REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

August 10, 2006

REVENUE MEMORANDUM ORDER NO. 19-2006

SUBJECT: Prescribing the Guidelines and Procedures for the Processing of Pending Claims for Tax Credit/Refund of Excise Tax paid on Petroleum Products.

TO: All Internal Revenue Officers and Others Concerned

I. Background

Under Section 135 of the Tax Code of 1997 ("Tax Code"), sale of petroleum products to international carriers and certain exempt entities or agencies is exempt from excise tax. However, under Section 130(A)(2) of the Tax Code (formerly Section 127(a) of the Tax Code of 1993), excise tax on locally manufactured petroleum products is required to be paid within ten (10) days from the date of removal of such products for the period from January 1, 1998 to June 30, 1998; within five (5) days from the date of removal of such products for the period from July 1, 1998 to December 31, 1998; and, before removal from the place of production of such products from January 1, 1999 and thereafter. Also, under Section 131(A) of the Tax Code (formerly Section 128(a) of the Tax Code of 1993), excise tax on imported petroleum products is required to be paid before the release of the imported articles from the customs house. Typically, therefore, petroleum products sold and delivered to qualified purchasers are sourced from tax-paid inventories (i.e., ex-depot or ex-installation), and that by virtue of the tax-exempt privilege enjoyed and invoked by these qualified purchasers, they are billed net of excise tax on such tax-paid petroleum products. Under existing BIR Rulings, the recourse of the seller is to claim for refund or tax credit of the excise taxes paid (BIR Ruling Nos. 36-99, 51-99, DA-038-98, and Sec. 15, Rev. Regs. 6-67).

The oil companies have filed claims for tax credit/refund of excise tax paid on petroleum products sold to international carriers and exempt entities or agencies pursuant to Section 135 of the Tax Code of 1997. However, due to the absence of a standard checklist of documentary requirements, many of these pending claims have remained un-acted upon; hence, the need to prescribe a checklist of documents required for the processing of the pending claims.

II. Objectives

1. Prescribe the checklist of documentary requirements for the processing of pending claims for tax credit/refund of excise tax paid on petroleum products sold to international carriers and exempt entities or agencies pursuant to Section 135 of the Tax Code; and

2. Facilitate and expedite the processing of such pending claims for tax credit/refund of excise tax paid on petroleum products to further improve taxpayer service.

III. Coverage

This Order shall apply to existing/pending claims for tax credit/refund of excise tax paid on petroleum products that have already been filed with RDOs, LTAID I, LTAID II and LTDOs as of the effective date of this Order, relative to the following:

1. Sale and delivery of tax-paid petroleum products by a local manufacturer/producer or importer to international carriers, pursuant to Section 135(a) and (b) of the Tax Code;

2. Sale and delivery of tax-paid petroleum products by a local manufacturer/producer or importer to international organizations (e.g., UNICEF, WHO, UNDP, UNHC-Refugees, FAO, etc.) pursuant to Section 135(b) of the Tax Code;

3. Sale and delivery of tax-paid petroleum products by a local manufacturer/producer or importer to entities exempt from direct and indirect taxes (e.g., ADB, NPC, IRRI, entities registered with PEZA, SBMA, etc.) pursuant to Section 135(c) of the Tax Code.

Claims for tax credit/refund of excise tax paid on petroleum products sold to qualified purchasers under Section 135 of the Tax Code of 1997 that are filed after the effectivity of this RMO shall be governed by a separate issuance.

IV. Checklist of documentary Requirements

The BIR office where the claim for the tax credit/refund is pending shall process and act on the pending claims upon complete submission of all documents listed in Annex A hereof.

V. Effectivity

This order shall take effect immediately.

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