from BOC-RAD, in addition to the schedules as certified mentioned above.

b.3 In case the input VAT of capital goods was disallowed due to noncompliance with the invoicing requirements for local purchases or for some other reasons which may warrant absolute disallowance of the corresponding input VAT, the taxpayer-claimant is already barred from claiming the input VAT from the said purchases for the current claim and thereafter.

b.4 For purchase/importation of capital goods made starting January 1, 2022, no amortization shall be made and the input VAT shall be claimed on the month of purchase in accordance with Section 110 (B) of Tax Code, as amended.

5. Only the tax returns filed by the taxpayer-claimant, particularly the quarterly and/or Annual Income Tax Returns, the Quarterly VAT Returns and the quarterly VAT return/s showing the deduction of the amount of input VAT sought to be refunded, on or before the date of application of the VAT refund or the issuance of a Letter of Authority, whichever comes first, shall be considered in the processing of the claim.

6. The taxpayer-claimant shall attach a notarized sworn certification (Annex "A.1.1") attesting to the completeness of the documents submitted. Accordingly, the claim/s shall be processed based on the documents submitted. The books of accounts and accounting records shall be presented by the taxpayer-claimant upon written request of the assigned ROs. Failure to present the books of accounts and accounting records relevant to the claim/s may be a ground for denial of the claim.

7. For claims filed under Section 112(B) of the Tax Code, as amended, despite the closure or cessation of the business, the taxpayer-claimant must ensure cooperation

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with the assigned ROs and availability of all documents that may be requested during verification if there are issues or findings that need further clarification so as not to cause delay on the 90-day processing of the VAT refund/credit. Failure to cooperate or submit the requested documents, other than the mandatory requirements, by the assigned ROs may result in the full or partial denial of the claim.

III. EFFECTIVITY

This Circular shall take effect for VAT refund/credit claims that will be filed starting July 1, 2023.

All revenue issuances and BIR Rulings inconsistent herewith are hereby considered amended, modified or revoked accordingly.

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

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue
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