

Tax Bulletin

January 2020



Highlights

BIR Administrative Requirements

- ▶ Revenue Regulations (RR) No. 1-2020 amends pertinent provisions of Section 8 of RR No. 11-2018, as amended, to implement further amendments introduced by Republic Act (RA) No. 10963 (TRAIN Law). **(Page 3)**
- ▶ Revenue Memorandum Circular (RMC) No. 3-2020 circularizes the availability of the revised BIR Form No. 1702Q (Quarterly Income Tax Return for Corporations, Partnerships and Other Non-Individual Taxpayers) January 2018 (ENCS). **(Page 4)**

Banks and Other Financial Institutions

- ▶ Circular No. 1066 publishes Resolution No. 1771 of the Monetary Board, adopting the new Digital Manual of Regulations for Non-Bank Financial Institutions (MORNBFI). **(Page 4)**
- ▶ Circular No. 1068 circularizes the Monetary Board approval in extending the period for Registration/Notification of operators of payment systems (OPS). **(Page 4)**
- ▶ Circular No. 1071 amends Section 282 of the Manual of Regulations for Banks on Rediscounting/Lending Rates and Liquidated Damages. **(Page 4)**
- ▶ Memorandum No. M-2019-029 prescribes the revised guidelines on sound risk management policies and practices in dealing with foreign exchange dealers/money changers and remittance and transfer companies. **(Page 5)**

BSP

- ▶ RR No. 2-2020 implements the tax exemption provisions of Republic Act (RA) No. 11211, as amended by RA No. 7653 (The New Central Bank Act) and for other purposes. **(Page 5)**

Non-profit Organizations

- ▶ SEC Memorandum Circular (MC) No. 25 prescribes the necessary regulatory framework for the protection of SEC registered non-profit organizations from money laundering and terrorist financing abuse. **(Page 6)**

Procedure on Tax Assessments

- ▶ A Letter of Authority (LOA) must be served or presented to the taxpayer within 30 days from the date of its issuance. In the absence of a clear authority given to a revenue officer, the examination of a taxpayer and the resulting deficiency assessments are null and void. **(Page 8)**

SEC Filing Schedule for Audited Financial Statements

- ▶ SEC MC No. 2 circularizes the guidelines and the 2020 filing schedule for SEC reports. (Page 9)

Situs of Local Business Taxes

- ▶ A branch office is an extension of the business of a commercial establishment to a locality where vital operations are conducted and consummated. The Local Business Taxes (LBT) from the sales made by the branch accrues to the city which has jurisdiction over the branch. (Page 10)

VAT Refunds

- ▶ RMC 42-03, which allows out-of-period claims, contravenes Sec. 110(2) of the Tax Code, which provides that crediting of input VAT should not go beyond the month or quarter during which the input VAT was incurred or paid, as the case may be. (Page 11)

BIR Administrative Requirements

Revenue Regulations No. 1-2020 issued on 9 January 2020

- ▶ Section 8 of RR No. 11-2018, which lays down the procedure for filing of Application for Registration for Individuals Earning Compensation Income (BIR Form No. 1902), is amended by directing all employers to require only employees with no existing TIN numbers to accomplish in triplicate, BIR Form No. 1902, and to submit the original to the RDO and the duplicate to the employer.
- ▶ The amended Section 8 of RR No. 11-18 no longer requires the accomplishment and submission of the Application for Update of Registration (BIR Form 1905) by employees with existing TIN and/or registered outside the RDO of the employer or in case of update of the employer's information.
- ▶ For changes in the information data in the Application for Registration (BIR Form No. 1902) previously submitted by the employee to its current employer, such as changes in employment, multiple employment status and amount of compensation income, the employee should furnish his/her employer a copy of BIR Form No. 1905 duly stamped received by the RDO where the employee is registered. The employer shall, then, make the necessary adjustments on the withholding tax of the employee based on the new information.
- ▶ All other revenue regulations and other issuances or parts thereof inconsistent with the amendment laid down under RR No. 1-2020 are hereby repealed or modified.
- ▶ These regulations shall take effect 15 days after publication in the Official Gazette or in a newspaper of general circulations, whichever comes first.

RR No. 1-2020 amends pertinent provisions of Section 8 of RR No. 11-2018, as amended, to implement further amendments introduced by RA No. 10963 (TRAIN Law).

(Editor's Note: RR 1-2020 was published in the Malaya Business Insight and the Manila Standard on 10 January 2020)

RMC No. 3-2020 circularizes the availability of the revised BIR Form No. 1702Q (Quarterly Income Tax Return for Corporations, Partnerships and Other Non-Individual Taxpayers) January 2018 (ENCS).

Circular No. 1066 publishes Resolution No. 1771 of the Monetary Board, adopting the new Digital MORNBF1.

Circular No. 1068 circularizes the Monetary Board approval in extending the period for Registration/Notification of OPS.

Circular No. 1071 amends Section 282 of the Manual of Regulations for Banks on Rediscounting/Lending Rates and Liquidated Damages.

RMC No. 3-2020 issued on 3 January 2020

- ▶ The revised manual return is already available in the BIR website (www.bir.gov.ph) under the BIR Forms-Income Tax Return Section. However, the form is not yet available in the Electronic Filing and Payment System (eFPS) and Electronic Bureau of Internal Revenue Forms (eBIRForms).
- ▶ The eFPS/eBIRForms filers shall use the existing version of the said form in the eFPS and in the Offline eBIRForms Package v7.5 in filing the Quarterly Income Tax Return and paying the Income Tax due until the availability of the return in the eFPS and the Offline eBIRForms Package is announced.
- ▶ All manual filers shall download the PDF version of the form, print, and completely fill out the applicable fields; otherwise penalties under Sec. 250 of the Tax Code, as amended, shall be imposed.

Banks and Other Financial Institutions

BSP Circular No. 1066 dated 04 December 2019

- ▶ The coverage of MORNBF1 includes: governing quasi-banks (Q regulations); non-stock savings and loan associations (S regulations); pawnshops (P regulations); trust corporations (T regulations); non-bank credit card issuers (CC regulations); and other non-bank financial institutions under the supervision of the BSP (N regulations).
- ▶ The key enhancements of the new MORNBF1 include: a more logical arrangement and broader description of the Section titles; redesigned numbering to provide greater flexibility in codifying regulations; and use of a one-column lay-out for easier readability in an electronic device.

BSP Circular No. 1068 dated 26 December 2019

- ▶ An OPS, which is already operating at the time of the effectivity of Republic Act No. 11127, the National Payment Systems Act, shall register with the BSP not later than 3 months from 1 October 2019, the date of effectivity of Circular No. 1049.
- ▶ A bank or an electronic money issuer presently operating as an OPS is required to submit a notification of its activities as an OPS within the same period.
- ▶ From 1 October 2019, the date of effectivity of Circular No. 1049, the deadline for registration/notification is 1 January 2020.
- ▶ The period for registration/notification under Circular No. 1049 is extended. OPS that are currently operating and banks and electronic money issuers that are currently operating as OPS shall register or notify the BSP not later than 1 April 2020.

BSP Circular No. 1071 dated 8 January 2020

- ▶ Peso Rediscount Rate shall be the BSP overnight lending rate plus a spread depending on the term of the loan as may be determined by the BSP, which may change periodically to complement changes in the BSP's monetary policy goals. Banks eligible to apply may avail of a 1-90 day and/or 91-180 day terms facility;

- ▶ Dollar/Yen Rediscount Rates shall be the 90-day London Inter-bank Offered Rate (LIBOR), or in the absence of LIBOR, an applicable benchmark rate plus an appropriate spread depending on the term of the loan as may be determined by the BSP. The spread between these two rates may vary to reflect movements in the market interest rates and to achieve monetary objectives. Banks eligible to apply may avail of the 1-90 day, 91-180 day and/or 181-360 day terms facility.
- ▶ The new guidelines shall take effect 15 days after publication in the Official Gazette or in a newspaper of general circulation.

(Editor's Note: Circular No. 1071 was published in the Philippine Star on 13 January 2020)

Memorandum No. M-2019-029 prescribes the revised guidelines on sound risk management policies and practices in dealing with foreign exchange dealers/money changers and remittance and transfer companies.

BSP Memorandum No. M-2019-029 dated 12 December 2019

BSP-supervised financial institutions (BSFIs) are reminded to ensure the soundness and adequacy of their risk management policies and practices in dealing with foreign exchange dealers (FXDs)/money changers (MCs) and remittance & transfer companies (RTCs), by observing the following guidelines, among others:

- ▶ To deal only with the following: (a) FXDs/MCs and RTCs registered with the BSP and the Anti-Money Laundering Council (AMLC); and (b) Accredited Remittance Sub-Agents (RSA) of duly-registered RTCs;
- ▶ To conduct risk assessment to identify, understand and assess money laundering/terrorism financing (ML/TF) risks arising from FXDs/MCs and RTCs and apply appropriate standard of customer due diligence;
- ▶ To perform appropriate due diligence when dealing with FXDs/MCs and RTCs, either as remittance partners or tie-ups or accounts being used to facilitate remittance/money changing business, to effectively manage and mitigate risks;
- ▶ For FXDs/MCs, or RTCs assessed or classified as high risk, to perform enhanced due diligence procedures, such as the following: (a) reviewing the AML/CFT program and measures adopted by the FXDs/MCs and RTCs; (b) obtaining additional information and conduct validation procedures as provided under Part 9 of the MORB and Section 4806Q of the MORNBF; and (c) securing senior management approval for establishing business relationship in accordance with the BBSFI's risk management policies and procedures; and
- ▶ To perform continuing account and transaction monitoring.

BSP

Revenue Regulations No. 2-2020 issued on 15 January 2020

- ▶ The BSP shall be exempt from all national internal revenue taxes on income derived from its governmental functions, specifically:
 1. Income from its activities or transactions in the exercise of its supervision over the operations of banks and its regulatory and examination powers over non-bank financial institutions performing quasi-banking functions, money service businesses, credit granting businesses and payment system operators; and

RR No. 2-2020 implements the tax exemption provisions of RA No. 11211, as amended by RA No. 7653 (The New Central Bank Act) and for other purposes.

2. Income in pursuit of its primary objective to maintain price stability conducive to a balanced and sustainable growth of the economy, and the promotion and maintenance of monetary and financial stability and the convertibility of the peso.

- ▶ All other incomes not included in the above enumeration shall be considered as proprietary income and shall be subject to applicable national internal revenue taxes.
- ▶ All other revenue regulations and other issuances or parts thereof inconsistent with the amendment laid down under RR No. 1-2020 are thereby repealed or modified.
- ▶ These regulations shall take effect 15 days after publication in the Official Gazette or in a newspaper of general circulation, whichever comes first.

(Editor's Note: RR No. 2-2020 was published in the Malaya Business Insight on 16 January 2020)

Non-profit Organizations

SEC MC No. 25 prescribes the necessary regulatory framework for the protection of SEC-registered non-profit organizations from money laundering and terrorist financing abuse.

SEC Memorandum Circular No. 25, Series of 2019, dated 27 December 2019

- ▶ The following measures are adopted to protect non-profit organizations (NPOs) from money laundering (ML) and terrorist financing (TF):
 1. Promote transparency among NPOs;
 2. Adoption of good governance policies for NPOs;
 3. Proportionate and risk-based supervision and monitoring; and
 4. Sustained Outreach Programs.
- ▶ NPOs are encouraged to make publicly accessible online, accurate, current, and complete information regarding the status, finances, expenses, projects, activities, those who control or direct such activities, composition of their governing boards, and their beneficial owners, among other material information.
- ▶ NPOs at Risk refers to NPOs or a subset of NPOs identified as at risk of ML or TF abuse based on a risk assessment of the NPO Sector conducted by the AMLC and/or the SEC.
- ▶ NPOs at Risk and its members shall establish an audit committee of three trustees, or appoint a responsible officer or employee, whose responsibility is to perform audit functions.
- ▶ NPOs at Risk shall be subject to the following compliance requirements:
 1. Existing minimum requirements based on laws, SEC rules, and other requirements as may be prescribed by SEC;
 2. Audited Financial Statements audited by an independent Certified Public Accountant accredited by the Board of Accountancy;
 3. Conduct of mandatory background checks of the officers and trustees;

4. Mandatory audit by the SEC of the NPO concerned;
 5. Establishment of internal audit system; and
 6. Attendance in sustained outreach programs by the SEC.
- ▶ NPOs at Risk shall establish and record the true and full identity of their donors/sources of funds identified as Politically Exposed Person (PEP).
 - ▶ A PEP is an individual who is or has been entrusted with a prominent public position/function in: (i) the Philippines, with substantial authority over policy, operations, or the use or allocation of government-owned resources; (ii) a foreign state; or (iii) an international organization. It shall include immediate family members, and close relationships that are reputedly known to have sole/joint beneficial ownership of a legal entity or arrangement with or for the benefit of the principal PEP.
 - ▶ NPOs at Risk shall also subject to enhanced monitoring, donors from foreign jurisdiction that is recognized as having inadequate internationally accepted Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) standards or presents greater risk for ML or TF.
 - ▶ NPOs at Risk shall adopt the following preventive measures:
 1. Maintain information on their activities and those who control or direct their activities;
 2. Have controls in place to ensure that funds are fully accounted for and spent in a manner consistent with the NPO's stated activities;
 3. Follow a "know your beneficiaries and associate NPOs" rule; and
 4. Report to the SEC any fact within its knowledge that gives rise to a suspicion that such NPO is being exploited for ML and/or TF purposes.
 - ▶ All SEC-registered Non-Stock Corporations are required to accomplish the revised Mandatory Disclosure Form (MDF) and submit the same to the SEC through the Anti-Money Laundering Division of the Enforcement and Investor Protection Department (EIPD) or the nearest SEC Extension Office.
 - ▶ The penalties and sanctions under current laws are hereby adopted and incorporated into these Guidelines.
 - ▶ Grounds for revocation of Certificate of Incorporation:
 1. Failure to comply with the mandatory disclosure requirements;
 2. Inclusion of the non-stock corporation in the UN Sanctions List; or
 3. If the trustees and/or officers of the NPO knowingly allowed it to be used or used the organization for ML or TF purposes
 - ▶ The MC shall take effect immediately upon its publication in two newspapers of general circulation.

(Editor's Note: SEC MC No. 25, Series of 2019, was published in Manila Standard on 28 December 2019)

Procedure on Tax Assessments

AC Corporation vs. Commissioner of Internal Revenue

CTA (2nd Division) Case No. 8485 promulgated 6 January 2020

An LOA must be served or presented to the taxpayer within 30 days from the date of its issuance. In the absence of a clear authority given to a revenue officer, the examination of a taxpayer and the resulting deficiency assessments are null and void.

Facts:

Respondent CIR assessed Petitioner AC Corporation (“ACC”) for various deficiency taxes for taxable year 2007. ACC protested, which the BIR denied. Upon the issuance of a Formal Decision on Disputed Assessment, ACC filed a Petition for Review at the CTA.

At the CTA, ACC argued that the Letter of Authority (LOA) issued by the BIR was void as (1) it was not served within 30 days from its issuance and (2) does not contain the required dry seal. It also asserted that the examiner who recommended the issuance of the Preliminary Assessment Notice and Final Assessment Notice was only directed to continue the investigation through a Memorandum of Assignment. As the LOA was void, ACC averred that the resulting deficiency tax assessments should be invalidated.

The BIR maintained that the deficiency tax assessments were made in accordance with law and regulations. It also contended that ACC was apprised of the factual and legal bases of the assessments through the duly issued Preliminary and Final Assessment Notices and it was given the opportunity to controvert the findings.

Issues:

1. Is the LOA valid?
2. Are the deficiency tax assessments issued by a revenue officer not duly authorized in the LOA valid?

Rulings:

1. No. The LOA was not properly served to ACC, does not contain a dry seal and necessarily invalidates subsequently issued tax assessments. Pursuant to Revenue Memorandum Order 43-90, which provides the guidelines for the issuance of LOAs, an LOA must be served or presented to the taxpayer within 30 days from its date of issue. Thus, the LOA becomes null and void, unless revalidated. The taxpayer has the right to refuse the service of the LOA if presented beyond the 30-day period without the required revalidation.
2. No. An LOA is the authority given to the appropriate revenue officer assigned to perform assessment functions. It empowers or enables said revenue officer to examine the books of account and other accounting records of the taxpayer for the purpose of collecting the correct amount of tax. The LOA commences the audit process and informs the taxpayer that it is under audit for possible deficiency tax assessment. Under Sections 6 and 13 of the NIRC, an examination of a taxpayer cannot ordinarily be undertaken without a clear grant of authority by the CIR or his duly authorized representative to a revenue officer. In the absence of such authority, the assessment or examination is a nullity. Thus, any examination of the taxpayer by the BIR’s revenue officers is properly authorized by those to whom the discretion to exercise the power of examination is given by the statute.

SEC MC No. 2 circularizes the guidelines and the 2020 filing schedule for SEC reports.

SEC Filing Schedule for Audited Financial Statements

SEC MC No. 2, Series of 2020, dated 21 January 2020

- ▶ All corporations, including branch offices, representative offices, regional headquarters and regional operating headquarters of foreign corporations, whose fiscal year (FY) ends on 31 December 2019 shall file their Audited Financial Statements (AFS) depending on the last numerical digit of their SEC registration or license number in accordance with the following schedule:

April 20, 21, 22, 23, 24:	1 and 2
April 27, 28, 29, 30:	3 and 4
May 4, 5, 6, 7, 8:	5 and 6
May 11, 12, 13, 14, 15:	7 and 8
May 18, 19, 20, 21, 22:	9 and 0

- ▶ The above filing schedule shall not apply to the following corporations:
 1. Those whose FY ends on a date other than December 31, 2019;
 2. Those whose securities are listed on the PSE and those whose securities are registered but not listed in PSE and Public Companies, covered under Sec. 17.2 of the Securities Regulation Code (SRC); and
 3. Those whose AFS are being audited by the Commission on Audit upon submission of certain documentary requirements.
- ▶ Late filings after the respective due dates shall be accepted starting 25 May 2020 and shall be subject to the prescribed penalties,
- ▶ The AFS, other than consolidated financial statements, shall be stamped "received" by the Bureau of Internal Revenue (BIR) or its authorized banks.
- ▶ The following are threshold amounts for the requirement to submit Audited Financial Statements as prescribed in the General Financial Reporting Requirements as stated in the Revised Regulation Code (SRC) Rule 68:
 1. Stock corporation with total assets or total liabilities of P600,000 or more;
 2. Non-stock corporations with total assets or total liabilities of P600,000 or more;
 3. Branch offices/representative offices of stock foreign corporations with assigned capital in the equivalent amount of P1 Million or more;
 4. Branch offices/representative offices of non-stock foreign corporation with total assets in the equivalent amount of P1 Million or more; and
 5. Regional operating headquarters of foreign corporations with total revenues in the equivalent amount of P1 Million or more.
 6. Corporations which do not meet the thresholds above may submit their Annual Financial Statements accompanied by a duly notarized Treasurer's Certification only (rather than an Auditor's Report).

- ▶ All corporations shall file their General Information Sheet (GIS) within 30 calendar days from:
 1. Stock Corporations - date of actual annual stockholders' meeting;
 2. Non-Stock Corporations - date of actual annual members meeting;
 3. Foreign Corporations - anniversary date of the issuance of the SEC License

Situs of Local Business Taxes

The City Government of Calamba vs. The City of Makati and Fuji-Haya International Corporation

CTA (*En Banc*) Case No. 1829 promulgated 2 January 2020

A branch office is an extension of the business of a commercial establishment to a locality where vital operations are conducted and consummated. The LBT from the sales made by the branch accrues to the city which has jurisdiction over the branch.

Facts:

The City Governments of Calamba City, Laguna and Makati both assessed Respondent Fuji-Haya International Corporation (FHIC) with deficiency local business taxes (LBT) for the last quarter of 2014.

Calamba City assessed FHIC for the full LBT, arguing that pursuant to Sec. 150 (a) of the Local Government Code (LGC), the amount should solely accrue to Calamba, where its principal place of business is located. It also averred that FHIC's office in Makati is a mere extension office, and not a branch. Makati City posited that since vital functions are discharged in FHIC's office in its jurisdiction, the office should not be considered as a mere extension but a branch. As such, Makati is entitled to a 30% allocation of the LBT of FHIC also pursuant to Sec. 150 of the LGC.

FHIC, a specialty contractor and taxed on gross receipts on its services, filed a case for interpleader at the Calamba City Regional Trial Court to determine its LBT liability to either or both cities. Pending the determination on the city which can assess LBT, FHIC deposited the assessed amount with the Office of the Clerk of Court.

The Calamba City RTC ruled that FHIC must pay its LBT in full to Calamba. Upon receipt of the adverse decision, Makati filed a Petition for Review at the CTA.

The CTA 2nd Division reversed the RTC's decision, holding that Makati is entitled to LBT which accrues from the sales made by FHIC in its Makati branch while Calamba is also entitled to the LBT that accrues from the sales made in FHIC's office in Calamba City and other city or municipality except in Makati City.

Calamba City filed a Petition for Review at the CTA *En Banc*.

Issue:

Can Makati City collect from FHIC the LBT on sales made in Makati pursuant to Sec. 150 of the LGC?

Ruling:

Yes. A perusal of the record shows that there are transactions in the Makati office which would confirm that FHIC is doing business in Makati. The administrative, executive, engineering and accounting office of FHIC are in Makati based on the admission by FHIC's witness. Aside from the location of some of the divisions in Makati, FHIC's books of accounts are also kept and the signing of the contracts, the payroll, invoicing, collections and purchasing are performed in Makati.

In sustaining the CTA 2nd Division's ruling that FHIC's office in Makati is a branch office where vital operations are conducted and consummated. The CTA *En Banc* explained that a branch is an extension of the business of a commercial establishment to a locality. It is a division, office, or other unit of business at a different location from its main office or headquarters.

In this case, the CTA *En Banc* also considered the admission of the FHIC in its Petition for Review that its office in Makati is a branch. The Court also noted that the business permit application forms presented by FHIC to the RTC have sufficiently established that it is doing business in Makati. In ruling in favor of Makati, the CTA *En Banc* held that it is entitled to LBT that accrues from the sales made in Makati under the first paragraph of Sec. 150 of the LGC, not the 30% allocation under Section 150 (b)(1).

VAT Refunds

Commissioner of Internal Revenue vs. Deutsche Knowledge Services, Pte. Ltd. CTA (*En Banc*) Case No. 1815 promulgated 3 January 2020

Facts:

Respondent Deutsche Knowledge Services, Pte. Ltd. ("DKS") filed a claim for refund of unutilized input VAT for the first quarter of 2008. Due to inaction of Petitioner CIR, DKS elevated the case to the CTA.

The CTA 2nd Division denied the refund claim for failure of DKS to file a Petition for Review within 30 days from the lapse of the 120-day period for the BIR to decide on the refund application. On appeal, the CTA *En Banc* ruled that the 120+30 day period is not applicable. The CIR elevated the case to the Supreme Court, which denied the appeal and remanded the case to the CTA 2nd Division for further disposition.

The CTA 2nd Division partially granted the refund and disallowed, among others, the out-of-period claims of DKS.

Aggrieved, both parties filed Petitions for Review at the CTA *En Banc*.

The BIR insisted on the disallowance of zero-rated sales and input VAT supported by VAT official receipts dated outside the period of claim.

On the other hand, DKS argued that Revenue Memorandum Circulars (RMC) 42-03 specifically allows out-of-period claims provided the following requirements are complied with: (a) that the VAT invoices/receipts are issued within the taxable year that the claim was made; (b) that the VAT invoices/receipts cover transactions for the same taxable year; (c) that they have not been claimed in any other quarter of the same or different taxable year; and (d) the invoices/receipts are not claimed in any period ahead of the actual date of the said invoices/receipts. It cited the case of *CIR vs. CE Cebu Geothermal Power Company, CTA EB Case 435 promulgated on May 5, 2009*, where it was held that out-of-period claims may be allowed provided these comply with the requirements under RMC 42-03.

RMC 42-03, which allows out-of-period claims, contravenes Sec. 110(2) of the Tax Code, which provides that crediting of input VAT should not go beyond the month or quarter during which the input VAT was incurred or paid, as the case may be.

Issue:

Are out-of-period claims of unutilized input VAT allowed?

Ruling:

No. While RMC 42-03 allows out-of-period claims, the same cannot be adhered to as it contravenes Sec. 110(2) in relation to Sec. 114(A) of the NIRC, as amended by RA 9337. The input VAT is creditable against the output VAT upon occurrence of any of the following events: a) consummation of the sale, for purchase of goods; b) payment of the fee, for purchase of services; and c) payment of VAT, for importation. The use of the word "upon" means that the creditability of the pertinent input VAT against the output VAT must be made as it happens, and not to be made at any other time.

To arrive at the VAT payable on the Monthly VAT Declaration and the Quarterly VAT Return, the input VAT allowed to be deducted from the output VAT are those that are credited during the corresponding month and quarter.

Since the filing of the Quarterly VAT return, which reports the gross sales or receipts, and the payment of the VAT would come at a later date than the actual crediting of the input VAT, such crediting can be made only upon such filing and payment. Sec. 110(2) is clear as to when should the pertinent input VAT be creditable and it should not go beyond the month or quarter during which the input VAT was incurred or paid, as the case may be.

SGV | Assurance | Tax | Transactions | Advisory

About SGV & Co.

SGV is the largest professional services firm in the Philippines.

We provide assurance, tax, transaction and advisory services. In everything we do, we nurture leaders and enable businesses for a better Philippines.

This Purpose is our aspirational reason for being that ignites positive change and inclusive growth. Our insights and quality services help empower businesses and the economy, while simultaneously nurturing our people and strengthening our communities. All this leads to building a better Philippines, and a better working world. SGV & Co. is a member firm of Ernst & Young Global Limited.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via ey.com/privacy.

For more information about our organization, please visit ey.com/ph.

© 2020 SyCip Gorres Velayo & Co.
All Rights Reserved.
APAC No. 10000519
Expiry date: no expiry

SGV & Co. maintains offices in Makati, Cebu, Davao, Bacolod, Cagayan de Oro, Baguio, General Santos and Cavite.

For an electronic copy of the Tax Bulletin or for further information about Tax Services, please visit our website www.ey.com/ph

We welcome your comments, ideas and questions. Please contact Victor C. De Dios via e-mail at victor.c.de.dios@ph.ey.com or at telephone number 891-0307 loc. 7929 and Reynante M. Marcelo via e-mail at reynante.m.marcelo@ph.ey.com or at telephone number 894-8335 loc. 8335.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither SGV & Co. nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.