

ISSUANCE OF VALUE ADDED TAX (VAT) EXEMPTION CERTIFICATE TO ALL QUALIFIED EMBASSIES AND THEIR PERSONNEL.

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BACKGROUND

It has been the procedure that requests for ruling on VAT exemptions of embassies and their personnel are filed first with the Department of Foreign Affairs (DFA) before the same is transmitted to the BIR for processing and issuance of said certificate.

Pursuant to the Memorandum dated March 23, 1999 which was approved by Commissioner Beethoven L. Rualo, the function of processing the requests for VAT exemption ruling/certificate of embassies and their personnel on their purchases of goods and services in the Philippines is transferred from the Law Division to the International Tax Affairs Division.

OBJECTIVE

This Order is being issued to provide guidelines for the processing and the issuance of a VAT Exemption Certificate to all qualified embassies and their personnel on their purchases of goods and services in the Philippines.

GUIDELINES AND PROCEDURES

1. All requests for ruling on VAT exemption and/or the issuance of a VAT Exemption Certificate (VEC) to embassies for the purpose of exempting them and their personnel on the purchase of goods and services shall be filed with the Office of Protocol of the Department of Foreign Affairs (DFA) which will in turn forward the same to International Tax Affairs Division (ITAD) for appropriate action.
2. The request shall be filed preferably on the first quarter of the calendar year.
3. ITAD shall issue a VEC based on an issued BIR Ruling and under the principle of reciprocity as confirmed by the Office of Protocol of the DFA.
4. In the absence of a previous ruling exempting an embassy, a request for certification shall be treated as a request for a ruling. Once a ruling has been issued to an embassy, certification requested will be based on the issued ruling unless the ruling has been rendered ineffective.
5. The ruling exempting a particular embassy and its personnel from VAT on their purchases of goods and services in the Philippines shall be valid and effective for as long as the embassy concerned is included in the updated listing of Diplomatic missions entitled to VAT exemptions on the basis of reciprocity as prepared by the Office of the Protocol of the DFA.
6. ITAD shall issue only one VEC for the purpose of exempting the embassy and its personnel on all its transactions covered by VAT.
7. The VEC issued shall be valid and effective within the year of its issuance, and renewable, upon the application of the embassy concerned, on a yearly basis.

8. If the embassy is omitted from the list within the calendar year, such embassy is still considered exempt from VAT for the current year but no longer entitled to VAT exemption for the following year until such time said embassy appears again in the list of diplomatic missions entitled to VAT exemptions in the Philippines on the basis of reciprocity as provided by the Office of Protocol of the DFA.

EFFECTIVITY

This Order shall take effect immediately.

Adopted: 08 Oct. 1999

(SGD.) BEETHOVEN L. RUALO
Commissioner of Internal Revenue

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