CUSTOMS MEMORANDUM ORDER

NO. 11-2008

SUBJECT: PROCEDURAL GUIDELINES ON THE UTILIZATION OF EXCESS VAT SUBSIDY CHECKS (VSC), ISSUED BY BIR TO QUALIFIED SUBCONTRACTORS/ SUPPLIERS AND SUB-SUBCONTRACTORS/ SUB-SUPPLIERS OF THE BASES CONVERSION DEVELOPMENT AUTHORITY (BCDA) SUBIC-TARLAC EXPRESSWAY PROJECT (SCTEP), IN THE BOC AS PAYMENT OF VAT ON THEIR IMPORTATIONS AND TRANSFER OF THE PORTION OF THE SARO TO THE ACCOUNT OF BOC.

Pursuant to the Memorandum of Agreement entered into between the Bureau of Customs and Bureau of Internal Revenue on December 14, 2007; Fiscal Incentive Review Board (FIRB) Resolution No. 3-07; and BIR Revenue Regulation 17-2005; the following are hereby prescribed:

I. OBJECTIVES AND SCOPE

This CMO is executed for the purpose of providing a procedure for the utilization of the tax subsidy granted by the FIRB to the BCDA relative to the SCTEP. Specifically, it aims to:

a. Provide a procedure for the transfer of the portion of the SARO allotted for Value-Added Tax on Local Purchases originally apportioned to the BIR, to the BOC, which will be utilized as payment for Value-Added Tax on Importation in the BOC;

b. Establish guidelines for the utilization of CEVS issued by BIR to the subcontractors/sub-suppliers and sub-subcontractors/sub-suppliers of the SCTEP;

c. Facilitate efficient mechanism to expedite verification/inspection of relevant documents through enhanced database system to be adopted by both parties.
d. Proper reconciliation in the Books of Accounts of both parties to reflect the utilization of the CEVS as provided for by the Bureau of Treasury.

The provisions of this Order shall be applicable to all claims for utilization of VAT Subsidy Check as payment for VAT liabilities of subcontractors/suppliers, sub-subcontractors/ sub-suppliers on their importations in connection with the SCTEP, and for other projects embodied in the MOA.

II DEFINITION OF TERMS

For purposes of this CMO, the following definitions are hereby adopted:

a. VSC – means Value-Added Tax Subsidy Checks;
b. BCDA – means Bases Conversion and Development Authority;
c. SCTEP – means Subic-Clark-Tarlac Expressway Project;
d. FIRB – means Fiscal Incentives Review Board;
e. SARO – means Statement of Allotment and Release Order;
f. CEVS – means Certificate of Excess VAT Subsidy issued by the BIR;
g. CRMD – means Central Records Management Division of BOC;
h. BCTDM – means BOC-Tax Debit Memo;
i. RAD – means Revenue Accounting Division of BOC/BIR;
j. TSAC – means Tax Subsidy Availment Certificate;
k. JEV – means Journal Entry Voucher of BTR.

Detailed definition of VSC, SARO, CEVS, TSAC are provided for under Revenue Regulation No. 17-2005.

III ADMINISTRATIVE PROVISIONS

1. The RCMG, through the Collection Service, shall issue BCTDM to be utilized only in the payment of VAT on importation per import entry as provided in the CEVS issued by the BIR.
2. The BCDTM shall contain control number, to whom issued, Tax Identification Number (TIN), office address, amount of subsidy, date issued, Import Entry Internal Revenue Declaration Number, Bill of Lading/Airway Bill Number, where it can be used or utilized in the payment of VAT on importation, VSC Number, and other means necessary to monitor its use or utilization;

3. The BCTDM may only be utilized as payment for VAT on importation in a specific import entry provided in the CEVS and in case of non-utilization thereof, the RCMG, through the Collection Service, shall cancel the same, to be replaced anew upon receipt of the CEVS from the BIR;

4. All issued BCTDM shall be subject to post-audit in a regular basis without prejudice for subsequent adjustments for any discrepancies;

5. Based on the report of the VSC utilized, as well as relevant documents furnished by the Collection Service, the CEVS shall be the basis of BOC RAD to record the revenue collection in the Book of Accounts of the Bureau, that shall cover the full amount of the utilized BCTDM, which shall likewise be reflected in the JEV of the BTR;

6. Collection Service shall be responsible in the proper monitoring of the utilization of the BCTDM.

III OPERATIONAL PROVISIONS

1. Upon receipt from CRMD of the applicable letter and its supporting documents from BIR, the Collection Service shall verify with appropriate BIR-RDO the authenticity of the CEVS;

2. The applicant-subcontractors/suppliers and/or sub-subcontractors/sub-suppliers shall be required by the Collections Service to submit the following:
   a. Certification from BCDA that they are the legitimate contractor/supplier and/or sub-contractor/sub-supplier of BCDA and was allowed to use VAT Subsidy Check on importation (VSC);
   b. Tax Subsidy Availment Certificate (TSAC)
   c. Certificate of Excess VAT Subsidy (CEVS);
   d. VAT Subsidy Check (VSC);
   e. Import Entry Internal Revenue Declaration (IEIRD);
   f. Certificate of Undertaking;
g. Certificate of Official Importation;

h. Bill of Lading or Air Way Bill;

i. Commercial Invoice;

j. Packing List;

k. Special Allotment Release Order (SARO) with attachment on the amount of excess VAT subsidy of the specific contractor/supplier or subcontractor/sub-supplier.

l. Subcontractor/Supplier shall submit, in a monthly basis, a report of all billings made to primary contractor.

2. If found sufficient and in order, the Collection Service shall issue the original copy of the BCTDM to the subcontractors/suppliers and/or sub-subcontractors/sub-suppliers to be used in the payment of VAT on importation for the SCTEP;

3. The Director, Collection Service shall endorse the BCTDM and all other relevant documents to the concerned Collection District for appropriate action;

4. The Port Collector shall verify the correctness of the VAT imposed and deduct such amount from the BCTDM, but duties, other taxes and fees shall be paid in cash or any other means allowed by the BOC;

5. The Port Collector shall transmit the BCTDM, Statement of Account and other relevant documents to the Collection Service;

6. Collection Service records the utilized VAT subsidy and shall monitor its balance;

7. Collection Service shall furnish appropriate BIR-RDO the duplicate copy of the BCTDM.

8. Collection Service shall forward to the Bureau of Treasury, BOC-RAD, BIR-RDO, the monthly summary and photocopy of CEVS utilized, photocopy of BCTDM and the total amount utilized as VAT subsidy.

IV SEPARABILITY CLAUSE

The Provisions of this Order are hereby ordered separable and in case any of the provisions hereof are declared invalid, the other provisions which are not affected shall remain in full force and effect.
V REPEALING CLAUSE

All Customs Memorandum Orders which are inconsistent with this Order are hereby deemed superseded, amended or modified accordingly.

VI EFFECTIVITY CLAUSE

This Order shall take effect immediately and shall last until revoked.

NAPOLEON MORALES
Commissioner

[Signature]

08-01130
September 1, 2008
MEMORANDUM:

For: COMMISSIONER NAPOLEON L. MORALES

From: Atty. Reynaldo V. Umali
Deputy Commissioner, RCMG

Subject: CMO TO IMPLEMENT MOA RE: BCDA-SCTEP

1 February 2008

In connection with the recent approval of the Memorandum of Agreement (MOA) between BOC and BIR on the utilization of the Vat Subsidy Checks (VSCs) as payment on VAT importation, and the transfer of the portion of the SARO to the accounts of the Bureau, attached herein is the draft Customs Memorandum Order (CMO), which provides the procedure for the same.

As a backdrop, the Fiscal Incentives Review Board (FIRB), in its Resolution No. 37, approved the application of the BCDA for tax subsidy relative to the implementation of SCTEP, exempting the local purchases of contractors/suppliers, subcontractors/sub suppliers from VAT and other internal revenue taxes, as provided in the Exchange of Notes between the governments of the Philippines and Japan.

Relative thereto, the BIR, pursuant to its Revenue Regulations 17-2005, had issued VSCs to qualified contractors/suppliers, subcontractors/sub suppliers, representing the VAT paid by them on local purchases in the implementation of the BCDA-SCTEP, which they can utilize in the payment of other internal revenue taxes with the BIR.

To allow the utilization of the VSCs in the BOC as payment on VAT on importation, a MOA was forged on 14 December 2007 between BOC and BIR (Annex "A"). To fully implement such agreement and provide the procedure/mechanism for the same, a CMO duly approved/signed by the Commissioner of Customs is necessary. Such CMO will also give the RCMG, through the Collection Service the appropriate/legal mandate to issue BCTDM, which will be utilized/recognized in the ports as payment for the VAT on importation.

If in accord, attached is the CMO (Annex "B") for your consideration/approval.

Respectfully submitted.

ATTY. REYNALDO V. UMALI
TAX DEBIT MEMO

This BOC Tax Debit Memo is hereby issued to:

NAME OF TAXPAYER:
TIN:
ADDRESS:

Issued as payment for VALUE-ADDED TAX ON IMPORTATION covered by Import Entry Revenue Declaration No. _______ in the amount of _______(Php _______).

References:
VAT Subsidy Check No. _______ Date Issued _______
Bill of Lading No. _______

BY AUTHORITY OF THE COMMISSIONER:

Issuing Officer
Signature over printed name
Designation

Note:
1. This BOC Tax Debit Memo (BCTDM) evidences the taxpayer's payment of VAT on importation.
2. The BCTDM issuing Officer shall:
   a. Ascertain if the balance of the Certificate of Excess VAT Subsidy (CEVS) is sufficient to pay the Value added Tax on Importation applied for and issue the amount of BCTDM for the full amount of the tax liability. If the balance of the CEVS is sufficient. Otherwise, issue the BCTDM for the remaining balance, which shall be applied first to the penalties and instruct the taxpayer to pay the remaining balance of the VAT liability.
   b. Prepare the BCTDM in four (4) copies to be distributed as follows:
      - Original - Primary contractors, consultant, subcontractors, suppliers, sub-subcontractors, and sub-suppliers to be attached to the REIRD
      - Duplicate - BTR
      - Triplicate - Revenue Accounting Division
      - Quadruplicate - File Copy - Collection Service

Any erasure (s) or alteration (s) hereof shall invalidate this BCTDM.