

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

November 24, 2020

REVENUE MEMORANDUM ORDER NO. 47-2020

SUBJECT : Consolidated and Updated Guidelines and Procedures on the Processing of Claims for Value-Added Tax Credit/ Refund Except Those Under the Authority and Jurisdiction of the Legal Group

TO : All Internal Revenue Officials, Employees and Others Concerned

I. OBJECTIVES

1. To consolidate and amend existing revenue issuances on the processing of VAT credit/refund claims filed under Sections 112 and 229 of the National Internal Revenue Code of 1997 (Tax Code), as amended;
2. To provide uniform standard policies and procedures in the processing of applications for VAT credit/refund from the time of the filing of the application up to payment;
3. To define the duties and responsibilities of different offices, revenue officers and officials, as well as other personnel, in the different stages of processing;
4. To effectively facilitate and expedite the processing of claims, and grant the allowable claims within the prescribed time as required by law and existing regulations; and
5. To streamline prescribed documentary requirements and reports for VAT credit/refund processing.

II. 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 VAT Credit/Refund Claims" (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 and whose claims are anchored under Section 112 (A) of the Tax Code of 1997, as amended, with the exception of the 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 of 1997, as amended;

- b. The Revenue District Office (RDO)/Large Taxpayers Audit Division (LTAD) under the Large Taxpayers Service (LTS) where the taxpayer is registered having jurisdiction over the taxpayer-claimant shall receive claims of taxpayers engaged in other VAT zero-rated taxpayers, other than direct exporters, such as 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, and in Section II(2)(a) of this Order.
 - c. The RDO/LTAD having jurisdiction over the taxpayer-claimant shall receive claims of taxpayers whose VAT registration has been cancelled and those claims for recovery of erroneously or illegally assessed or collected VAT pursuant to Sections 112 (B) and 229, respectively, of the Tax Code, as amended.
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, and which are filed within the prescribed period, shall be received by the authorized processing office.
 4. One of the documentary requirements is the Delinquency Verification Certificate (DVC) prescribed in Revenue Memorandum Circular No. 64-2019 (Annex "B") showing that the taxpayer has no outstanding (final and executory) tax liabilities as defined under Section II (1) of Revenue Memorandum Order No. 11-2014. Hence, the application shall not be accepted if such tax liabilities appear on the DVC, except for outstanding VAT liability which may be deducted from the approved BIR portion of the claim.

Applications where the DVC shows delinquent accounts other than VAT shall not be received. The claimant has to settle first the tax liabilities so that a DVC with no tax liabilities can be issued by the concerned DVC-issuing office. If the delinquent accounts pertain to VAT liability and the amount is lower than the amount of claim on local purchases, the application shall be accepted.

For claims where the outstanding VAT liability has been deducted from the claim, the processing office shall prepare a list of taxpayers whose claims for tax refunds were deducted with outstanding delinquent tax liabilities therefrom and furnish the same to the Revenue Accounting Division (RAD) for claims filed in the BIR National Office or Finance Division for claims filed in the Regional Offices together with the copy of the approved report.

Even if the outstanding liability is VAT but the claim is purely from importations or the claim includes input VAT on importations, and the BIR portion thereof is not enough to cover payment for the VAT liability, the application shall not be accepted unless there is proof that the liability has been paid in full by the taxpayer.

5. 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 Section 229 of the Tax Code, as amended. The TVNs shall still be manually issued until such time that the Tax Verification Notice Monitoring System (TVNMS)/Case Management System (CMS) are fully operational. The received application shall be

encoded in the Tax Credit Refund module under the Internal Revenue Integrated System (IRIS) once the said system is deployed to concerned BIR offices.

6. 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 start of the 90-day period is from the actual filing of the application with complete documents duly received by the processing office.
7. The claims shall be processed based on submitted documents for verification by the assigned Revenue Officer (RO)/Group Supervisor (GS). 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. However, the books of accounts and accounting records that may have relevance to the claim of the taxpayer may be examined and verified upon request of the assigned RO.
8. 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 the VCAD
 - b. Regional Assessment Division for dockets from the RDO
 - c. Office of the concerned Head Revenue Executive Assistant of the LTS for dockets from the LTAD
9. The following are the revenue officials authorized to approve/disapprove the claims:

<u>Processing Office</u>	<u>Amount of Claim</u>	<u>Approving Revenue Official</u>
VCAD	Not more than P 50 million	Assistant Commissioner (ACIR) Assessment Service (AS)
	More than P 50 million up to P 150 million	Deputy Commissioner (DCIR) – Operations Group (OG)
	More than P 150 million	Commissioner (CIR)
LTAD under the LTS	Regardless of amount	ACIR – LTS
RDO	Regardless of amount	Regional Director

10. 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 sent by the originating processing office.
11. 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 roll-out of the Internal Revenue Integrated System (IRIS).

III. PROCEDURES

A. Checklisting

1. Before officially receiving the application, the assigned Revenue Officer (RO) in the processing office (VCAD/RDO/LTAD) shall:
 - a. Check the completeness and propriety in the accomplishment of the application form for VAT Credit/ Refund (BIR Form No. 1914);
 - b. Review the attached documents based on the applicable Checklist of Requirements to determine if they are complete with the required signatures and sworn statements;
 - c. Ensure that the claim is being filed within the prescribed period. The time of filing the claim shall be verified, to wit:
 - i. For claims filed under Section 112(A) of the Tax Code, as amended, within two years after the close of the taxable quarter when the sales were made;
 - ii. For claims filed under Section 112 (B), within two years from the date of cancellation of VAT registration, which is from the date of the issuance of the BIR tax clearance; and
 - iii. For claims filed under Section 229, within two years from the payment of the tax.
 - d. Verify any outstanding tax liability from the submitted DVC; and
 - e. Determine from the submitted "*Taxpayer's Attestations*" (Annex A.1.1) or from the Electronic Letter of Authority Monitoring System (eLAMS) if there is an eLA issued to the taxpayer for the audit of VAT liability or all internal revenue tax liabilities covering the same taxable year/period of claim.
 2. The RO shall ascertain that the name of the signatory appearing on the application form is that of the duly authorized person/representative on the Special Power of Attorney or Secretary's Certificate, as the case may be.
- B. Verification of Claims Filed Under Section 112(A) of the Tax Code, as Amended
1. The head of the processing office (VCAD/RDO/LTAD) shall issue a Tax Verification Notice (TVN) to authorize the verification of the application of VAT credit/refund.
 2. The assigned Revenue Officer/s shall:
 - a. Furnish the taxpayer-claimant with the original copy of the TVN and require the acknowledgment receipt on the duplicate copy from his/its responsible officer or staff.
 - b. Familiarize with the business of the taxpayer and determine the economic activity in which he/it is engaged in, whether sale of goods, properties, services and other lines of business aside from the principal undertaking, based on the VAT returns, financial statements and other sources within the Bureau and through on-line facilities.

- c. Establish the existence and legitimacy of the business of the taxpayer-claimant; i.e., he/it is not a mere conduit or agent to claim input taxes for another, by conducting ocular inspection of the taxpayer's premises, such as production plant, sales outlets and/or storage facilities, when necessary.
- d. Ascertain the legal basis of the claim.
- e. Verify from the Bureau's information system or offices concerned the following:
 - Number of branches and facilities with corresponding locations
 - Tax types duly registered for the branches and facilities
 - Registered books of accounts for the principal office and branches
 - The issued Authority to Print (ATP) for accountable forms required for principal registration, such as sales invoices and official receipts and for secondary registration, acknowledgment receipts and delivery receipts, etc.
 - Permit to use loose-leaf invoices/receipts/books of accounts
 - Approved Computerized Accounting System (CAS) and Computerized Books of Accounts (CBA) or components thereof
 - VAT returns and Income Tax Returns data from BIR Integrated Tax System (ITS)/Internal Revenue Integrated System (IRIS) or from the Electronic Filing and Payment System (eFPS) for eFPS filers. In case the said returns could not be verified from the system, the processing office should secure a certification from the RDO or LTAD concerned as to the authenticity and accuracy of the data appearing in the copy/ies submitted by the taxpayer-claimant.
 - For indirect export sales or zero-rated sales other than those emanating from direct exports, the indorsement of investment promotion agencies (IPAs) to the Bureau of the exemptions/incentives granted during the period covered by the claim to the registered business enterprise (RBE) claiming such incentive shall be verified from the Audit Information Tax Exemption and Incentives Division (AITEID). In cases where records of the BIR do not show that the respective IPA has not yet endorsed the RBE, the processing office may verify from the IPA whether such RBE is qualified for certain tax incentives particularly VAT zero-rating.
 - All other relevant information available in the BIR records.

In cases where the authenticity of the document can be verified electronically or online [e.g., through "quick-response" (QR) codes], the assigned evaluator shall attach to the docket, a printout of the screenshot of the result of the verification from the facility hosting the electronic/online system with the duly-signed notation that the same has been verified through the said system.

- f. Study the accounting methods and peculiarities in the industry group where the taxpayer belongs.
- g. Analyze the financial statements and notes to financial statements to determine the accounting method of sales and income recognition,

8. The head of office shall ensure compliance of the time frame per Annex “F” for the verification, processing and submission of the report and complete docket of the claim to the reviewing office.
 9. In addition to the documents submitted by the taxpayer-claimant, the RO shall prepare, attach and submit, together with the abovementioned memorandum, which shall form part of the docket of the claim, the following:
 - a. Documents Required for the VAT Credit/Refund Claim Docket (Annex “G.1”)
 - b. Authority to Issue VAT Refund/Tax Credit Certificate (Annex “H”)
 - c. VAT Credit/Refund Notice on Local Purchases (Annex “I.1”) or VAT Credit/Refund Notice on Local Purchases and Importations (Annex “I.2”), whichever is applicable
 - d. VAT Credit/Refund Covering Sheet (Annex “J.1”/”J.2”/”J.3”)
- C. Verification of Claims Filed Under Section 112(B) of the Tax Code, as Amended
1. The head of the processing office (RDO/LTAD) shall issue a Tax Verification Notice (TVN) to authorize the verification of the application of VAT credit/refund.
 2. The assigned Revenue Officer/s shall:
 - a. Furnish the taxpayer-claimant with the original copy of the TVN and require the acknowledgment receipt on the duplicate copy from his/its responsible officer or staff.
 - b. Familiarize with the business of the taxpayer and determine the economic activity in which he/it is engaged in, whether sale of goods, properties, services and other lines of business aside from the principal undertaking, based on the VAT returns, financial statements and other sources within the Bureau and through on-line facilities.
 - c. Establish the existence and legitimacy of the business of the taxpayer-claimant; i.e., he/it is not a mere conduit or agent to claim input taxes for another, by conducting ocular inspection of the taxpayer’s premises, such as production plant, sales outlets and/or storage facilities, when necessary.
 - d. Ascertain the legal basis of the claim.
 - e. Verify from the Bureau’s information system the following:
 - Number of branches and facilities with corresponding locations
 - Tax types duly registered for the branches and facilities
 - Registered books of accounts for the principal office and branches
 - The issued Authority to Print (ATP) for accountable forms required for principal registration such as sales invoices and official receipts, and for

secondary registration, acknowledgment receipts and delivery receipts, etc.

- Permit to use loose-leaf invoices/receipts/books of accounts
 - Approved Computerized Accounting System (CAS) and Computerized Books of Accounts (CBA) or components thereof
- f. Study the accounting methods and peculiarities in the industry group where the taxpayer belongs.
- g. Analyze the financial statements and notes to financial statements to determine the accounting method of sales and income recognition, accounting period, input tax existence in the asset account, sources of input taxes, related-party transactions and other relevant information.
- h. Conduct interview, where necessary, with responsible and authorized finance, accounting, sales and other personnel to further familiarize with business operations related to sales and purchases, as well as other activities that may relate to the claim.
- i. Request for books of accounts and other relevant accounting records, as necessary, to determine recording of the claim and reconcile findings and discrepancies noted.
- j. Perform verification procedures for sales of goods in Annex “C.2”.
- k. Perform applicable verification procedures for sales of services in Annex “D”.
- l. Perform applicable verification procedures for purchases and input tax in Annex “E”.
3. If investigation was conducted for the taxable year(s)/period(s) covered by the claim, the RO shall refer to the report(s) corresponding audit to determine if the input taxes being claimed had been applied against the deficiency VAT or the input tax carried over from the previous period had been disallowed.
4. In the course of verification of claims, the RO with the approval of the head of office and upon recommendation of the GS, shall:
- a. Recommend deduction from the claim such amount that may lead to the imposition of output VAT based on the submitted documents.
 - b. Disallow input taxes which had been offset against VAT liability arising from audit findings and input taxes carried over from previous year/period which had been disallowed upon audit, as well as input taxes carried over which cannot be supported by suppliers’ invoices and/or official receipts.
 - c. If the taxpayer has a VAT liability, prepare a request for the computation of the total tax liability, up to the 90th day of the processing of the claim, from the Accounts Receivable Monitoring Division (ARMD)/Large Taxpayers Collection Enforcement Division (LTCED) of the National Office/Collection Division (CD) of the regional office.

5. The RO shall prepare a memorandum report recommending the approval/disapproval of the claim for VAT credit/refund for review and preliminary approval of the Group Supervisor and head of the processing office.
6. The head of office shall ensure compliance of the time frame per Annex “F” for the verification, processing and submission of the report and complete docket of the claim to the reviewing office.
7. In addition to the documents submitted by the taxpayer-claimant, the RO shall prepare, attach and submit, together with the abovementioned memorandum, which shall form part of the docket of the claim, the following:
 - a. Documents Required for the VAT Credit/Refund Claim Docket (Annex “G.2”)
 - b. Authority to Issue VAT Refund/Tax Credit Certificate (Annex “H”)
 - c. VAT Credit/Refund Notice on Local Purchases (Annex “I.1”) or VAT Credit/Refund Notice on Local Purchases and Importations (Annex “I.2”), whichever is applicable
 - d. VAT Credit/Refund Covering Sheet (Annex “J.1”/”J.2”/”J.3”)

D. Verification of Claims Filed Under Section 229 of the Tax Code, as Amended

1. The head of the processing office (RDO/LTAD) shall issue a Tax Verification Notice (TVN) to authorize the verification of the application of VAT credit/refund.
2. The assigned Revenue Officer/s shall:
 - a. Furnish the taxpayer-claimant with the original copy of the TVN and require the acknowledgment receipt on the duplicate copy from his/its responsible officer or staff.
 - b. Verify the letter request of the taxpayer-claimant if it states the factual and/or legal basis of the claim.
3. In the course of the verification of claims, the RO with the approval of the head of office and upon recommendation of the GS, shall:
 - a. Recommend deduction from the claim such amount that may lead to the imposition of output VAT based on the submitted documents; and
 - b. If the taxpayer has a VAT liability, prepare a request for the computation of the total tax liability, up to the 90th day of the processing of the claim, from the Accounts Receivable Monitoring Division (ARMD)/Large Taxpayers Collection Enforcement Division (LTCED) of the National Office/Collection Division (CD) of the regional office.
4. The RO shall validate the bank deposit slip, debit memo or proof of payment of the erroneously or illegally collected tax submitted by the taxpayer-claimant against the Bureau’s information system and/or stand-alone system, as well as the manual collection records of the processing office.

5. The RO shall determine the actual date of collection of the tax from the proofs of payment submitted by the taxpayer-claimant and from the aforesaid data within the Bureau to ascertain that the claim was filed within the two-year period from payment of the tax sought to be refunded.
6. The RO shall prepare a memorandum report recommending the approval/disapproval of the claim for VAT credit/refund for review and preliminary approval of the Group Supervisor and head of the processing office.
7. In addition to the documents submitted by the taxpayer-claimant, the RO shall prepare, attach and submit, together with the abovementioned memorandum, which shall form part of the docket of the claim, the following:
 - a. Documents Required for the VAT Credit/Refund Claim Docket (Annex "G.3")
 - b. Authority to Issue VAT Refund/Tax Credit Certificate (Annex "H")
 - c. VAT Credit/Refund Notice on Local Purchases (Annex "I.1") or
 - d. VAT Credit/Refund Notice on Local Purchases and Importations (Annex "I.2"), whichever is applicable
 - e. VAT Credit/Refund Covering Sheet (Annex "J.1"/"J.2"/"J.3")

E. Review of Reports and Dockets

1. 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 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. This process is not an investigation or verification of the documents in support of the schedules attached to the docket.
2. 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 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.
3. The RO-reviewer shall prepare the memorandum report containing the recommendation based on the result of review addressed to the concerned approving officer.
4. Except for claims filed under Section 229 of the Tax Code, as amended, the heads of office shall ensure compliance of the time frame per Annex "F" for the review and submission of the report and complete docket of the claim to the approving office.

F. Approval of the Report

1. The approving official identified in Item II.10 of this Order shall prioritize the final review of the docket and memorandum report recommending approval or denial/disapproval of the claim.
2. The approving official shall ascertain the correctness of the legal basis of the claim, the propriety of the recommendation, whether approval or disapproval, and correctness of the amount recommended for approval, if any.
3. Except for claims filed under Section 229 of the Tax Code, as amended, the approving official shall ensure compliance of the time frame per Annex "F" for the final review and approval of the report.
4. 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
 - For VAT refund – reviewing/processing office
 - For denial letter – processing office
5. 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.

G. Processing and Issuance of TCC/Refund Check

1. 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 VAT 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.

2. For approved VAT refund claims from the following processing offices, the DV and BURS shall be prepared, to wit:

<u>Processing Office</u>	<u>Office to Prepare</u>
VCAD	TARD
LTAD	LTAD
RDO	Regional Assessment Division

3. 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.

4. 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 “F”.
5. 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.

H. Transmittal of Docket of Approved Claim on Importation

1. 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

2. The endorsement of the docket to the BOC shall be signed by the approving official identified in Item II.9 of this Order, except for the approved claims on importation processed by the LTAD, which shall be endorsed by the Commissioner.
3. 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.

IV. 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 “K”) and Monthly Report on Tax Credit/Refund Processed (Annex “L”)
2. From the reviewing offices — Monthly Report on Claims for Tax Credit/Refund Reviewed and Acted Upon (Annex “M”)
3. From the approving offices - Monthly Report on Claims for Tax Credit/Refund Approved and Granted (Annex “N”)

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 Revenue Regulations (RR) No. 13-2018, as amended by RR No. 26-2018, the detailed reason for the delay shall be indicated on the Monthly Report on Claims for Tax Credit/ Refund Approved and Granted.

V. REPEALING CLAUSE

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

VI. EFFECTIVITY

This Order takes effect immediately.

(Original Signed)
CAESAR R. DULAY
Commissioner of Internal Revenue

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