REVENUE MEMORANDUM CIRCULAR NO. 10-2004 issued on February 23, 2004 provides the manner by which government agencies and/or instrumentalities shall treat transactions subject to the Value-Added Tax (VAT) prior to the publication of Republic Act (RA) No. 9238 last February 16, 2004.

Banks and non-bank financial intermediaries shall not deduct from their VAT liability nor their gross receipt tax the VAT collected from government agencies and instrumentalities for which the latter have deducted and withheld the VAT at the rate of 6% on gross receipts for services rendered, and remitted the same to the Bureau.

However, the Bureau shall refund the VAT charged by the banks and/or non-bank financial intermediaries to the said government agencies and/or instrumentalities upon application of the latter, and upon proof that the amount required to be withheld and remitted to the Bureau have actually been remitted to and collected by the Bureau. The request for refund should be received by the BIR on or before April 30, 2004 for transactions entered into in January 2004, and May 31, 2004 for transactions entered into in February 2004.

Banks and/or non-bank financial intermediaries shall be allowed to file its VAT return and pay the VAT due for transactions entered into in January 2004 on or before February 25, 2004, without being subjected to the surcharge, penalty and interest which may be due for late filing and payment.

The treatment of inter-bank financial transactions entered into for the months in 2004 prior to the publication of RA No. 9238 are likewise specified in the Circular.