REVENUE MEMORANDUM CIRCULAR NO. 8-2006 issued on February 1, 2006 clarifies certain issues relating to the implementation of the increase in the Value-Added Tax (VAT) rate from 10% to 12% pursuant to Republic Act No. 9337.

Amounts due on sale of services rendered on or before January 31, 2006, payments of which are received on or after February 1, 2006, shall be considered as accrued as of January 31, 2006 subject to the following conditions:

a. Taxpayer files an Information Return on or before February 28, 2006 showing the name(s) of the contractor(s), client(s), customer(s) and the amount(s) of the contract price earned and outstanding as of January 31, 2006 and containing a declaration of the obligation to pay the applicable rate of VAT, if any;

b. The seller billed the unpaid amount not later than January 31, 2006 and a copy of such billing is attached to the Information Return required;

c. The seller has recorded in his books of accounts the amount receivable as of January 31, 2006.

Failure to comply with these conditions shall automatically subject the gross receipts received on or after February 1, 2006 to the 12% VAT.

Taxpayers who are unable to immediately adjust their Cash Register Machine/Point-of-Sales (CRM/POS) Systems to account for the 12% VAT shall be required to issue manual invoices/official receipts which will reflect the output VAT at 12%.

If the taxpayer is unable to issue manual invoices/official receipts to reflect the 12% output VAT and therefore imperatively or optionally continue to use the CRM/POS System with program for VAT rate at still 10% output VAT, said transactions are already subject to the 12% output VAT even if the amount of VAT shifted to customers is only 10%. The amount of input VAT that the buyer may claim is the amount of output VAT separately billed by the seller in the manual invoice or official receipt, whichever is applicable, issued to the buyer.

Immediately upon the effectivity of the 12% output VAT, taxpayers using CRM/POS machines should reconfigure the machines’ program to reflect and show separately the 12% output VAT.