DEPARTMENT OF FINANCE
DEPARTMENT OF BUDGET AND MANAGEMENT
BUREAU OF CUSTOMS
& BUREAU OF INTERNAL REVENUE

JOINT CIRCULAR NO. 2014

Section 1. Purpose

Pursuant to Executive Order No. 68-A, Series of 2014, amending Executive Order No. 68, Series of 2012, providing for the establishment of a mechanism for qualified Value-Added Tax (VAT)-registered persons to receive the cash equivalent of their outstanding VAT Tax Credit Certificates (TCCs), the following implementing guidelines are hereby prescribed:

Section 2. Definition of Terms

As used in this Circular, the following words shall be understood as follows.

A. VAT TCC – refers to any of the following tax credit certificates issued in accordance with existing laws and regulations to the taxpayer named therein, acknowledging that the grantee-taxpayer named therein is entitled to a tax credit:

   i. Import VAT TCC – VAT TCC issued solely by the Bureau of Customs (BOC) pursuant to Section 112 of the National Internal Revenue Code of 1997 (NIRC), as amended.

   ii. VAT Drawback TCC - TCC issued jointly by the BOC and the One-Stop Shop Inter-Agency Tax Credit and Duty Drawback Center (DOF-Center) pursuant to Section 106(e) of Presidential Decree No. 1464, or the Tariff and Customs Code of the Philippines, as amended (TCCP).

   iii. VAT TCC issued solely by the Bureau of Internal Revenue (BIR) pursuant to Section 112 of the NIRC.

   iv. VAT TCC issued jointly by the BIR and the DOF-Center pursuant to Section 112 of the NIRC.

B. Monetization – refers to the mechanism of granting the cash equivalent of VAT TCCs under Section 3(A) of this Joint Circular.
C. Cash Conversion - refers to the mechanism of granting the cash equivalent of VAT TCCs under Section 3(B) of this Joint Circular.

D. Revalidation - refers to the one-time extension of the validity period of TCCs prior to their expiration at the end of the fifth (5th) year from the date of issue of the original TCC

Section 3. Coverage

A. The following VAT TCCs are qualified for monetization:

i. VAT TCCs for which the BIR has issued the corresponding Notices of Payment Schedule (NPS) pursuant to Executive Order No. 68, series of 2012, and DOF-BIR-DBM Joint Circular No. 2-2012; and

ii. VAT Drawback TCCs approved for monetization by the BOC pursuant to Executive Order No. 68, series of 2012, and DOF-BOC-DBM Joint Circular No. 3-2012.

B. The following VAT TCCs are qualified for cash conversion, notwithstanding the existing administrative regulations, guidelines or conditions prohibiting or restricting the cash conversion of VAT TCCs:

i. All other VAT TCCs outstanding as of 31 December 2012 which are not covered by the immediately preceding subsection "A" and

ii. VAT TCCs issued after December 31, 2012.

Section 4. Monetization of VAT TCCs with BIR-Issued Notice of Payment

A. Holders of NPS may present the same to the BIR for payment at any time, on or before the maturity dates indicated thereon.

B. Upon presentation of the NPS to the BIR by the NPS holder or his authorized representative, the BIR shall pay the amount indicated thereon in accordance with existing budgeting, accounting and auditing law, rules and regulations.

C. To expedite the implementation of the VAT TCC Monetization Program, the BIR shall, within ten (10) days from date of effectivity of this Joint Circular, send official communications advising holders of NPS of the privilege provided in Section 4(A) hereof.

D. Within forty-five (45) calendar days from the presentation of the NPS, the BIR shall directly pay the amount equivalent to the total face value of said
NPS, net of any delinquent tax liability, to the account of the NPS holder, pursuant to the Modified Disbursement Payment System (MDPS) of the government.

i. For NPS presented on or before the 15th of the month, the 45-day processing period shall commence on the first day of the immediately following month, and;

ii. For NPS presented after the 15th of the month, the 45-day processing period shall commence on the 16th of the immediately following month.

Section 5. Monetization of Import VAT-TCCS and VAT Drawback TCCs

A. The BOC shall, within ten (10) days from date of effectivity of this Joint Circular, send written notices advising holders of Import VAT TCCs and VAT Drawback TCCs qualified for monetization under Section 3(A) (ii) hereof that the corresponding cash equivalent thereof may be claimed from the BOC, subject to existing budgeting, accounting and auditing law, rules and regulations.

B. Qualified import VAT TCC holders are given one (1) year from receipt of such notice to claim payment from the BOC.

C. Within forty-five (45) calendar days from the presentation of the notice referred to in Section 5 (A), the BOC shall directly pay the amount equivalent to the outstanding balance of the TCC, net of any delinquent tax liability, to the account of the TCC holder, pursuant to MDPS of the government.

i. For notices presented on or before the 15th of the month, the 45-day processing period shall commence on the first day of the immediately following month, and;

ii. For notices presented after the 15th of the month, the 45-day processing period shall commence on the 16th of the immediately following month.

Section 6. Cash conversion of VAT TCCs

A. Where to File. – Applications for cash conversion of Import VAT TCCs and Drawback VAT TCCs shall be filed directly with the BOC. Applications for cash conversion of all other VAT TCCS shall be filed directly with the BIR.

B. Documentary Requirements. – An application under the Program shall be deemed complete if accompanied by the following documents:
a. Letter of Application;

c. Original TCC;

d. Proof of authority of representative: (a) secretary’s certificate on the board resolution designating the TCC holder’s authorized representative in the case of corporations, and (b) special power of attorney in the case of partnerships and sole proprietorships; and;

d. For import VAT and VAT Drawback TCCs, a certification from the BOC Collection Service that the applicant has no tax and/or duty liabilities or a Statement of the outstanding account, as the case may be.

C. Evaluation of the Application – Applications shall be evaluated against the following criteria:

a. That the TCC was duly issued by the government;

b. That there is no tampering on the certificate;

c. That the requesting party is the rightful TCC owner;

d. That the TCC is not yet expired; and

e. That the TCC has remaining creditable/outstanding balance.

D. Period within which to issue payment. – Within forty-five (45) calendar days from the filing of the application, the BIR or BOC, as the case may be shall pay the amount equivalent to the outstanding balance of the TCC, net of any delinquent tax liability, to the account of the TCC holder, pursuant to MDPS of the government.

i. For applications filed on or before the 15th of the month, the 45-day processing period shall commence on the first day of the immediately following month, and;

ii. For applications filed after the 15th of the month, the 45-day processing period shall commence on the 16th of the immediately following month

Section 7. Duties and Responsibilities

The following departments and offices shall have the following duties and responsibilities:

A. The Department of Budget and Management (DBM) shall ensure that the necessary funding requirement for the monetization program of outstanding VAT TCCs is included in the over-all expenditure program of the Government and reflected in the respective special provisions under the BIR and BOC based on a request made by the Department
of Finance (DOF) as to the outstanding amount required to pay the
cash value of the TCCs.

Thereafter, the DBM shall release the said amounts upon request of
the BIR or BOC with supporting documents, subject to pertinent
budgeting, accounting and auditing laws, rules and regulations.

B. The BIR or the BOC shall verify the outstanding VAT TCCs and
existence of tax liabilities.

Section 8. Rights of TCC Holders

Any holder of a covered VAT TCC who fails or does not intend to avail of
the provisions hereof shall retain the right to:

A. Credit his VAT TCCs against tax and/or duty liabilities in accordance
with existing rules on TCC utilization;

B. Apply, subject to conditions of law and pertinent rules and regulations,
for VAT- TCC revalidation under Section 230(B) of the NIRC.

Section 9. Non-Issuance of VAT TCCs by BIR and BOC

Upon the effectivity of EO 68-A, the BIR and the BOC shall no longer
issue VAT TCCs, unless applied for by the VAT taxpayer, pursuant to
Section 112 (A) of the NIRC or Section 106 (e) of the TCCP, in which
case, taxpayers who apply for, and are issued, VAT TCCs may apply for
cash conversion.

Section 10. Internal Procedures

The BIR and BOC shall issue their respective memorandum orders setting
forth in detail the responsible offices/units/officers and their respective
duties and responsibilities within the scope of this Joint Circular.

Section 11. Reporting

The BIR and BOC shall regularly submit reports to COA of all
transactions relative to the monetization and cash conversion of
outstanding TCCs pursuant to existing rules and regulations.

Section 12. Repealing Clause

All issuances, rules and regulations, or parts thereof, which are
inconsistent with this Joint Circular, are hereby repealed, amended or
modified accordingly.
Section 13. Separability

In case any provision of this Joint Circular is declared unconstitutional or contrary to law, other provisions which are not affected thereby shall continue to be in force and in effect.

Section 14. Effectivity

This Joint Circular shall take effect fifteen (15) days from its publication in the Official Gazette and in at least two newspapers of general circulation.

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