

## CLARIFICATION TO REVENUE REGULATIONS NO. 14-2005, AS LAST AMENDED BY REVENUE REGULATIONS NO. 16-2005, IMPLEMENTING REPUBLIC ACT NO. 9337

REVENUE MEMORANDUM CIRCULAR NO. 6-2006, January 03, 2006

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/b828f65ec614/>

---

This Revenue Memorandum Circular (RMC) is issued in order to publish and clarify the treatment of input tax accumulated as of October 31, 2005 in relation to the 70% cap effective November 1, 2005.

Q-1 What is the treatment of input tax accumulated as of October 31, 2005 in relation to the 70% cap provided in section 4.110-7 of revenue regulations (Rev. Regs.) no. 14-2005, as last amended by Rev. Regs. no. 16-2005?

A-1 Input tax accumulated as of October 31, 2005 shall not be subject to the seventy percent (70%) cap and shall be deductible in full from output tax until it is fully utilized. In determining whether the input tax in a month or quarter exceeds the output tax subject to the 70% cap, the accumulated input tax as of October 31, 2005 shall be excluded from the computation and shall be deducted in full from the output VAT.

Q-2 ABC Corporation has the following sales/purchases for the quarter ending December 2005:

October 2005

November and December 2005

Sales

P5,000

Sales

P10,000

Purchases

4,000

Purchases

8,000

and Carried over input tax from previous quarter of p600.

How will the Value added tax for the quarter ending December 2005 be computed?

A-2 The Value-Added Tax for the quarter ending December 2005 will be computed as follows:

October 2005

Output Tax

P500

Less: Carry over Input tax

P600

Input tax

\_400

\_1,000

VAT Payable (Carry over)

P(500)

\*

\*Note: Amount represents accumulated input tax as of October 13, 2005.

November and December 2005

Output Tax

P1,000

Less : Carry over Input Tax (as of Oct. 2005)

\_500

Net Output Tax for Nov. and Dec. 2005

500

Less: Input Tax for Nov. and Dec. 2005

P800

Apply: 70% cap (70% of Net Output Tax)

\_350

\_350

Net VAT Payable

P150

Excess Input Tax (to be carried over to  
the next quarter)

P450

Q-3 DEF Corporation has the following output tax and input tax for the quarter ending December 2005:

Output Tax:

For October 2005

P1,000

For November and December 2005

2,000

Input Tax:

Accumulated as of October 31, 2005

P 500

For November and December 2005

1,000

How will the Value added tax for the quarter ending December 2005 be computed:

A-3 The Value Added Tax for the quarter ending December 2005 will be computed as follows:

October 2005

Output Tax

P1,000

Less: Input Tax (accumulated as of October 2005)

\_500

VAT Payable

P500

November and December 2005

Output tax

P2,000

Less: Input Tax

1,000

VAT Payable

P1,000

Total VAT Payable for the Quarter

P1,500

Less: VAT Payable and paid for October

\_\_500

Net VAT Payable

P1,000

Q4 - KLM Corporation has the following output and input tax:

Output tax for the quarter ending December 2005

P500

Input tax:

Accumulated as of October 31, 2005

1,000

For November and December 2005

600

Output tax for the quarter ending March, 2006

P1,000

Input tax:

For January - March 2006

500

Carried over from October 2005

500

Carried over from Nov. and Dec. 2005

600

How will the Value added tax for the quarters ending December 2005 and March 2006 be computed?

A-4 The Value Added Tax for the quarters ending December 2005 and March 2006 will be computed as follows:

Quarter ending December 2005

Output Tax

P 500

Less: October Input Tax

1,000

Unutilized Input Tax (accumulated as of October,  
for Carry over to Jan., Feb., March)

500

Add: Input Tax for November and December

\_\_\_600

Total Carry over input tax to next quarter

1,100

No tax payment is made for the quarter ending December, 2005. The 70% cap will not apply. Excess input VAT from Oct., Nov., and Dec. will be carried forward to the next quarter.

Quarter ending March 2006

Output Tax

P1,000

Less: Unutilized Input tax (as of October)

\_\_500

Net Output Tax

500

Less: Nov. and Dec. input tax

600

Jan., Feb., and March Input tax

500

Total Available Input Tax

P1,100

Apply 70% cap (70% of Net Output Tax)

\_\_350

VAT Payable

150

Carry over to April, May and June

P750

Q-5 XYZ Corporation has the following input and output tax:

Output tax for the quarter ending December 2005

P1,000

Input tax:

Accumulated as of December 31, 2005

1,000

For November and December 2005

500

How will the Value added tax for the quarter ending December 2005 be computed?

A-5 The Value Added Tax for the quarter of December 2005 will be computed as follows:

Output Tax

P1,000

Less: October Input Tax

\_1,000

VAT Payable

P 0

No tax payment is made for the quarter ending December 2005. The 70% cap will not apply. Excess input tax from November and December 2005 amounting to P500 will be carried forward to the next quarter.

Q-6 What are the requirements for the availment of the provisions under this RMC?

A-6 Taxpayers who want to avail of the provisions under this RMC must comply with the following requirements:

1. Attach copies of the immediately preceding VAT quarterly and monthly returns to the quarterly VAT returns that reflects excess input tax as of October 31, 2005 to be filed with the concerned Revenue District Office/Large Taxpayers Service's Offices;
2. Submit a sworn declaration of the correctness of the claimed accumulated input tax as of October 31, 2005; and
3. If after the initial availment of the excess input tax as of October 31, 2005, there remains unutilized input tax, taxpayers who wish to continue availing of the provisions of this RMC, shall also attach to their VAT returns for the relevant period a schedule of running balance of unutilized input tax emanating from the October 31, 2005

accumulated balance.

All internal revenue officers and employees are hereby enjoined to give this Revenue Memorandum Circular as wide a publicity as possible.

Adopted: 3 Jan. 2006

(SGD.) JOSE MARIO C. BUÑAG  
Commissioner of Internal Revenue

**ABOUT BATAS.ORG**

# Study smarter at BATAS.org

*The Philippine bar review and law-school companion built around how your brain actually remembers.*

**The complete Philippine law library - free for everyone.**

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

**Audio case-brief lectures.**

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

**Bar review built on the science of memory.**

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

**The full law-school curriculum.**

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

**Mock exams that tell you where you stand.**

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

**A study planner that keeps you on pace.**

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

**Start free at <https://batas.org>**

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.