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

December 5, 2014

REVENUE MEMORANDUM ORDER NO. 38 – 2014

SUBJECT : Prescribing the Uniform Policies and Guidelines on the Implementation of Cash Disbursements for Tax Refunds Thru the Trust Receipts Fund

TO : All Internal Revenue Officials, Employees and Others Concerned

---

I. OBJECTIVES

This Revenue Memorandum Order (RMO) is hereby issued in order to:

1. Prescribe the uniform policies and guidelines on the implementation of cash disbursements that are intended for the settlement of the following claims, thru the trust receipts fund, pursuant to the special provisions of tax refund prescribed under the General Appropriations Act, namely:

    a. Refund of excess or erroneous collection of Value-Added Tax (VAT) and other internal revenue taxes in accordance with Section 229 of Republic Act (R.A.) No. 8424;

    b. Payment of cash conversion of valid and unexpired Tax Credit Certificates (TCCs) in accordance with Section 204 (C) of R.A. No. 8424;

    c. Refund of input taxes attributable to zero-rated or effectively zero-rated transactions under Section 112 of R.A. No. 8424; and

    d. Payment for the monetization of VAT TCCs as part of the TCC Monetization Program, in accordance with pertinent Executive Orders and implementing guidelines.

2. Facilitate the processing and issuance of checks that are due to the concerned taxpayer-claimants equivalent to the amount of their claim for tax refund, net of any outstanding tax liabilities;

3. Ensure that all payments for cash refunds are deducted from the revenue collections of all concerned revenue offices; and that all the outstanding delinquent tax liabilities of all concerned taxpayers are deducted from their respective claim for tax refund and the same are recognized as revenue collection by all concerned revenue offices;

4. Define the duties and responsibilities of all concerned offices in the implementation of cash disbursements for tax refunds thru the trust receipts fund; and

5. Provide the reportorial requirements for the effective control and monitoring of the amounts transferred from the General Fund to the Trust Receipt account of the BIR, amounts of delinquents accounts deducted from claims for tax refunds, and the corresponding revenue collections recognized therefrom.

II. GUIDELINES AND POLICIES

1. All claims for tax refund covered by this Order shall be sourced from the Trust Receipt Account of this Bureau created for the purpose. Accordingly, the Revenue Accounting Division (RAD) shall request from the Bureau of the Treasury (BTr) the transfer from the General Fund to the Trust Receipt Account of this Bureau upon receipt of the amount of claims for tax refund from the Accounting Division;

2. All outstanding delinquent tax liabilities shall be fully settled by the concerned taxpayer before the approval of the said taxpayer's claim for tax refund. However, outstanding delinquent tax liabilities of the concerned taxpayers whose claims for tax refund are already pending before the concerned revenue offices, including the regional Finance Divisions (FDs), responsible for the processing for payment thereof shall first be determined and deducted, if any, from the said claim, before the processing of the same shall proceed;

3. All payments on claims for tax refund, net of outstanding delinquent tax liabilities, if any, shall be deducted from the revenue collections of all concerned revenue offices having jurisdiction over the taxpayer-claimants for the current year according to the specific tax type;

4. The outstanding delinquent tax liabilities that are deducted from the claims for tax refund of the concerned taxpayers shall be recognized as revenue collection in favor of the revenue offices having jurisdiction over the taxpayer-claimants;

5. Each and every claim for tax refund that were approved by the concerned revenue offices, after the conduct of necessary audit and/or verification, as the case may be, shall be processed, approved and the corresponding check released within seventy five (75) days reckoned in accordance with the following:

    a. For Notices of Payment Schedule (NPS) – from date of receipt of the request for redemption by the Finance Service from the valid NPS holder;

    b. For request for TCC cash conversion – from the date of receipt of the request by the Miscellaneous Operations Monitoring Division from the valid TCC holder; and

    c. For claims for tax refund other than the NPS or TCC cash conversion – from the date of receipt of the complete documents by the Finance Service or regional FDs, as the case may be, from the concerned recommending revenue offices.

6. The Disbursement Vouchers on claims for tax refund shall be prepared by the following revenue offices, in accordance with the following:

   a. On requests for VAT monetization, TCC cash conversion and tax refunds filed by taxpayers falling under the jurisdiction of the Large Taxpayers Service (LTS) and VAT Credit Audit Division – by the concerned processing division in the National Office;

   b. On requests for tax refund, regardless of amount, filed by taxpayers falling under the jurisdiction of regional offices – by the concerned revenue offices under the Regional Office; and

   c. On legal decisions which are final and executory falling under the jurisdiction of the appropriate courts and Appellate Division – by Appellate Division.

7. The pertinent provisions of Joint Circular No. 1-97 dated January 2, 1997 jointly issued by the Commission on Audit (COA), Department of Budget and Management (DBM) and Department of Finance (DOF) on the requirement for the creation and maintenance of trust receipt account, including the Bureau's implementing rules and procedures thereto, shall be strictly observed by the concerned revenue offices; and

8. The provisions on the issuance of certifications on the existence of outstanding tax liabilities of taxpayer-claimants prescribed under RMO No. 29-2014 and Revenue Memorandum Circular No. 70-2014 shall be strictly observed by all concerned requesting and issuing revenue offices of the said certification.

III. PROCEDURES

A. FOR PROCESSING OF PAYMENT ON CLAIMS FOR TAX REFUND FALLING UNDER THE JURISDICTION OF THE NATIONAL OFFICE

1. The **Finance Service (FS)** shall:

   a. Receive from LTS, Operations Group and Legal Group the DV on the claim for tax refund, together with the supporting documents, and transmit the same to AD;

   b. Receive from AD the certified DV on the claim for tax refund, together with supporting documents;

   c. Review and approve for payment the certified DV. In case of findings or discrepancies, return the DV and docket to AD for appropriate action; and

   d. Transmit the approved DV to the General Service Division (GSD) for the preparation of the check.

2. The **Accounting Division (AD)** shall:

   a. Receive the Disbursement Vouchers (DVs) from the Finance Service, together with the supporting documents, on the claims for tax refund of the taxpayer;

   b. Record the amount of claim for refund in accordance with the entries prescribed by COA;

   c. Prepare and transmit to the Revenue Accounting Division (RAD) the List of Tax Refund Payables (Annex "A") containing the names of the claimants, amounts to be refunded, types of taxes and the respective periods covered;

   d. Receive from RAD the BIR Journal Entry Voucher (JEV), together with copies of the Certificate on Fund Transfer from the General Fund to the Trust Receipt account of the BIR and the corresponding JEV issued by the Bureau of the Treasury (BTr);

   e. File a request for the issuance of Notice of Cash Allocation (NCA) with DBM, together with the following supporting documents, within five (5) days from receipt of the BIR JEV and attachments:

      i. Certification of Fund Transfer and the corresponding JEV duly issued by BTr
      ii. List of Due and Demandable Accounts Payable

   f. Receive the NCA from DBM;

   g. Request for an updated Certification of Outstanding Tax Liability (OTL) and/or Certification on Status of Pending Legal Case of the taxpayer-claimants from all the concerned revenue offices (i.e., concerned RDOs, regional Collection and Legal Divisions, concerned LTS Offices and Accounts Receivable Monitoring Division) upon receipt of the NCA;

   h. Process the tax refund claims in accordance with the existing accounting and auditing rules and regulations. In case of findings or discrepancies, return the DV and docket of the claim for tax refund to the concerned revenue office for the immediate resolution thereof;

   i. Certify the DV as to cash availability and completeness of the supporting documents by accomplishing "Box A" of the DV;

   j. Transmit the DV, together with the entire docket of the claim for tax refund, to the Assistant Commissioner, Finance Service for its review and approval; and

   k. Receive the entire docket of the claim for tax refund from the General Services Division (GSD) upon which the duly approved check thereof has been released to the taxpayer-claimant;

l. Record in the Regular Agency (RA) books the amount of the check representing the claim for tax refund that has been released to the taxpayer-claimant;

m. Furnish RAD the copies of the following documents:

   i. Copies of the approved DVs whose check has been released to the taxpayer-claimants and;

   ii. Updated Certifications of Outstanding Tax Liability and/or Certification on Status of Pending Legal Case of the taxpayer-claimants.

n. Transmit the entire docket of the claim for tax refund to the Resident Auditor of COA for the review and appropriate action thereon; and

o. Prepare and submit to DBM the prescribed Report of Disbursements and the Financial Performance Report within thirty (30) days after the end of each month.

3. The **Revenue Accounting Division (RAD)** shall:

   a. Receive from AD the List of Tax Refund Payables;

   b. Request from BTr (Annex "B") for a Certificate on Fund Transfer from the General Fund to the Trust Receipt account of the BIR and the corresponding JEV within two (2) working days from receipt of the List of Tax Refund Payables from AD;

   c. Receive the Certificate and the JEV from BTr;

   d. Record in the National Government (NG) books the amounts of tax refund transferred from the General Fund to the Trust Receipt account as a deduction from the BIR's collections for the current period/year, in accordance with the entries prescribed by COA;

   e. Furnish AD with copies of the BIR JEV, together with the Certificate and the JEV issued by BTr;

   f. Notify in writing (Annex "C") the concerned revenue offices of the amount of claims for tax refund recorded in the BIR's Trust Receipt account as reduction in their current period's/year's revenue collections;

   g. Receive from AD the following documents:

      i. Copies of the approved DVs whose check has been released to the taxpayer-claimant and;

      ii. Updated Certifications of Outstanding Tax Liability and/or Certification on Status of Pending Legal Case of the taxpayer-claimants.

h. Issue a written advice to BTr, copy furnished DBM, to record the collection of delinquent accounts deducted from the claim for tax refund, thru the reversion of the said amount from the BIR Trust Receipt account to the General Fund and to recognize the said reversion as BIR collection for the current period under the direct crediting facility of the BTr, upon receipt of the copies of DVs and Updated OTLs from AD;

i. Record in the NG books the collections from the tax liabilities of the delinquent taxpayers deducted from the claims from tax refund upon receipt of JEV from BTr;

j. Notify in writing (See Annex "D") all concerned taxpayer-claimants that their delinquent accounts were deducted from their claims for tax refunds;

k. Notify in writing all concerned revenue offices the collection of delinquent accounts, thru BTr's direct crediting facility, for purposes of recording thereof in their respective monthly collection reports and the updating of their respective General Control Ledgers (GCLs); and

l. Prepare and submit to ACIR, Collection Service, the following reports not later than the tenth (10th) day of the following month:

   i. Tax Refund Payables Transferred from the General Fund to the BIR's Trust Receipt Account (Annex "E"); and

   ii. Outstanding Tax Liabilities Offset/Deducted from Claims for Tax Refund of Delinquent Taxpayers (Annex "F").

4. The **General Services Division (GSD)** shall:

   a. Receive the approved DV from FS;

   b. Prepare and sign the check containing the amount of approved/granted tax refund granted to the taxpayer-claimant and the Advice of Checks Issued and Cancelled (ACIC);

   c. Transmit the check to the Administrative Service, together with the approved DV and entire docket of the claim for tax refund for counter signature of the Assistant Commissioner;

   d. Release the duly signed check to the taxpayer-claimant, in accordance with the requirements prescribed under existing rules and procedures; and

   e. Forward to AD the entire docket of the claim for tax refund, after release of the check to the taxpayer-claimant.

5. The **Administrative Service** shall:

   a. Receive from the GSD the signed check, together with the duly approved DV and entire docket of the claim for tax refund; and

   b. Countersign the check and return to GSD the countersigned check, together with the duly approved DV and the entire docket of the claim for tax refund.

B. FOR PROCESSING OF PAYMENT ON CLAIMS FOR TAX REFUNDS FALLING UNDER THE JURISDICTION OF THE REGIONAL OFFICES

1. The **Assessment Service** shall:

   a. Prepare the List of Tax Refund Payables *(the same format as Annex "A")* and Authority to Issue Tax Refund for attachment to the approved claim for tax refund and subsequent transmittal to the Finance Service, for the processing and issuance of NFT;

   b. Receive from AD the copy of the NFT duly approved by the ACIR, Finance Service;

   c. Attach the copy of the approved NFT and supporting documents to the entire docket of the approved claim for tax refund of the concerned taxpayer; and

   d. Transmit to the concerned Regional Office the entire docket bearing the approved claim for tax refund of the concerned taxpayer, together with the copy of approved NFT.

2. The **Finance Service (FS)** shall:

   a. Receive from the Office of the Regional Director the request for notice of fund transfer, together with the List of Tax Refund Payables, and transmit the same to AD;

   b. Receive from AD the NTCA and NFT, together with the supporting documents;

   c. Review and approve the NTCA and NFT; and

   d. Return to AD the approved NTCA and NFT, together with the supporting documents, for subsequent transmittal to GSB, in case of the approved NTCA, and to the concerned regional office, in case of the approved NFT.

3. The **Accounting Division (AD)** shall:

   a. Receive from FS the request for notice of fund transfer, together with the supporting documents, on the claim for tax refund of the concerned taxpayer;

b. Perform the procedures enumerated in Item III.A.1.c to f of this Order;

c. Prepare the Notice of Transfer of Cash Allocation (NTCA) as well as the Notice of Fund Transfer (NFT), upon receipt of the NCA from DBM, and transmit them, together with the supporting documents, to the Finance Service for review and approval;

d. Receive from the Finance Service the approved NTCA and NFT, together with the supporting documents;

e. Transmit the approved NTCA to the duly authorized government servicing bank (GSB) for the subsequent transfer of cash allocation to the GSBs of the concerned Regional Offices, while the approved NFT shall be transmitted to the concerned Offices of the Regional Director. A copy of the NFT, together with the supporting documents, shall be transmitted to the Assessment Service (AS); and

f. Receive the copy of Report of Disbursements from all concerned regional FDs and include the same in the preparation of and submission to DBM the prescribed Financial Performance Report.

4. The **Revenue Accounting Division (RAD)** shall:

a. Receive from the concerned regional FDs the list of taxpayers whose claims for tax refunds were deducted with outstanding delinquent tax liabilities; and

b. Perform the same procedures enumerated in III.A.2 of this Order

5. The **Office of the Regional Director** shall:

On claims for tax refund amounting to P1M or below:

a. Transmit to FD the entire docket bearing the approved claim for tax refund, together with the DV and supporting documents;

b. Receive from FD the List of Tax Refund Payables *(the same format as Annex "A")*, together with the request for notice of fund transfer for the necessary funding of the claim for tax refund of the taxpayer-claimants;

c. Approve the request for notice of fund transfer and transmit the same, together with the List of Tax Refund Payables, to the Finance Service;

d. Receive from AD the approved NFT and transmit the same to FD for the processing of payment of claims for tax refund of the taxpayers;

e. Receive from FD the list of taxpayers whose claims for tax refunds were deducted with outstanding delinquent tax liabilities therefrom (Annex "G"); and

f. Review and approve the said list and subsequently transmit the same to the Collection Service, Attention: The Chief, RAD, at the National Office.

On claims for tax refund amounting to more than P1M:

a. Receive the following documents and transmit the same to FD for the processing of payment of the claim for tax refund:

From AS:

i. Entire docket bearing the approved claim for tax refund, together with the supporting documents;

ii. Authority to Issue Tax Refund in favor of the taxpayer-claimants; and

iii. Copy of the NFT duly approved by the ACIR, Finance Service.

From AD - Original copy of NFT duly approved by the ACIR, Finance Service

e. Receive, review and approve, in accordance with the existing revenues rules and procedures, the DV and the corresponding check on the approved claim for tax refund of the taxpayer and transmit the same to FD for appropriate action;

b. Receive from FD the list of taxpayers whose claims for tax refunds were deducted with outstanding delinquent tax liabilities therefrom (Annex "G"); and

c. Review and approve the said list and subsequently transmit the same to the Collection Service, Attention: The Chief, RAD, at the National Office.

6. The **Finance Division (FD) of the Concerned Regional Office** shall:

For claims for tax refund amounting to P1M or below:

a. Receive from the Office of the Regional Director the entire docket bearing the approved claim for tax refund, together with the DV and supporting documents;

b. Prepare the List of Tax Refund Payables *(the same format as Annex "A")*, together with the request for notice of fund transfer for the necessary funding of the claim for tax refund of the taxpayer-claimants and transmit the same, together with the appropriate supporting documents thereon, to the Office of the Regional Director for approval and subsequent transmittal to the Finance Service;

c. Receive from the Office of the Regional Director the NFT duly approved by the ACIR, Finance Service;

d. Request for an updated Certification of Outstanding Tax Liability and/or Certification on Status of Pending Legal Case of the taxpayer-claimants from the concerned Revenue District Offices (RDOs), Collection and Legal Divisions under the jurisdiction of the concerned regional office, as well as from the Accounts Receivable Monitoring Division (ARMD) in the National Office;

e. Deduct the outstanding delinquent tax liability, if any, from the amount of claim for tax refund of the taxpayer;

f. Perform all the necessary procedures for the processing of payment of claims for tax refund pursuant to existing revenue rules and procedures; and

g. Prepare a list of taxpayers whose claims for tax refunds were deducted with outstanding delinquent tax liabilities therefrom (Annex "G") and submit the same, for approval, to the Office of the Regional Director and subsequent transmittal to the Collection Service, Attention: The Chief, RAD.

For claims for tax refund amounting to more than P1M:

a. Receive from the Office of the Regional Director the following documents:

   i. Entire docket bearing the approved claim for tax refund, together with the supporting documents;

   ii. Authority to Issue Tax Refund in favor of the taxpayer-claimants; and

   iii. Copies of the NFT, including the original copy thereof, duly approved by the ACIR, Finance Service.

b. Request for an updated Certification of Outstanding Tax Liability and/or Certification on Status of Pending Legal Case of the taxpayer-claimants from the concerned RDOs, Collection and Legal Divisions under the jurisdiction of the concerned regional office, as well as from the ARMD in the National Office;

c. Deduct the outstanding delinquent tax liability, if any, from the amount of claim of tax refund of the taxpayer;

d. Perform all the necessary procedures for the processing of payment of claims for tax refund pursuant to existing revenue rules and procedures; and

e. Prepare a list of taxpayers whose claims for tax refunds were deducted with outstanding delinquent tax liabilities therefrom and submit the same, for approval,

to the Office of the Regional Director and subsequent transmittal to the Collection Service, Attention: The Chief, RAD.

IV. REPEALING CLAUSE

All revenue issuances or portions thereof which are inconsistent herewith are hereby repealed, modified or amended accordingly.

V. EFFECTIVITY

This Order shall take effect immediately.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

J-5