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

JUN 23 2023

REVENUE MEMORANDUM ORDER NO. 23 - 2023

SUBJECT : Mandatory Requirements and Guidelines, Policies and Procedures in the Processing of Claims for 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 Order is issued to provide the updated guidelines and prescribe the mandatory documentary requirements and procedures in the processing and grant of VAT credit/refund claims under Sections 112, 204(C) and 229 of the National Internal Revenue 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. All offices concerned shall prioritize the processing of VAT credit/refund claims filed under Section 112 of the Tax Code, as amended, over other claims not requiring the immediate issuance of Tax Credit Certificates (TCCs)/refund checks.

2. The processing offices authorized to receive "Application for Tax Credits/Refunds" (BIR Form No. 1914) are as follows:

   a. The VAT Credit Audit Division (VCAD) in the National Office shall receive 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;

   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

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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(C) 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).

In all cases, the Revenue Officer (Assessment) designated as Revenue Officer of the Day shall receive claims filed at the aforesaid authorized offices and shall be responsible in checking the completeness of the documentary requirements submitted during filing of the application for VAT refund/credit.

3. 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.

4. In cases where the taxpayers filed VAT refund claim/s beyond the 2-year prescriptive period required to file under Section 112 of the Tax Code, as amended, the processing office shall recommend outright denial of the claim/s.

5. 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, as evidenced by Delinquency Verification Certificate (DVC) (Annex "B") prescribed in Revenue Memorandum Circular No. 64-2019 or Annex A of RMO No. 29-2014, the processing/reviewing Office, shall notify the Collection Section of the Revenue District Office and Collection Division of the Revenue Region having jurisdiction over the taxpayer-claimant, of the approved VAT refund which may be used or garnished by the BIR to collect either fully or partially for the outstanding delinquent tax liability of the taxpayer-claimant, subject to existing tax laws and revenue issuances on the enforcement and settlement of delinquent accounts.

6. Where there is a tax delinquency but is pending request for abatement, compromise settlement or other legal remedies under the Tax Code, as amended, and no decision has been rendered by the National Evaluation Board (NEB) or by any authorized approving official of the BIR, the processing of the approved VAT refund/credit may still continue.

7. Pursuant to Section 112(C) of the Tax Code, as amended, the time frame to 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. Thus, the

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start of the 90-day period is from the actual filing of the application with complete supporting documents duly received by the processing office.

a. In proper cases, a credit/refund for creditable input taxes shall be granted within ninety (90) days from the date of complete submission of the application, official receipts or invoices and other documents in support of the application filed in accordance with Sections 112(A) and (B) of the same Tax Code, provided that should the Commissioner find that the grant of refund is not proper, the Commissioner must state in writing the legal and factual basis for the denial.

b. In case of full or partial denial of the claim for tax credit/refund, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim, appeal the decision with the Court of Tax Appeals: Provided, however, that failure on the part of any official, agent, or employee of the BIR to act on the application within the ninety (90) day-period shall be punishable under Section 269 of the Tax Code, as amended.

8. Tax Verification Notices (TVNs) shall be issued by the head of the processing office to authorize the verification of VAT credit/refund claims filed under Sections 112 and Sections 204(C) and 229 of the Tax Code, as amended. The TVNs shall be manually-issued until such time that the Case Management System (CMS) under the Internal Revenue Integrated System (IRIS) is fully operational.

9. The received application shall likewise be encoded in the CMS and Tax Credit Refund modules under the IRIS.

10. The claims shall be processed and evaluated by the assigned Revenue Officer (RO)/Group Supervisor (GS) based on submitted documents and verification procedures prescribed under Annexes C.1, C.2 or C.3, whichever is applicable. This process shall not be construed as an audit/investigation; hence, the claimant may be issued subsequently an electronic Letter of Authority (LA) by an authorized office for that purpose.

11. Verification of the claim shall focus on the validity and existence of the zero-rated sales and related purchases in accordance with the documents submitted by the taxpayer-claimant. However, the books of accounts and accounting records shall be verified by the assigned RO to establish that such sales and purchases are indeed reported in the books of accounts of the taxpayer-claimant. Failure to submit and/or present the requested documents within the prescribed time/period therein stated may result in the full or partial denial of the claim.

12. The processing offices shall utilize the sales and purchases data available in the Electronic Invoicing/Receipting and Sales Transmission System (EIS) through the EIS for ROs Portal in line with Section 237 and 237-A of the Tax Code, as amended, and as implemented by Revenue Regulations Nos. 8-2022 and 9-2022.

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13. Any findings that may result in a deficiency on internal revenue taxes, other than VAT, or may indicate a possible VAT assessment that need further documentation and clarification shall be referred to the Revenue District Office or Large Taxpayers Audit Division having jurisdiction over the taxpayer-claimant for further investigation.

14. A copy of the RO/s' memorandum report and documents pertaining to the findings shall be furnished to the concerned investigating office, which shall evaluate the report/findings referred to them and shall request for the issuance of an eLA, if the case warrants. However, if there is already an existing eLA covering the same period, the concerned investigating office shall also evaluate the findings and report of the processing office, and if they are accepted as valid, the concerned investigating office shall consolidate the findings referred to them with their findings and recommend the issuance of a Notice of Discrepancy/Preliminary Assessment Notice (PAN)/Final Assessment Notice (FAN) for the collection of the deficiency tax. Within fifteen (15) days from receipt of the referral, feedback on the action taken shall be properly communicated to the Assessment Service and the referring processing office.

15. The reports of verification from the processing offices shall be forwarded to the following offices for review prior to approval by the approving official:

    a. Tax Audit Review Division (TARD) for dockets from VCAD.
    b. Regional Assessment Division for dockets from VATAS and RDO.
    c. Office of the concerned Head Revenue Executive Assistant for Programs & Compliance Group of the LTS for dockets from LTVAU.

16. The following are the revenue officials authorized to approve/disapprove the claims for VAT refund/credit pursuant to Section 112 of the Tax Code, as amended:

Processing Office	**Amount of Claim**	**Approving Revenue Official**
VCAD	Not more than P50 million	Assistant Commissioner (ACIR) Assessment Service (AS)
	More than P50 million up to P150 million	Deputy Commissioner (DCIR) Operations Group (OG)
	More than P150 million	Commissioner (CIR)
Processing Office	**Amount of Claim**	**Approving Revenue Official**
LTVAU	Regardless of amount	ACIR – LTS
VATAS/RDO	Regardless of amount	Regional Director

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17. For VAT refund/credit claims anchored under Sections 204(C) and 229, the thresholds set under RMC No. 17-2018 shall be followed, to wit:

Amount of Claim	Approving Revenue Official
Not more than P10 million	Regional Director
More than P10 million up to P50 million	ACIR – AS
More than P50 million up to P150 million	DCIR - OG
More than P150 million	Commissioner (CIR)
Claims filed under the LTS	ACIR – LTS (regardless of the amount)

18. The result of the verification of the claim, whether approval or denial, shall be communicated to the taxpayer-claimant, which shall be signed by the authorized revenue official and shall be served by the originating processing office.

19. Manually issued TCCs shall be converted by the concerned office to the Tax Credit Refund System in the ITS until any subsequent development upon the absolute roll-out of IRIS.

20. Inasmuch as the original copies of supporting sales invoices or receipts for sales and purchases have been submitted as part of the mandatory requirements in the processing of VAT refund claims under Section 112 of the Tax Code, as amended, the entire tax docket of the claim 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.

21. 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.

II. PROCEDURES

1. Checklisting and Pre-Verification Procedures

    a. Before officially receiving the application, the assigned Revenue Officer (RO) in the processing office (VCAD/VATAS/LTVAU/RDO) shall:

        i. Check the completeness and propriety in the accomplishment of the application form for VAT Credit/ Refund (BIR Form No. 1914); and

        ii. Review the attached documents based on the applicable Checklist of Requirements to determine if these are complete with the required signatures and sworn statements.

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b. The RO shall ascertain that the name of the signatory appearing on the application form is that of the duly authorized person/representative as shown on the Special Power of Attorney or Secretary's Certificate, as the case may be.

c. The head of the processing office (VCAD/LTVAU/VATAS/RDO) shall issue a Tax Verification Notice (TVN) to authorize the verification of the application for VAT credit/refund.

d. The assigned RO shall furnish the taxpayer-claimant with the original copy of the TVN and require the acknowledgment receipt on the duplicate copy from his/its authorized representative.

e. The assigned ROs shall immediately secure/print copies of the following documents available at the records/database of the BIR:

Document to be Verified/Printed	Source/s of Data/Information
ATP/CAS/CRM/POS and Permit to use loose-leaf invoices/receipts/books of accounts	IRIS/RDO/LTS
Annual Income Tax Return (AITR) covering the period of claim	IRIS-RFP, eFPS, eBIR Forms
Audited Financial Statement for the year covered by the period of claim	eAFS if claimant submitted thru the facility
Latest quarterly VAT returns of the following: 1. Corresponding to the period of claim; and 2. Corresponding to the quarter showing the deduction of TCC/refund claim from the available input tax which must be filed on or before the date of application of the VAT refund	IRIS-RFP, eFPS, eBIR Forms
Approved application for VAT zero-rating issued by the appropriate BIR office, for effectively zero-rated sales under the CREATE Act that transpired upon the effectivity of RMC No. 24-2022 on March 9, 2022 up to the effectivity of RR No. 3-2023 on April 28, 2023	LTS for large taxpayers (LT), AITEID for non-LT
Endorsement from the respective Investment Promotion Agency (IPA) of the claimant's Registered Export Enterprise (RBE) customer that such REE is qualified for the incentives granted under the CREATE Act particularly VAT zero-rating on its local purchases of goods and services that are directly and exclusively used in its registered project or activity corresponding to the year of claim issued by the IPA	AITEID (LT and non-LT)
BIR Form 1600 in support of the input tax claimed on services rendered by non-residents	IRIS-RFP, eFPS, eBIR Forms

Only those tax returns filed on or before filing of the VAT refund claim or the issuance of a Letter of Authority, whichever comes first, shall be considered in the processing of the claim.

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2. Verification of Claims for VAT Refund Filed Under Section 112(A) of the Tax Code, as amended

   a. Section 112(A) of the Tax Code, as amended, provides that any VAT-registered person, whose sales are zero-rated or effectively zero-rated may, within two years after the close of the taxable quarter when the sales were made, apply for refund of creditable input tax due or paid attributable to such sales, except transitional input tax, to the extent that such input tax has not been applied against output tax. Accordingly, the assigned RO/s shall ascertain that the claim conforms with the following requisites for entitlement to VAT refund under Section 112(A) of the Tax Code, as amended:

      i. The taxpayer-claimant must be VAT-registered.
      ii. There must be zero-rated or effectively zero-rated sales.
      iii. Input taxes were incurred or paid.
      iv. Such input taxes were directly attributable to zero-rated sales or effectively zero-rated sales.
      v. The input VAT was not applied against any output VAT liability.
      vi. The claim for input VAT credit/refund was filed within the two-year prescriptive period.

   b. In order to establish the propriety of the claim, the assigned RO/s shall strictly comply with Annex "C.1" for the verification procedures for claims under Section 112(A) of the Tax Code, as amended.

   c. The heads of office shall ensure compliance of the time frame per Annex "G" for the review and submission of the report and complete docket of the claim to the approving office.

3. Verification of Claims for VAT Credit Filed Under Section 112(B) of the Tax Code, as amended

   a. 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 of 1997, as amended, may, within two (2) years from the date of cancellation, apply for the issuance of tax credit certificate for any unused input tax which may be used in payment of other internal revenue taxes.

   b. The date of cancellation being referred hereto is the date of issuance of tax clearance by the BIR, after full settlement of all tax liabilities relative to cessation of business or change of status of the concerned taxpayer.

   c. Filing of the claim shall be made only after completion of the mandatory audit of all internal revenue tax liabilities covering the immediately preceding year and the short period return and the issuance of the applicable tax clearance/s by

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the appropriate BIR Office that has jurisdiction over the taxpayer. This will be the reckoning date of the two-year period prescribed under Section 112(B) of the Tax Code, as amended.

d. Despite the closure or cessation of the business, the taxpayer-claimant must ensure cooperation 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.

e. In order to establish the propriety of the claim, the assigned RO/s shall strictly comply with Annex "C.2" for the verification procedures for claims under Section 112(B) of the Tax Code, as amended.

f. The heads of office shall ensure compliance of the time frame per Annex "G" for the review and submission of the report and complete docket of the claim to the approving office.

4. Verification of Claims for VAT Credit/Refund Filed Under Sections 204(C) and 229 of the Tax Code, as amended, for the Recovery of Input Tax Erroneously or Illegally Collected

   a. To differentiate from input tax credit or tax refund claim under Section 112 of the Tax Code, as amended, both the administrative claim and judicial claim for refund under Sections 204(C) and 229 of the Tax Code must be made within two years from the date of the erroneous payment of VAT.

   b. In any case, no such suit or proceeding shall be filed after the expiration of two (2) years from the date of payment of the tax or penalty regardless of any supervening cause that may arise after payment.

   c. In order to establish the propriety of the claim, the assigned RO/s shall strictly comply with Annex C.3 for the verification procedures for claims under Section 112(C) of the Tax Code, as amended.

5. The RO shall prepare a memorandum report recommending the approval or denial of the claim for VAT credit/refund for review and preliminary approval of the Group Supervisor (GS) and head of the processing office.

6. Review of Reports and Dockets

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a. The RO-reviewer shall conduct a review of the endorsed docket of the claim, which is recommended for approval/disapproval based on the representations of the documents attached to the docket that were verified by the processing office. Checking of the related supporting documents (e.g., sales invoices/official receipts for purchases and sales including export documents and import documents) shall be done on sample basis only due to limited time allotted for review depending on the degree of confidence that may be given on the result of evaluation and verification conducted by the processing offices.

b. The RO-reviewer, GS and head of the reviewing office shall ensure the correctness of the legal basis of the claim, the propriety of the recommendation, whether for approval or denial/disapproval, correctness of the amount recommended for approval, if any, and the completeness of the documents, schedules and working papers endorsed by the processing office.

c. The RO-reviewer shall prepare the memorandum report containing the recommendation based on the result of review addressed to the concerned approving officer.

7. Approval of the Report

a. The approving official identified in Item I.15 of this Order shall prioritize the final review of the docket and memorandum report recommending approval or denial of the claim.

b. The approving official shall ascertain the correctness of the legal basis of the claim, the propriety of the recommendation, whether for approval or disapproval, and correctness of the amount recommended for approval, if any.

c. Upon approval of the report, the approving official shall transmit the docket of the claim to the concerned office for preparation of the TCC/Disbursement Voucher (DV) or denial letter, whichever is applicable.

For TCC	– to the processing office, if threshold is within the authority of the Regional Director, or to TARD, if the threshold is within the authority of the National Office
For VAT refund	– reviewing/processing office
For denial letter	– processing office

d. The approving official shall sign the TCC/DV and Budget Utilization Request and Status (BURS) for approved claims, or denial letter based on an approved report recommending denial of the claim.

8. Processing and Issuance of TCC/Refund Check

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a. For claims approved where the application is a TCC, the RO of the processing office shall prepare the TCC. The RO, GS and head of office shall affix their initials on the copies of the TCC other than the original and forward the TCC with the docket to the authorized approving official for signature.

If the taxpayer has a tax liability and the approved claim will suffice to settle the liability, the RO shall prepare two (2) TCCs. One (1) TCC with a notation that the same shall be used to pay the VAT liability as computed by the ARMD/LTCED/Collection Division of the regional office, and another TCC for the balance after deducting the amount of the VAT liability.

b. For approved VAT refund claims from the following processing offices, the DV and BURS shall be prepared as follows:

Processing Office	Office to Prepare
VCAD	TARD
LTVAU	LTVAU
VATAS/RDO	Regional Assessment Division

c. The approving official shall sign the DV and BURS, and transmit the complete docket with the approved report to the Finance Service in the National Office/Finance Division in the Regional Office.

d. The Accounting Division and Finance Service/Finance Division and Office of the Assistant Regional Director shall process and approve the Disbursement Voucher for payment of the claim based on the approved report and contents of the docket in accordance with existing rules and regulations within the prescribed time frame in Annex "G".

e. The Administrative Service in the National Office/Administrative and Human Resource Division in the Regional Office shall prepare and issue the refund check based on the approved voucher in accordance with existing rules and regulations.

9. Transmittal of Docket of Approved Claim on Importation

a. The processing offices shall send an advance confirmation at tccsecretariat@customs.gov.ph before the transmittal of the approved claims to the Bureau of Customs (BOC), indicating the following details:

Name of Taxpayer	Tax Type	Period Covered	Amount Approved	Approving Official

b. The endorsement of the docket to the BOC shall be signed by the approving official identified in Item I.15 of this Order, except for the approved claims

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on importation processed by the LTVAU, which shall be endorsed by the Commissioner.

c. Upon receipt of the acknowledgment and authentication from the Tax Credit Committee of the BOC regarding the abovementioned email, the RO who processed the claim or any BIR personnel authorized by the head of the processing office shall hand carry and submit the entire docket of the approved claim to the Receiving Unit of the BOC Commissioner.

10. Transmittal of dockets for approved claims, including the original copies of sales invoices and receipts for sales and purchases submitted by the taxpayer-claimant together with the paid disbursement vouchers to COA shall be done by the Accounting Division in the National Office/Finance Division in the Regional Office.

III. REPORTING

Pursuant to Section 6 of Joint Circular (JC) No. 001-2018 of the Department of Finance (DOF), Department of Budget and Management (DBM), Bureau of Treasury (BTr), Bureau of Customs (BOC) and Commission on Audit (COA), the BIR shall submit to the BTr, DBM and DOF a monthly report of actual VAT claims and disbursements/utilizations on or before the 8th day of the ensuing month.

In view thereof, Tax Credit/Refund (TCR) reports shall be submitted to the Assessment Service, Attention: Chief, Assessment Programs Division not later than the 3rd day of each month, to wit:

1. From the processing offices – Monthly Report on Claims for Tax Credit/Refund Filed (Annex "L") and Monthly Report on Tax Credit/Refund Processed (Annex "M")

2. From the reviewing offices – Monthly Report on Claims for Tax Credit/Refund Reviewed and Acted Upon (Annex "N")

3. From the approving offices - Monthly Report on Claims for Tax Credit/Refund Approved and Granted (Annex "O")

To facilitate the preparation and submission of the required report under JC No. 1-2018, the following shall be observed and complied with:

1. The duly signed TCR reports by the authorized officials, together with all copies attached to the report in Microsoft Excel, shall be scanned and emailed to apd@bir.gov.ph.

2. In case of issuance of the refund check or TCC beyond the 90-day period mandated under Section 112(C) of the Tax Code, as amended, and implemented by RR No. 13-2018, as amended by RR No. 26-2018, the detailed reason for the

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delay shall be indicated on the Monthly Report on Claims for Tax Credit/ Refund Approved and Granted.

IV. REPEALING CLAUSE

This supersedes RMO No. 47-2020 and all other revenue issuances or portions thereof that are inconsistent herewith are hereby amended, modified or revoked accordingly.

V. EFFECTIVITY

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

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue
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