RULES, GUIDELINES AND PROCEDURES FOR THE IMPLEMENTATION OF SECTION 14 OF THE GENERAL PROVISIONS OF REPUBLIC ACT 6831, AUTOMATICALLY APPROPRIATING PAYMENTS OF NATIONAL INTERNAL R...

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I
PURPOSE

This Circular is issued to prescribe the rules, guidelines and procedures relative to the implementation of Section 14 of the General Provisions of R.A. 6831, the General Appropriations Act of 1990 quoted as follows:

> "National Internal Revenue Taxes, and Import Duties of National and Local Government Agencies. National internal revenue taxes and import duties payable by national government agencies to the National Government as well as customs duties and taxes for the importation of equipment by local government units, are deemed automatically appropriated. The amounts pertaining to such taxes and duties shall be considered as revenue and expenditure of the government."

II
DEFINITION OF TERMS

For purposes of this Circular, the following terms used shall be construed to mean as follows:

> NATIONAL GOVERNMENT AGENCIES (NGAs) — shall refer to the Judiciary, the Senate and the House of Representatives, Constitutional Commissions, departments, bureaus, offices, other commissions and all other national government agencies, including state universities and colleges, schools, hospitals and sanitaria.
>
> LOCAL GOVERNMENT UNITS (LGUs) — shall refer to municipal, city, and provincial governments.
>
> NATIONAL INTERNAL REVENUE TAXES — any form of imposition under the National Internal Revenue Code excluding interests, surcharges and penalties.
>
> CUSTOMS DUTIES — any levy on imported goods under the Tariff and Customs Code.
>
> APPROPRIATION — a legislative authorization to pay out of government funds under specific conditions or for specific purposes.
>
> IMPORTATIONS — the bringing in of goods or commodities in any form acquired from any foreign country by a government entity out of its appropriation or financed by a grant, donation and/or loan.
>
> GRANTS/DONATIONS — assistance, in cash or in kind, received from foreign governments, international and local agencies or organizations, private entities or individuals, covered by grant agreements, Memorandum of Understanding, Exchange of Notes/Deed of Donation between the donor-entity and the donee-government unit to finance specific projects or procurement of goods without any obligation on the part of the recipient to pay.
>
> LOAN PROCEEDS — receipts, whether in cash or in kind, covered by loan agreements between national government agency/local government unit and a creditor to finance specific projects or procurement of goods which are to be repaid in accordance with the terms and conditions stipulated in the loan agreement.

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OTHER FEES AND CHARGES — all other forms of fees and charges other than those covered by the National Internal Revenue Code and the Tariff and Customs Code.

REVENUE COLLECTING AGENCY (RCA) — shall refer to either the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC).

III
COVERAGE

A. This Circular covers only: (a) customs duties and taxes due on all importations by NGAs; (b) customs duties and taxes due on equipment importations by LGUs; and (c) documentary stamp taxes due from the Bureau of the Treasury (BTRs) on Treasury Bills and Treasury Notes.

B. Only importations which are made in pursuance of functions and programs of government entities, and which are duly authorized by the Central Bank, the Department of Trade and Industry and/or other government entities empowered to regulate importations of certain goods are covered by this Circular.

C. This Circular does not cover government-owned or controlled corporations, the Armed Forces of the Philippines Commissary Exchange Service, and the Philippine Constabulary/Integrated National Police Store Service System (AFPCES, PC/INP SSS). These entities are eligible for tax subsidy under the provision of Tax Expenditures Subsidy, Item XLVI, pages 1160 and 1161 of R.A. 6831.

IV
GENERAL GUIDELINES

A. All National Government Agencies (NGAs) as well as Local Government Units (LGUs) shall be liable for all forms of national internal revenue taxes and customs duties arising out of transactions subject to assessment by the Bureau of Internal Revenue or the Bureau of Customs.

B. For NGAs, national internal revenue taxes and customs duties to be settled under this Circular shall include only those imposed on: (1) duly authorized importations funded out of appropriations of national government agencies; (2) acquisitions through grants, donations, and loan proceeds; and (3) Treasury Bills and Treasury Notes issued by the Bureau of the Treasury.

C. All other fees and charges not covered by this Circular shall be borne by the NGA or the LGU out of its own regular budget.

D. NGAs and LGUs shall not be required to pay in cash or in kind their obligations for internal revenue taxes and customs duties covered by this Circular

E. Taxes being withheld by national government agencies and local government units are not covered by this Circular. Such withheld taxes shall be promptly remitted to the BIR in accordance with existing rules and regulations.

F. The internal revenue taxes and customs duties generated by the BIR or the BOC as a result of the issuance of these Advices of Allotment (AAs) shall be reflected separately and clearly in the report of actual income being submitted monthly by these RCAs.

V
SPECIFIC PROCEDURAL GUIDELINES

A
For National Government Agencies

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1. For importations done thru grant, donation or loan proceeds not requiring commercial importation, the following procedures, as illustrated in Annex A, shall be observed.

a. At least ten (10) working days prior to the arrival of the non-commercially imported goods, the NGA shall submit to the BOC-Collection Service the original copy of the Certification of Official Importations (Form 1), duplicate copy furnished the DBM. This shall be supported by the original copy of the Bill of Lading and all other documentations required by the BOC establishing the authority for and the authenticity of the importation. All grants and donations shall be supported by a deed of donation from the donor entity and a deed of acceptance from the recipient-NGA.

b. Upon arrival of shipment and completion of documentation by the NGA, the BOC-Collection Service shall cause the release of the imported goods. If the NGA has an unsettled obligation with BOC relative to importations made more than two months prior to the current importation, the imported goods shall be withheld. The NGA must see to it that outstanding obligations on importations undertaken during the first semester of 1990 are settled by 30 September 1990.

c. The RCA shall issue the Statement of Account/Assessment Notice to the NGA, within ten (10) working days after the end of each month, in four (4) copies to be distributed as follows:

Original - NGA
Duplicate - BTr - National Cash Accounting Division
Triplicate - DBM - Budget Control Staff
Quadruplicate - RCA file copy

d. Within ten (10) working days after the end of each month, the NGA shall prepare a monthly Report of Taxes and Duties Payable (RTDP), Form 2, based on the Statements of Accounts issued by RCAs, in four (4) copies to be distributed as follows:

Original - DBM - Budget Control Staff
Duplicate - BTr - National Cash Accounting Division.
Triplicate - RCA
Quadruplicate - NGA file copy

e. Upon completion of the RTDP, the NGA shall request for the issuance of Advice of Allotment (AA) from the DBM, supported by the original copy of RTDP and a compilation of Statements of Accounts/Assessment Notices issued by the RCA.

f. Within ten (10) working days from receipt of the request at the DBM-Central Records Division, the DBM shall issue to the NGA the necessary AA corresponding to the verified amount indicated in the RTDP. Such issuance of an AA does not require a covering Notice of Cash Allocation. Instead, a Notice of Non-Cash Availment Authority (NCAA) shall be issued to the NGA.

g. Upon receipt of the approved AA from the DBM, the NGA shall record the amount as an agency expenditure. It shall prepare a Journal Voucher (JV) based on the NCAA issued by the DBM to liquidate the obligation, copy furnished the BTr-NCAD.

h. Within ten (10) working days upon receipt of a copy of the agency JV, the BTr-NCAD shall issue a JV debiting the account of the NGA and crediting the account of the RCA.

i. Upon receipt of the NCAD JV, the RCA Chief Accountant shall record the income in the RCA's books.

2. For commercial importations of NGAs, the following procedures, as illustrated in Annex B, shall be observed.

a. At least ten (10) working days prior to the opening of the Letter of Credit, the NGA shall submit to the

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BOC-Collection Service the original copy of the Certification of Official Importation (Form 1), duplicate copy furnished the DBM. This shall be supported by a copy of valid authority to import and other documentations required to establish the authority for and the authenticity of the importation.

b. Upon presentation of complete documentation required, the BOC-Collection Service shall issue, within five (5) working days, a waiver of the required advance deposit for customs duties and taxes.

c. After the Letter of Credit has been opened, the procedures contained in 5.1.1.2 to 5.1.1.9 shall be observed.

3. For the settlement of documentary stamp tax obligations of the BTr arising from issuance of Treasury Bills and Treasury Notes, the following procedures shall be observed:

a. Within ten (10) working days after the end of each quarter, the BTr shall request for BIR billing based on the statement issued by the Central Bank of the Philippines on the documentary stamp taxes due from the BTr.

b. Within ten (10) working days upon receipt of BTr's request, the BIR shall issue the Statement of Documentary Stamp Taxes Payable in four (4) copies to be distributed as follows:

Original - BTr -Domestic Debt Management Division
Duplicate - BTr - National Cash Accounting Division
Triplicate - DBM - Budget Control Staff
Quadruplicate - BIR file copy

c. Within ten (10) working days after the receipt of the Statement of Documentary Stamp Taxes Payable from the BIR, the BTr shall request for the issuance of Advice of Allotment from the DBM. This shall be supported by the statement issued by the BIR.

d. From the issuance of the AA, the same procedures as contained in 5.1.1.6 to 5.1.1.9 shall be observed.

B
For Local Government Units

1. For equipment importations done thru grant, donation or loan proceeds not requiring commercial importation, the following procedures, as illustrated in Annex A, shall be observed.

a. At least ten (10) working days prior to the arrival of the non-commercially imported equipment, the LGU shall submit to the BOC-Collection Service the original copy of the Certification of Official Importation (Form 1), duplicate copy furnished the DBM. This shall be supported by the original copy of the Bill of Lading and all other documentations required by the BOC establishing the authority for and the authenticity of the importation. All grants and donations shall be supported by a deed of donation from the donor entity and a deed of acceptance from the donee LGU.

b. Upon arrival of shipment and completion of documentation by the LGU, the BOC-Collection Service shall cause the release of the imported equipment. If the LGU has an unsettled obligation with BOC relative to importations made more than two months prior to the current importation, the imported equipment shall be withheld. The LGU must see to it that outstanding obligations on importations undertaken during the first semester of 1990 are settled by 30 September 1990.

c. The BOC shall issue the Statement of Account/Assessment Notice to the LGU within ten (10) working days after the end of each month, in four (4) copies to be distributed, as follows:

Original - LGU
Duplicate - BTr - Treasury Miscellaneous Accounting Division (TMAD)
Triplicate - DBM - Budget Control Staff
Quadruplicate - BOC-Collection Service file copy

d. Within ten (10) working days after the end of each month, the LGU shall prepare a monthly Report of Taxes and Duties Payable (RTDP), Form 2, based on the Statement of Accounts issued by RCAs in four (4) copies to be distributed, as follows:

Original - DBM - Budget Control Staff
Duplicate - BTr – Treasury Miscellaneous Accounting Division (TMAD)
Triplicate - BOC - Collection Service
Quadruplicate - LGU file copy

e. Upon completion of the RTDP, the LGU shall request for the issuance of Advice of Allotment from the DBM supported by the original copy of the RTDP and a compilation of Statements of Accounts/Assessment Notices issued by the RCAs.

f. Within ten (10) working days upon receipt of the request at the DBM-Central Records Division, the DBM shall issue to the LGU thru the Bureau of Treasury, the necessary AA corresponding to the verified amount indicated in the RTDP. Such issuance of an AA will not require a covering Notice of Cash Allocation. Instead, a Notice of Non-Cash Availment Authority (NCAA) shall be issued to the LGU thru the BTr.

g. The BTR-TMAD shall record the release of allotment and incurrence of obligation. It shall prepare a JV to liquidate the allotment, copy furnished BTr-NCAD and the LGU. BTr-NCAD, upon receipt of the BTr-TMAD JV shall issue a JV debiting the account of BTr-TMAD and crediting the account of the RCA.

h. The RCA Chief Accountant, upon receipt of the TMAD's JV, shall record the income in the RCA's books.

i. Based on the JV issued by the BTr-TMAD, the LGU shall record the amount of AA as both income and expense.

2. For Commercial importations of LGUs, the following procedures, as illustrated in Annex B, shall be observed.

a. At least ten (10) working days prior to the opening of the Letter of Credit, the LGU shall submit to the BOC-Collection Service the original copy of the Certification of Official Importation (Form 1), duplicate copy furnished the DBM. This shall be supported by documentations required by the BOC establishing the authority for the authenticity of the importation.

b. The BOC-Collection Service shall issue a waiver of the required advance deposit for customs duties and taxes.

c. After the Letter of Credit has been opened, the procedures contained in 5.2.1.2 to 5.2.1.9 shall be observed.

VI
Accounting Requirements

Pertinent accounting entries for transactions relating to above procedures shall be recorded in accordance with the Circular/Guidelines which may be issued by the Commission on Audit for the purpose.

VII
Sanctions

The head of agency or chief local executive, who, by fault or negligence, fraudulently misrepresents importations as official, is liable to the appropriate penalties provided by law, either administratively or criminally or both.

VIII
Repealing Provisions

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All pertinent issuances and other existing rules and regulations inconsistent with this Circular are hereby amended or repealed accordingly.

IX
Effectivity

This Circular shall take effect January 1, 1990

Adopted: 8 Jan. 1990

(SGD.) JESUS P. ESTANISLAO
Secretary

(SGD.) GUILLERMO N. CARAGUE
Secretary

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