

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

May 15, 2019

**REVENUE MEMORANDUM ORDER NO. 25-2019**

**SUBJECT :** Policies and Procedures to Implement the Ninety (90)-Day Period to Process and Grant Claims for Value-Added Tax (VAT) Refund/Credit Pursuant to Section 112 of the National Internal Revenue Code of 1997, as Amended (Tax Code)

**TO :** All Internal Revenue Officials and Employees Concerned

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**I. OBJECTIVES**

1. To provide uniform policies and guidelines in the processing, verification, approval and payment of claims for VAT refund/credit, except those under the jurisdiction of the Legal Service;
2. To prescribe the documents to be attached to a VAT refund/credit docket and the required notice to claimants; and
3. To define and delineate the duties and responsibilities of different offices, including the time frame to process, review, approve and pay the VAT refund/credit claims.

**II. POLICIES AND PROCEDURES**

**A. Receipt of Claims for VAT Refund/Credit**

1. The following processing offices shall receive claims for VAT refund/credit:
  - a. VAT Credit Audit Division (VCAD) – For claims of direct exporters pursuant to Section 112(A) of the Tax Code, regardless of the percentage of export sales to total sales.
  - b. Revenue District Offices (RDOs)
    - i. For claims by other VAT zero-rated taxpayers within their jurisdictions (e.g. renewable energy developers pursuant to Section 108(B)(7) of the Tax Code of 1997, as amended, and those with indirect exports classified as effectively VAT zero-rated sales) pursuant to Section 112(A) of the Tax Code; and
    - ii. For claims of taxpayer-claimants whose VAT registration has been cancelled pursuant to Section 112(B) of the Tax Code.

c. Large Taxpayers Audit Division (LTAD)

- i. For claims by other VAT zero-rated taxpayers within its jurisdiction (e.g. renewable energy developers pursuant to Section 108(B)(7) of the Tax Code, and those with indirect exports classified as effectively VAT zero-rated sales) pursuant to Section 112(A) of the Tax Code; and
  - ii. For claims of taxpayer-claimants within its jurisdiction whose VAT registration has been cancelled pursuant to Section 112(B) of the Tax Code.
2. The Revenue Officer/s (RO/s) assigned to receive the documents pertaining to the VAT refund/credit shall pre-check the application form and all the supporting documents based on the Checklist of Requirements per Annex “A.1” of Revenue Memorandum Circular (RMC) No. 47-2019.
3. The RO/s shall not accept applications where the taxpayer-claimant has outstanding delinquent tax liabilities as defined under Section II(1) of Revenue Memorandum Order (RMO) No. 11-2014. However, if the tax liability pertains solely to VAT<sup>1</sup>, the claim may be accepted and the RO/s shall perform the following:
  - a. Prepare a request, to be signed by the head of the processing office for the computation of the total tax liability, up to the 90<sup>th</sup> day of processing of the claim, from the Accounts Receivable Monitoring Division (ARMD)/ Large Taxpayers Collection Enforcement Division (LTCED)/Collection Division (CD) of the respective Revenue Region who has jurisdiction over the taxpayer-claimant.
  - b. Prepare a separate Tax Credit Certificate (TCC) in favor of the taxpayer-claimant with a notation that the same shall be used to pay the VAT liability as computed by the ARMD/LTCED/CD. The memorandum report shall state the amount of TCC to be deducted and the amount to be processed for payment for recommendation to the head of office and the approving BIR official.
4. If there is a VAT liability with the BIR and the claim includes refund of input VAT on importations, or is solely on importations, which necessitates endorsement to BOC for processing of the payment, the RO/s shall inform the claimant that the VAT liability must be settled first before filing the application for VAT refund/credit with the BIR.

B. Processing and Verification of Claims

1. The head of the processing office shall issue Tax Verification Notices (TVNs) in the verification of claims for VAT refund/credit under this Order. The TVNs shall be manually issued until such time that the Tax Verification Notice Monitoring System (TVNMS) and the Case Management System (CMS) are fully operational.

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<sup>1</sup> As provided under RMC No. 3-2019, circularizing the full text of Joint Circular No. 001-2018 of the Department of Finance, Department of Budget and Management, Bureau of Treasury, BIR, Bureau of Customs (BOC) and Commission on Audit pertaining to VAT refund claims

2. The assigned RO/s shall verify the documents submitted at the time of filing of application for refund/credit. This process shall not be construed as an audit/investigation; hence, the concerned investigating office having jurisdiction over the taxpayer-claimant in the Regional or National Office may issue subsequently an electronic Letter of Authority (eLA) against the taxpayer-claimant.
3. The RO/s shall prepare a memorandum report recommending the approval/disapproval of the claim for VAT refund/credit, together with the complete case docket, to be reviewed by the head of the processing office and endorsed to the reviewing office for further review, to wit:
  - a. Tax Audit Review Division (TARD) for claims filed with VCAD;
  - b. Office of the Head Revenue Executive Assistant for claims filed with the LTS; or
  - c. Assessment Division of the respective Revenue Region (RR) where the taxpayer is registered for claims filed at the RDOs.
4. In the course of verification for claim/s filed with the VAT Credit Audit Division (VCAD), the RO/s, with the approval of the head of the processing office, shall:
  - a. Recommend deduction from claim such amount that may lead to the imposition of output VAT that can be determined from the submitted documents; or
  - b. Refer to the LTAD or RDO having jurisdiction over the taxpayer-claimant for further investigation of 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. 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 for Informal Conference/Preliminary Assessment Notice (PAN)/Final Assessment Notice (FAN) for the collection of the deficiency tax. Within fifteen (15) days from receipt of the referral, a feedback on the action taken shall be properly communicated to the Assessment Service.
5. For claims filed under Section 112(B) of the Tax Code, the verification of the processing office shall be limited to the supporting documents particularly the proofs of input VAT accumulated as of the change in or cessation of status of VAT registration under Sec. 106(C) of the Tax Code. Output VAT that may be determined shall be automatically deducted from the claim.

6. The assigned RO/s shall validate the photocopies of the invoices/receipts for sales and purchases from the original copies presented by the claimant, which shall be returned after stamping “*VAT Refund/Credit Claimed*” thereto. Should it not be logistically possible for the claimant to bring the original documents at the processing office, the assigned RO/s may perform the stamping at the registered address of the taxpayer-claimant after securing a permit duly approved by the chief/head of the processing office.
7. The processing office shall validate the “VAT Payment Certification” issued by the Revenue Accounting Division (RAD) of the Bureau of Customs (BOC) including the supporting Import Entry and Internal Revenue Declarations (IERD) and/or Single Administrative Document (SAD), Statement of Settlement of Duties and Taxes (SSDT) that are submitted by the taxpayer-claimant in support of claims for input VAT on importation. In this regard, the BOC-RAD shall send the scanned copy of the said certification through its dedicated email address to the dedicated email address of the processing office of the Bureau, which shall be indicated in the request of the taxpayer-claimant upon filing with the BOC. Only BOC documents duly authenticated by the BOC shall be accepted for processing and considered in the computation of refundable/creditable amount.
8. The RO/s assigned to process the claim shall prepare, submit and/or attach the reports/schedules and documents, ***which shall form part of the complete docket of the claim***, prescribed in Annexes “A” to “E” hereof.
9. The Disbursement Voucher (DV) and Budget Utilization Request and Status (BURS), shall be prepared in the following manner:
  - a. For claims filed with VCAD and the RDOs, a final memorandum report together with the DV and BURS shall be prepared by the reviewing office stating therein their concurrence with the recommendation of the processing office or the re-computed amount for refund, should there be other findings during the review, for approval by the designated approving authorities.
  - b. For claims filed with the LTS, the DV and BURS shall be prepared by the processing office, subject to changes, should there be adjustments to the claim by the reviewing office.
  - c. After approval of the claim, the Assessment Service (for those claims processed at VCAD) or the Office of the ACIR, LTS (for those processed under the LTS) shall endorse the approved VAT refund to the Finance Service, attaching therewith the main docket together with all the supporting documents. Approved claims filed in the RDOs shall be transmitted by the Office of the Regional Director to the Finance Division for processing of the payment thereof.

10. The following time frame shall be strictly adhered to by the processing, reviewing and approving offices:

a. VCAD Claims

| Particulars                 | No. of Days from Receipt of Application |                                                          |                                   |
|-----------------------------|-----------------------------------------|----------------------------------------------------------|-----------------------------------|
|                             | For claims not more than ₱ 50,000,000   | For claims more than ₱ 50,000,000.00 up to ₱ 150,000,000 | For claims more than ₱150,000,000 |
| Verification/processing     | 55                                      | 53                                                       | 53                                |
| Review (TARD)               | 15                                      | 15                                                       | 13                                |
| Recommending/Final Approval |                                         |                                                          |                                   |
| ACIR-AS                     | 5                                       | 4                                                        | 3                                 |
| DCIR-OG                     |                                         | 3                                                        | 3                                 |
| CIR                         |                                         |                                                          | 3                                 |
| Total No. of Days           | 75                                      | 75                                                       | 75                                |

b. LTS Claims

| Particulars                        | No. of Days from Receipt of Application             |                                         |
|------------------------------------|-----------------------------------------------------|-----------------------------------------|
|                                    | Recommended Amount Pertains to Local Purchases Only | Recommended Amount Includes Importation |
| Verification/processing            | 62                                                  | 60                                      |
| Review (Office of the HREA)        | 8                                                   | 8                                       |
| Approval by ACIR-LTS               | 5                                                   | 5                                       |
| Approval by CIR of BOC endorsement | -                                                   | 2                                       |
| Total No. of Days                  | 75                                                  | 75                                      |

c. Regional Claims

| Particulars                   | No. of Days from Receipt of Application |
|-------------------------------|-----------------------------------------|
| Verification/processing RDOs) | 55                                      |
| Review (Assessment Division)  | 15                                      |
| Approval by Regional Director | 5                                       |
| Total No. of Days             | 75                                      |

11. The following revenue officials shall approve the recommendation for approval/disapproval of VAT claims in accordance with the thresholds below:

a. For claims filed with VCAD under Section 112(A) of the Tax Code:

| <u>Amount of Claim</u>                     | <u>Approving Revenue Official</u> |
|--------------------------------------------|-----------------------------------|
| Not more than ₱ 50,000,000                 | ACIR – AS                         |
| More than ₱ 50,000,000.00 to ₱ 150,000,000 | DCIR – OG                         |
| More than ₱ 150,000,000                    | CIR                               |

b. For claims filed with the LTS under Sections 112(A) or 112(B) of the Tax Code, the ACIR-LTS shall approve the memorandum report including DV & BURS and other pertinent documents, except for the endorsement to BOC which shall be signed by the CIR.

- c. For claims filed in the RDOs, the Regional Director shall approve claims filed under Sections 112(A) and 112(B) of the Tax Code.

12. The result of the evaluation of the VAT refund/credit claim, approved or otherwise, shall be communicated in writing to the taxpayer immediately after approval of the report by the designated approving BIR Official.

C. Processing of Payment for the Approved VAT Refund Claims

1. The following offices shall process and release the payment for the approved VAT refund in accordance with the existing revenue issuances within fifteen (15) days after receipt of the DV and BURS and VAT refund docket and within the ninety (90)-day period required by law:

- a. VAT Refund Claims filed and processed at BIR National Office

| <i>Processing Office</i>                     | <i>Days Allotted</i> |
|----------------------------------------------|----------------------|
| <i>Finance Service / Accounting Division</i> | <i>10</i>            |
| <i>Administrative Service</i>                | <i>5</i>             |
| <i>Total No. of Days</i>                     | <i>15</i>            |

- b. VAT Refund Claims filed and processed at the Regional Offices

| <i>Processing Office</i>                                             | <i>Days Allotted</i> |
|----------------------------------------------------------------------|----------------------|
| <i>Finance Service/Accounting Division</i>                           | <i>5</i>             |
| <i>Finance Division</i>                                              | <i>4</i>             |
| <i>Administrative and Human Resource Management Division (AHRMD)</i> | <i>3</i>             |
| <i>Office of the Regional Director</i>                               | <i>3</i>             |
| <i>Total No. of Days</i>                                             | <i>15</i>            |

2. The Accounting Division and Finance Service in the National Office/Finance Division and Office of the Assistant Regional Director in the Revenue Regions shall process the DV and sign boxes C and D thereof based on the approved memorandum report and Authority to Issue VAT Refund.
3. The Administrative Service/AHRMD shall prepare checks on VAT refund payments and their process shall be limited to the determination of the correctness of the amount appearing on the check as against those appearing in the approved audit report and the DV (Box D).

The General Services Division/AHRMD shall ensure that the check payment will be released to the proper claimant or the duly authorized representative.

### III. PENALTY FOR NON-OBSERVANCE OF THE PRESCRIBED TIME FRAME

- a. The concerned revenue officers/officials shall act on the recommended claims in accordance with the abovementioned time frame, including VAT claims on importations.

- b. Any official, agent or employee of the BIR who fails to act on the application within the prescribed timeframe allotted for his/her office as prescribed in this Order shall be punishable under Section 269 of the Tax Code, as amended. In the event that the processing of the VAT claim exceeded the 90-day processing period without having the payment released to the taxpayer-claimant, the processing office may still continue the administrative processing of the claim. However, the revenue official, agent or employee found to be grossly negligent in the performance of his/her duties or has deliberately caused the delay in the processing shall be penalized according to the said section of the Tax Code.

#### **IV. REPORTING**

Pursuant to Section 6 of Joint Circular No. 001-2018, the BIR shall submit to the BTr, DBM and the DOF a monthly report of actual VAT claims and disbursements/utilizations on or before the 8<sup>th</sup> day of the ensuing month.

#### **V. REPEALING CLAUSE**

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

#### **VI. EFFECTIVITY**

This Order shall take effect immediately.

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