

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS

November 10, 2004

REVENUE MEMORANDUM CIRCULAR NO. 70 – 2004

SUBJECT: Clarification on Proper Determination of Amount of Value Added Tax on VAT Invoices or VAT Official Receipts

TO : All Internal Revenue Officers and Others Concerned

This Circular is being issued to clarify and reiterate the rule on proper determination of the amount of value added tax i.e. output tax on the part of the seller, input tax on the part of the buyer on invoices or official receipts.

It has come to the attention of the Bureau that some taxpayers such as but not limited to Freight Forwarders and General Brokers are not reporting their value added tax (output tax) based on the total amount reflected on the issued VAT sales/commercial invoice or VAT official receipts. Reductions on gross sales/receipts are being made on items they classify as reimbursements or payments to third party despite the fact the amount invoiced or receipted to their customers are the full amount or inclusive of said reimbursements. As a result, output tax being reported are under-stated by the amount received classified as reimbursements or payments to third party. Undoubtedly, there would be situations where input tax credits are being claimed on the basis of the full amount reflected on the VAT invoice/receipt while output taxes being declared for such issued VAT invoices/receipts is based on a reduced amount to the disadvantage of the Government.

Also, it has been observed that some buyers when claiming input tax credits, for purchases of goods determination of input tax are being based on the amount indicated on the official receipts, while for purchases of services determination of input tax are being based on the amount indicated on the sales/commercial invoice. Thus, resulting to situations where input taxes were not properly being claimed.

Pursuant to Section 264, in relation to Section 106 (D)(1) and Section 108 (C) of the 1997 Tax Code, Revenue Regulations No. 08-99 dated April 26, 1999 was promulgated to set the guidelines in the proper invoicing of output tax on the sale of goods and services where all VAT-registered taxpayers required under Section 237 of the Tax Code to issue receipts or sales or commercial invoices are no longer allowed to separately bill the value-added tax corresponding thereto. **The amount appearing in the sales invoices/receipts is thus deemed inclusive of the value-added tax due thereon.**

Thus, in accordance with the provision of Section (106) (D)(1) and Section (108) (C) of the 1997 Tax Code, **the amount of tax shall be computed by multiplying the total amount indicated in the invoice or official receipt by one-eleventh (1/11).** Total amount indicated in the invoice or official receipt refers to the bottom/end amount reflected in the invoice or official receipts representing value of goods or amount of money received regardless of any notation for breakdown of amount such as reimbursements, advances... as long as part of the whole amount invoiced or receipted.

In other words, on the part of the seller of goods the amount of VAT-Output Tax should be 1/11 of the total amount reflected on the VAT Sales/Commercial Invoice; for seller of services the amount of VAT-Output Tax should be 1/11 of the total amount reflected on the VAT Official Receipts.

This circular is to be given a wide publicity as possible.

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue