REVENUE MEMORANDUM CIRCULAR NO. 73-2004 issued on November 26, 2004 provides the policies and guidelines on assessing and collection of the Value-Added Tax (VAT) or Percentage Tax liabilities, as the case may be, of pawnshops prior to January 1, 2005, and matters relating to the change of registration of pawnshop effective January 1, 2005.

Pawnshops shall be allowed to settle its VAT for tax years 1996 to 2002 in accordance with the provisions of and under the conditions contained in Revenue Memorandum Circular (RMC) No. 37-2004 up to December 15, 2004. Thereafter, pawnshops shall no longer be allowed to settle their VAT liability for tax years 1996 to 2002 under the terms and conditions set forth in the said RMC. Thereafter, all BIR Revenue Officers are instructed to apply the full force of the law on such pawnshops who did not avail of the compromise provided therein, and to collect the full amount of tax due and the increments thereto.

All sales of services and goods of pawnshop for tax years 2003 to 2004 are subject to VAT. Provided, however, if the pawnshops’ gross annual sales and/or receipts do not exceed the amount of Five Hundred Fifty Thousand Pesos (P 550,000.00), then they shall be subject to Percentage Tax of 3%.

Starting January 1, 2005, all sales of services and goods of pawnshops shall be subject to Gross Receipt Tax (GRT) as provided for in Section 122 of the National Internal Revenue Code (NIRC) of 1997, as amended by Republic Act No. 9238.

All affected VAT-registered pawnshops are required to update their corresponding registration records by filing the necessary registration update forms (BIR Form No. 1905) converting their status from VAT-registered taxpayer to that of Non-VAT taxpayer on or before January 30, 2005.

Taxpayers who change status from VAT to Non-VAT as a result of Revenue Regulations No. 10-2004 shall be required to submit on or before January 30, 2005 to the BIR office having jurisdiction over them an inventory of unused VAT invoice/receipts as of December 31, 2004, indicating the number of booklets and its corresponding serial numbers.

Starting January 1, 2005, pawnshops must be issuing Non-VAT invoices/receipts. For this purpose, pawnshops shall be allowed to use up to March 31, 2005 unused VAT receipts included in their inventory of unused VAT receipts as of December 31, 2004, provided they are clearly stamped with the word “Non-VAT receipt” and countersigned by a duly authorized officer of the pawnshop-taxpayer. The cost of unused VAT invoices/receipts, as listed in the inventory submitted, shall be allowed as an Income Tax deduction for taxable year 2004.

Advance payments received on or before December 31, 2004 where the services thereof are to be rendered after such date shall not be considered as income earned beginning January 1, 2005 subject to GRT considering that the same has already been subjected to VAT in the previous year. On the other hand, services rendered prior to December 31, 2004, the considerations of which were received thereafter and therefore not reflected in any VAT return filed, shall be subject to GRT.

Excess input tax credits of taxpayers whose status has changed from VAT to Non-VAT taxpayers shall be governed by Section 112 of the NIRC.