REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS

Quezon City

March 24, 2006

REVENUE MEMORANDUM CIRCULAR NO. 21-2006

SUBJECT : Clarification of Issues on How to Fill-up the New Version of VAT Forms (September, 2005 Version) and Other Related Issues.

TO : All Internal Revenue Officials, Employees and Others Concerned

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Hereunder are clarifications and guidelines in the form of basic questions and answers concerning some entries to be applied in filling up the enhanced VAT Forms (BIR Form 2550M & 2550Q) and other related issues:

Q1: For monitoring purposes relative to RMC 6-2006 (Treatment of Input Tax accumulated as of October 31, 2005), in what line item in the VAT Form should the Input Tax Carried Over as of October 31, 2005, be placed or written?

A1: The Input Tax Carried Over accumulated as of October 31, 2005 shall be placed or written in line item 17C (Transitional Input Tax) for BIR Form 2550M and line item 20C (Transitional Input Tax) for BIR Form 2550Q.

Q2: What line item in the VAT Form should the Excess over 70% of Output VAT, be placed or written relative to RMC 17-2006 (Clarifications Regarding the Application of the 70% cap or Limitation on the Deductible Input Tax for VAT purposes)?

A2: Per RMC 17-2006, when Input Tax exceeds the Output Tax for any given quarter, the input tax that may be credited shall not exceed 70% of the output tax or output VAT, hence, the Excess over 70% of Output VAT shall be placed or written in line item 17E (Others) for BIR Form 2550M and line item 20E (Others) for 2550Q.

Q3: In schedule six (6) of BIR Form 2550M & 2550Q, how will the Total Input Tax be computed as basis for the computation of the seventy percent (70%) cap?

A3: For BIR Form 2550M (Sample Computation):
Total Input Tax shall be computed as follows:

19	Total Available Input Tax	P800,000.00
Less:		
20A	Input Tax on Purchases of Capital Goods exceeding P1M deferred for the succeeding period	300,000.00
20C	Input Tax allocable to Exempt Sales	50,000.00
20D	VAT Refund/TCC Claimed	0.00
20F	Others	0.00
Schedule 4 (line 3)	Total Input Tax attributable to sale to gov't	200,000.00
	Total	550,000.00
Total Input Tax as basis for the computation of 70% cap		P250,000.00

Note: Input Tax Attributable to Sale to Government shall be deductible in the computation of the 70% cap.

For BIR Form 2550Q (Sample Computation):
Total Input Tax shall be computed as follows:

22	Total Available Input Tax	P2,400,000.00
Less:		
23A	Input Tax on Purchases of Capital Goods exceeding P1M deferred for the succeeding period	900,000.00
23C	Input Tax allocable to Exempt Sales	150,000.00
23D	VAT Refund/TCC Claimed	0.00
23F	Others	0.00
Schedule 4 (line 3)	Total Input Tax attributable to sale to gov't	600,000.00
	Total	1,650,000.00
Total Input Tax as basis for the computation of 70% cap		P750,000.00

Note: Input Tax Attributable to Sale to Government shall be deductible in the computation of the 70% cap.

Q4: In schedule six (6) of BIR Form 2550M & 2550Q, what is the amount of output tax that should be the basis for the computation of the seventy percent (70%) cap?

A4: The output tax that should be the basis of the 70% cap shall not include sales to government. Thus, in schedule six (6) of BIR Form 2550M & 2550Q, the basis should be line item 12B of BIR Form 2550M and line item 15B of BIR Form 2550Q. However, **due to the issuance of RMC 6-2006,** the input tax accumulated as of October 31, 2005 shall be deducted before finally arriving at the Net Output Tax as the basis of the computation of the 70% cap.

Q5: **Pursuant to Revenue Memorandum Circular (RMC) 72-2005, workaround procedures have been provided specifically for BIR Forms 2550M, 2550Q, 1600, 1601F, 2551M, 2200P and 2200M, are the workaround procedures applicable to all the other enhanced forms enumerated therein?**

A5: Yes. The following workaround procedures shall be applicable to all the enhanced BIR Forms enumerated in RMC 72-2005:

1. e-File using the existing online forms in order to proceed to e-payment;

2. Submit manually all applicable enhanced forms (those which are not available in EFPS) together with the Filing Reference Number Page to the Revenue District Offices and Large Taxpayers Offices where they are registered fifteen (15) days after e-filing and e-payment. Manual filing shall no longer be required once the enhanced BIR Forms becomes available in EFPS;

3. Once the enhanced forms are available in EFPS, e-filers are required to amend the previously filed tax returns in EFPS within five (5) days from the date of announcement via the BIR web by encoding the contents of the manual return previously filed. E-Payment shall no longer be required if the tax due on the amended return is equal to the amount previously paid. However, if the tax due on the amended return is greater than the amount previously paid, the taxpayer shall e-pay the unpaid amount.

All Revenue Officials are hereby enjoined to give this Circular as wide a publicity as possible.

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