PROCEDURE FOR MONETIZATION AND CASH CONVERSION OF VALUE-ADDED TAX (VAT) TAX CREDIT CERTIFICATE

CUSTOMS MEMORANDUM ORDER NO. 43-2015, December 11, 2015

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Pursuant to Section 608 of the Tariff and Customs Code of the Philippines, as amended, the following procedure is hereby prescribed to facilitate the monetization and cash conversion of TCCs issued on VAT on importations.

I. OBJECTIVES

To implement the provisions of Executive Order No. 68-A, entitled Amending Executive Order 68 (s. 2012) which Established the Monetization Program of Outstanding Value-Added Tax Tax Credit Certificates; as well as Joint Circular No. 002-2014, executed among the Department of Finance (DOF), Department of Budget and Management (DBM), Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC), providing guidelines for qualified VAT-registered persons to receive the cash equivalent of their outstanding VAT TCCs, and Joint Circular No. 1-97 dated January 2, 1997;

II. COVERAGE

These rules shall cover all claims for:

1. Monetization of Import VAT and VAT Drawback TCCs, outstanding as of 31 December 2012, which were approved for monetization pursuant to EO No. 68, series of 2012, and DOF-BOC-DBM Joint Circular No. 3-2012; and

2. Cash Conversion of all other VAT TCCs outstanding as of 31 December 2012, which are not covered by the immediately preceding subsection, and VAT TCCs issued after 31 December 2012.

III. OPERATIONAL PROVISIONS

1. After due notice from BOC, holders of VAT Drawback TCCs may apply for monetization and claim the corresponding cash equivalent of outstanding VAT TCCs as of 31 December 2012, subject to existing budgeting, accounting and auditing law, rules and regulations;

2. All VAT TCC holders who wish to avail the cash conversion program may apply at the Tax Credit Secretariat (“Secretariat”) with the submission of the following documents:

a. Letter of Application

b. Original TCC;

c. Affidavit of the applicant, attesting that the TCC is authentic and that the amount thereof represents the remaining balance as of the date of the application; and

d. Secretary’s Certificate/Proof of Authority of Authorized Representative.

3. Upon submission of the complete documents needed to support the application, the Secretariat shall endorse the same to Financial Management Office (FMO) for verification of authenticity and balance of the TCC, subject of the request for cash conversion;

4. The FMO shall verify and issue a certification attesting to the authenticity of the TCC and the remaining balance thereof, in cases of partially utilized VAT TCCs, and return the docket to the Secretariat;

5. The Secretariat shall then prepare the corresponding endorsement for signature of the duly designated Tax Credit approving Authority, authorizing payment of cash. The signed resolution/endorsement authorizing payment shall be forwarded to the Accounting Division, FMO for the preparation of cash payment.

6. Within forty-five (45) calendar days from presentation of the notice referred above or submission of complete documents for cash conversion, BOC shall directly pay the amount equivalent to the outstanding balance of the TCC, net of any delinquent tax liability.

a. For notices presented or complete documentary applications submitted on or before the 15th of the month, the 45-day processing period shall commence on the 16th of the immediately following month.

b. For notice presented or complete documentary applications submitted after the 15th on the month, the 45-day processing period shall commence on the 16th of the immediately following month.

IV. MANNER OF PAYMENT

1. The release of the cash equivalent of Import VAT TCCs and Drawback TCCs shall be subject to availability of funds appropriated for the purpose.

2. The procedure in budget execution shall be subject to existing budgeting laws, rules and regulations, in consultation with the DBM. TO initiate the implementation of the monetization and cash conversion program, the procedure prescribed under Customs Memorandum Order (CMO) No. 28- 2014, on cash refund of input VAT, is hereby adopted.

V. CLEARANCE OF NO OUTSTANDING LIABILITY

1. Claimants shall be required to secure a Clearance from the Collection Service attesting that subject importer-claimant has no outstanding liability with the BOC, which Clearance shall be submitted to the Secretariat before preparation of the Endorsement authorizing payment.

2. In cases where a particular claimant has determined liability/ies as borne by the records of the Collection Service, he shall be required to settle first his liabilities before his claim for VAT refund will be processed for payment.

VII. SUBMISSION OF QUARTERLY REPORTS

It shall be the duty of Accounting Division, FMO, to prepare and submit monthly reports to the Commissioner and Tax Credit Approving Authority, on the utilization of the amounts appropriated for payment of cash refund.

VIII. EFFECTIVITY

This Order shall take effect immediately upon signing thereof.

(SGD) ALBERTO D. LINA
Commissioner

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