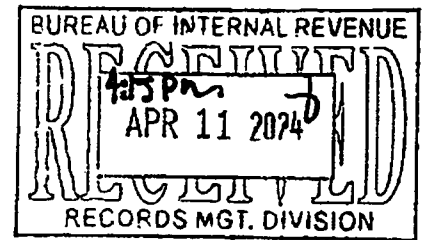




REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE  
National Office Building  
Quezon City



MAR 22 2024

REVENUE REGULATIONS NO. 3 -2024

**SUBJECT:** Implementing the Amendments Introduced by Republic Act No. 11976, Otherwise Known as the "Ease of Paying Taxes Act", on the Relevant Provisions of Title IV – Value-Added Tax (VAT) and Title V – Percentage Tax of the National Internal Revenue Code of 1997, as amended (Tax Code)

**TO:** All Internal Revenue Officers and Others Concerned

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**SECTION 1. Scope.** – Pursuant to the provisions of Sections 244 and 245 of the Tax Code, in relation to Section 47 of Republic Act (RA) No. 11976, otherwise known as the "Ease of Paying Taxes (EOPT) Act", these Regulations are hereby promulgated to implement the amendments on VAT and Percentage Tax provisions.

**SECTION 2. Amendments.** – The following words, phrases, or actions shall now be uniformly applied to the provisions affected under Revenue Regulations (RR) No. 16-2005 and its subsequent amendments:

- (A) **Gross Sales.** – The EOPT Act adopts the accrual basis of recognizing sales for both sales of goods and services, including transactions to government or any of its political subdivisions, instrumentalities or agencies, and government-owned or -controlled corporations (GOCCs). Hence, all references to "gross selling price", "gross value in money", and "gross receipts" shall now be referred to as the "GROSS SALES", regardless of whether the sale is for goods under Section 106, or for services under Section 108 of the Tax Code.
- (B) **Invoice.** – Inasmuch as there is a shift from cash basis to accrual basis for sale of service, the EOPT Act mandates a single document for both sales of goods and services. Hence, all references to **Sales/Commercial Invoices or Official Receipts** shall now be referred to as "INVOICE".
- (C) **Billings for sales of service on account.** – With the shift from cash basis to accrual basis for sale of service, all references to **receipts or payments** which was previously the basis for the recognition of sales of service under Title IV (Value-Added Tax) and Title V (Percentage Tax) of the Tax Code, shall now be referred to as "BILLING" or "BILLED", whichever is applicable.

(D) **VAT-exempt threshold.** – The EOPT Act re-introduced the regular updating of the VAT-exempt threshold every three (3) years pursuant to Section 109(CC), in relation to Section 116 of the Tax Code. Hence, all provisions mentioning the VAT-exempt threshold of three million pesos (P3,000,000.00) shall now be read as “the amount of VAT threshold herein stated shall be adjusted to its present value every three (3) years using the Consumer Price Index (CPI), as published by the Philippine Statistics Authority (PSA)”.

(E) **Filing and payment.** – The filing of tax return shall be done **electronically** in any of the available electronic platforms. However, in case of unavailability of the electronic platforms, manual filing of tax returns shall be allowed. For tax payment with corresponding due dates, the same shall be made **electronically** in any of the available electronic platforms or **manually** to any AABs and RCOs.

**SECTION 3. Specific Amendments to Sale or Exchange of Service Under Section 108 of the Tax Code.** – Sections 4.108-1, 4.108-4, and 4.108-6 of RR No. 16-2005, as amended, shall now be read as follows:

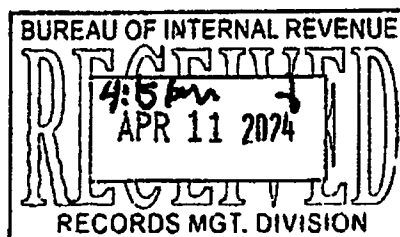
**“SEC. 4.108-1. VAT on the Sale of Services and Use or Lease of Properties.** – Sale or exchange of services, as well as the use or lease of properties, as defined in Section 108(A) of the Tax Code shall be subject to VAT, equivalent to twelve percent (12%) of the gross sales (excluding VAT).”

**“SEC. 4.108-4. Definition of Gross Sales.** – ‘Gross sales’ refers to the total amount of money or its equivalent representing the contract price, compensation, service fee, rental or royalty, including the amount charged for materials supplied with the services during the taxable period for the services performed for another person, which the purchaser pays or is obligated to pay to the seller in consideration of the sale, barter, or exchange of services that has already been rendered by the seller and the use or lease of properties that have already been supplied by the seller, excluding VAT and those amounts earmarked for payment to third (3rd) party or received as reimbursement for payment on behalf of another which do not redound to the benefit of the seller as provided under relevant laws, rules or regulations: Provided, that for long-term contracts for a period of one (1) year or more, the invoice shall be issued on the month in which the service, or use or lease of properties is rendered or supplied.”

**“SEC. 4.108-6. Allowable Deductions from Gross Selling Price.** – In computing the taxable base during the quarter, the following shall be allowed as deductions from gross sales:

(a) The value of services rendered for which allowances were granted by a VAT-registered person during the quarter in which a refund is made or a credit memorandum of refund is issued.

(b) Sales discount granted and indicated in the invoice at the time of sale and the grant of which is not dependent upon the happening of a future event may be excluded from the gross sales within the same quarter it was given.”



**SECTION 4. *Specific Amendments to VAT-Exempt Transactions.*** – Section 4.109(B)(cc) of RR No. 16-2005, as amended, shall now be read as follows:

**“SEC. 4.109. *VAT-Exempt Transactions.*** –

xxx      xxx      xxx

**(B) Exempt transactions.** – The following transactions shall be exempt from VAT:

xxx      xxx      xxx

(cc) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales do not exceed the amount of Three Million Pesos (P3,000,000.00); provided, that the amount herein stated shall be adjusted to its present values using the CPI, as published by the PSA every three (3) years.

Self-employed individuals and professionals availing of the 8% tax on gross sales and other non-operating income, under Sections 24(A)(2)(b) and 24(A)(2)(c)(2)(a) of the Tax Code shall also be exempt from the payment of twelve (12%) VAT.

xxx      xxx      xxx”

**SECTION 5. *Specific Amendments to Tax Credits.*** – Section 4.110-9 of RR No. 16-2005, as amended, is hereby added for the output VAT credit on uncollected receivables:

**“SEC 4.110-1. *Credits for Input Tax.*** – xxx      xxx      xxx

xxx      xxx      xxx

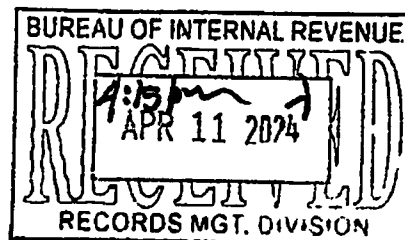
**SEC. 4.110-9. *Output VAT Credit on Uncollected Receivables.*** – A seller of goods or services may deduct the output VAT pertaining to uncollected receivables from its output VAT on the next quarter, after the lapse of the agreed upon period to pay: *Provided that*, the seller has fully paid the VAT on the transaction: *Provided further*, that the VAT component of the uncollected receivables has not been claimed as allowable deduction under Section 34(E) of the Tax Code.

**Uncollected Receivable** refers to sales of goods and/or services on account that transpired upon the effectivity of these Regulations which remain uncollected by the buyer despite the lapse of the agreed period to pay.

To be entitled to VAT credit, the following requisites must be present:

1. The sale or exchange has taken place after the effectivity of these Regulations;
2. The sale is on credit or on account;
3. There is a written agreement on the period to pay the receivable, i.e. credit term is indicated in the invoice or any document showing the credit term;

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4. The VAT is separately shown on the invoice;
5. The sale is specifically reported in the Summary List of Sales covering the period when the sale was made and not reported as part of "various" sales;
6. The seller declared in the tax return the corresponding output VAT indicated in the invoice within the period prescribed under existing rules;
7. The period agreed upon, whether extended or not, has elapsed; and
8. The VAT component of the uncollected receivable was not claimed as a deduction from gross income (i.e. bad debt).

In case of recovery of uncollected receivables, the output VAT pertaining thereto shall be added to the output VAT of the taxpayer during the period of recovery.

These rules do not amend the conditions on the deductibility of bad debts expenses in the income tax returns as provided in RR No. 25-02."

**SECTION 6. *Specific Amendments to Claims for Refund/Tax Credit Certificate of Input Tax.*** – The entire Section 4.112-1 of RR No. 16-2005, as amended, is hereby amended to read as follows:

**"SEC. 4.112-1. *Claims for Refund/Tax Credit Certificate of Input Tax.* –**

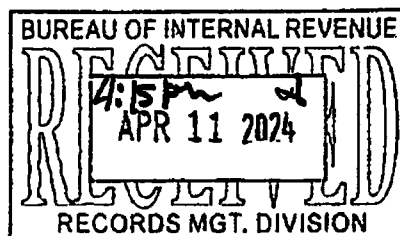
**(a) Zero-rated and Effectively Zero-rated Sales of Goods, Properties or Services**

A VAT-registered person whose sales of goods, properties or services are zero-rated or effectively zero-rated may apply for the issuance of a tax refund of input tax attributable to such sales. The input tax that may be subject of the claim shall exclude the portion of input tax that has been applied against the output tax. The application should be filed within two (2) years after the close of the taxable quarter when such sales were made.

In case of zero-rated sales under Secs. 106(A)(2)(a)(1) and (3), Secs. 108(B)(1) and (2) of the Tax Code, the payments for the sales must have been made in acceptable foreign currency duly accounted for in accordance with the BSP rules and regulations.

Where the taxpayer is engaged in both zero-rated or effectively zero-rated sales and in taxable (including sales subject to final withholding VAT) or exempt sales of goods, properties or services, and the amount of creditable input tax due or paid cannot be directly and entirely attributed to any one of the transactions, only the proportionate share of input taxes allocated to zero-rated or effectively zero-rated sales can be claimed for refund or issuance of a tax credit certificate.

In the case of a person engaged in the transport of passenger and cargo by air or sea vessels from the Philippines to a foreign country, the input taxes shall be allocated ratably between his zero-rated sales and non-zero-rated sales (sales subject to regular rate, subject to final VAT withholding and VAT-exempt sales).



**(b) Cancellation of VAT registration**

A VAT-registered person whose registration has been cancelled due to retirement from or cessation of business, or due to changes in or cessation of status under Sec. 106(C) of the Tax Code may, within two (2) years from the date of cancellation, apply for the issuance of tax credit certificate or cash refund for any unused input tax which he may use in payment of his other internal revenue taxes or apply for refund for any unused input tax: *Provided, however*, that the taxpayer-claimant shall be entitled to a refund if it has no internal revenue tax liabilities against which the tax credit certificate may be utilized: *Provided further*, that for purposes of dissolution or cessation of business, the date of cancellation being referred hereto is the date of the issuance of BIR Tax Clearance.

**(c) Where to file the claim for refund/credit**

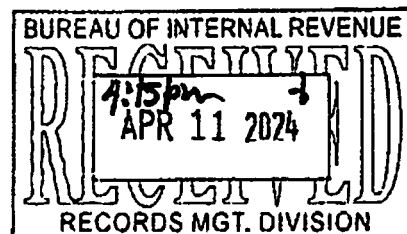
Claims for tax credits/refunds shall be filed with the appropriate BIR Office that will be designated by the Commissioner of Internal Revenue for this purpose.

**(d) Period within which refund/credit of input taxes shall be made**

In proper cases, the Commissioner of Internal Revenue shall grant refund for creditable input taxes within ninety (90) days from the date of submission of the invoices and other documents in support of the application filed in accordance with subsections (a) and (b) hereof: *Provided that*, should the Commissioner find that the grant of refund is not proper, the Commissioner must state in writing the legal and factual basis for the denial.

The 90-day period to process and decide shall start from the filing of the claim up to the release of the payment of the VAT refund: *Provided that*, the claim/application is considered to have been filed only upon submission of the invoices and other documents in support of the application as prescribed under pertinent revenue issuances.

In case of full or partial denial of the claim for tax refund, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim, appeal the decision with the Court of Tax Appeals (CTA); or in case the VAT refund is not acted upon by the Commissioner within the period prescribed above, the taxpayer affected may, (1) appeal to the CTA within the 30-day period after the expiration of the 90 days required by law to process the claim or (2) forego the judicial remedy and await the final decision of the Commissioner on the application of VAT refund claim: *Provided that*, failure on the part of any official, agent or employee of the BIR to act on the application within the ninety (90)-day period shall be punishable under Section 269(J) of the Tax Code: *Provided further that*, in the event that the 90-day period has lapsed without having the refund released to the taxpayer-claimant, the VAT refund claim may still continue to be processed administratively. However, the BIR official, agent or employee who has found to have deliberately caused the delay in the processing of the VAT refund claim may be subjected to penalties imposed under said Section.



**(e) Risk-based approach in the verification and processing of VAT refund claims**

VAT refund claims shall be classified into low-, medium-, and high-risk, with the risk classification based on the amount of VAT refund claim, tax compliance history, frequency of filing vat refund claims, among others: *Provided*, that medium- and high-risk claims shall be subject to audit or other verification processes in accordance with the BIR's national audit program for the relevant year.

**(f) Manner of giving refund**

Refund shall be made upon warrants drawn by the Commissioner of Internal Revenue or by his duly authorized representative without the necessity of being countersigned by the Chairman, Commission on Audit (COA), the provision of the Revised Administrative Code to the contrary notwithstanding: *Provided that*, refunds under this paragraph shall be subject to post audit by the COA following the risk-based classification above-described: provided, further, that in case of disallowance by the COA, only the taxpayer shall be liable for the disallowed amount without prejudice to any administrative liability on the part of any employee of the BIR who may be found to be grossly negligent in the grant of refund.

**(g) Automatic Appropriation**

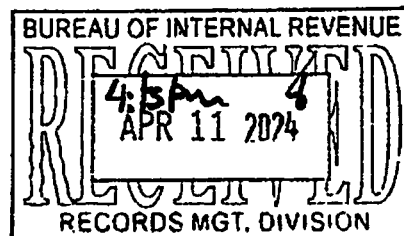
An amount equivalent to five percent (5%) of the total VAT collection of the BIR and the BOC from the immediately preceding year shall be automatically appropriated annually and shall be treated as a special account in the general fund or as trust receipts for the purpose of funding claims for VAT refund: *Provided that*, any unused fund, at the end of the year shall revert to the general fund.

**(h) Quarterly Report**

The BIR and BOC shall be required to submit to the Congressional Oversight Committee on the Comprehensive Tax Reform Program (COCCTRP) a quarterly report of all pending claims for refund and any unused fund."

**SECTION 7. Transitory Provisions. –**

**(a) Billed but uncollected sale of services.** – These Regulations shall apply to sale of services that transpired upon its effectivity. Hence, for outstanding receivables on services on account that are rendered prior to the effectivity of these Regulations, the corresponding output VAT shall be declared once it has been collected. In case of collection, the sales and corresponding output VAT therefrom shall be declared in the quarterly VAT return when the collection was made and shall be supported with an Invoice following the transitory provisions contained in the RR intended for invoicing requirements to implement the EOPT Act or the new BIR-approved set of Invoices, whichever is applicable.



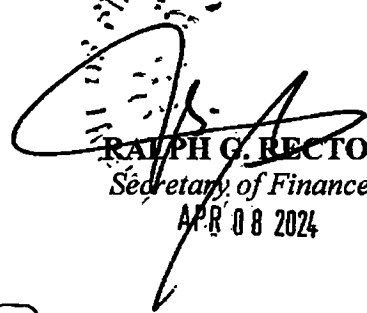
**(b) Uncollected receivables from sale of goods as of the effectivity of these Regulations**  
– For purposes of Section 4.110-9 of these Regulations, claim of output tax credit on uncollected receivables shall only apply to transactions that transpired upon the effectivity of these Regulations. No output tax credit shall be allowed for outstanding receivables from sale of goods on account prior to the effectivity of these Regulations

**SECTION 8. Administrative Provision.** – Separate RR shall govern the provisions of the EOPT Act covering Sections 113, 235, 236, 237, 238, 242 and 243 of the Tax Code particularly invoicing requirements, bookkeeping and accounting requirements, registration, filing, and payment including period to be given to the taxpayers to reconfigure machines and systems adjustments as a result of the shift from cash to accrual basis pursuant to the EOPT Act.

**SECTION 9. Separability Clause.** – If any of the provisions of these Regulations is subsequently declared invalid or unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

**SECTION 10. Repealing Clause.** – All other issuances and rules and regulations or parts thereof which are contrary to and inconsistent with any provisions of these Regulations are hereby repealed, amended, or modified accordingly.

**SECTION 11. Effectivity.** – These Regulations shall take effect fifteen (15) days following its publication in the Official Gazette or the BIR official website, whichever comes first.

  
**RALPH G. RECTO**  
Secretary of Finance  
APR 08 2024



**Recommending Approval:**

  
**ROMEO D. LUMAGUL, JR.**  
Commissioner of Internal Revenue

