TAX MANAGEMENT ASSOCIATION OF THE PHILIPPINES, INC.

TAX UPDATES FROM JUNE 16, 2024 TO JULY 15, 2024

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DISCUSSION

CTA *EN BANC* DECISIONS

1. **Criminal actions shall be conducted and persecuted under the direction and control of the public prosecutor, but for violations of the National Internal Revenue Code or other laws enforced by the BIR, the prosecution may be conducted by their respective duly deputized legal officers.**

   Prior to being deputized or prior to the approval of the Formal Entry of Appearance, however, it is the public prosecutor who acts as principal prosecutor in criminal actions and hence, his/her receipt of the CTA's Resolution shall be the reckoning point of the reglementary period for the appeal or Motion for Reconsideration.

Sec. 3, Rule 9 of the Revised Rules of the CTA provides that the BIR can deputize its legal officers to prosecute such actions, to wit:

> SEC. 3. Prosecution of criminal actions. — **All criminal actions shall be conducted and persecuted under the direction and control of the public prosecutor**. In criminal actions involving violations of the National Internal Revenue Code or other laws enforced by the Bureau of Internal Revenue, and violations of the Tariff and Customs Code or other laws enforced by the Bureau of Customs, **the Prosecution may be conducted by their respective duly deputized legal officers**. (*emphasis supplied*)

However, prior to the BIR legal officers being deputized, it is the public prosecutor who acts as the principal prosecutor. As such, before the approval by the CTA of the Formal Entry of Appearance, the DOJ public prosecutors were still the principal prosecutors. In this case, the Formal Entry of Appearance was filed by the BIR after the issuance of the CTA Division's Resolution. The CTA further noted that, the tenor of the letter of the BIR in deputizing its legal

officers suggests that they merely assist the public prosecutors rather than replace them as principal prosecutors. Thus, the CTA held that since the Department of Justice (DOJ) National Prosecution Service (NPS) received the Resolution before the filing by the BIR of the Formal Entry —along with the observation that the BIR authorization of its legal officers being insufficient— the reckoning period for the reglementary period of the appeal or Motion for Reconsideration should be counted from receipt of the Resolution by the DOJ NPS. (*People of the Philippines v. Loo Tian, CTA EB Crim Case No. 107, June 18, 2024*)

2. **The CTA in Division, in relying on the denial letter did not err in finding that the refund claimant was able to prove that it performed its services to its customer in the Philippines. The CIR's position in his submissions and during trial and the evidence presented by the refund claimant are sufficient to hold that the refund claimant rendered its services in the Philippines, which is one of the requirements for proving zero-rated sales under the Tax Code.**

The CTA *En Banc* noted that, in his Answer and Answer to the Supplemental Petition for Review, the CIR argued, as his *lone* defense, that *"[the refund claimant]'s entire operation and services to its one and only customer, PPD Global [Limited], is [sic] performed in the Philippines"* to prove that said services are subject to 12% VAT, that in his Memorandum, he argued that the refund-claimant is not entitled to its refund claim because its client, PPD Global Limited, is not a non-resident foreign corporation but is "doing business" in the Philippines through the refund claimant, and that the same arguments were reiterated in his Motion for Reconsideration.

The CTA *En Banc* further noted that during the trial, the CIR did not present controverting evidence and opted to *waive* his right to present evidence and that the denial letter issued by the Regional Director declared that *"the service provided by [the refund claimant] to [its] only customer, PPD Global [Limited] was performed in the Philippines."*

The CTA *En Banc* held that the Court in Division did not err in finding that the refund claimant was able to prove that it performed its services to PPD Global Limited in the Philippines.

In relation to the CIR's argument that the purchases of the refund claimant should be disallowed as they were supported only by altered purchase documents with counter-signatures as indicated in the ICPA Report, the Court *En Banc* noted that it was only upon the filing of the present *Petition for Review* that the CIR raised such an argument. The CIR should have raised his objection to the supposed altered documents when the refund claimant presented the ICPA and when the Formal Offer of Evidence, which included the ICPA Report, was made.

Simply put, the issues raised here by the CIR were only brought up for the first time on appeal. While it is settled that the taxpayer-claimant has the burden of proving its entitlement to the refund, the BIR has the equally important responsibility of contradicting the refund claim by presenting contrary evidence once the burden of evidence shifts to its side. (*Commissioner of Internal Revenue v. PPD Pharmaceutical Development Philippines Corp., CTA EB Case No. 2774, June 28, 2024*)

3. **The Formal Letter of Demand and Final Assessment Notices (FLD/FAN) that is void due to the absence of a Letter of Authority (LOA) for the audit conducted by the BIR personnel may not be used as a valid basis for a Complaint.**

   The requirement of a LOA is not dependent on whether the taxpayer is required to physically open his books and financial records. Even in the context of a "no-contact audit approach", as in this case, the prior issuance of a LOA is a statutory requisite.

The CTA *En Banc* held that an examination and assessment of a taxpayer without prior issuance of an LOA is tantamount to a violation of due process rendering the assessment void. The postulate that there is no strict requirement for the existence of an LOA in a "no-contact audit approach" and, in such cases, it is sufficient that an Letter Notice was issued in compliance with RMO No. 30-2003 is bereft of any merit. Even in the context of a "no-contact audit approach," the prior issuance of an LOA is a statutory requisite. This much is true as, in fact, the CIR himself had acknowledged the clear-cut pronouncement by the Supreme Court in *Medicard* when he issued RMC No. 75-2018. Given the invalidity of the FLD/FAN, the present collection suit simply has no leg to stand on. (*Republic of the Philippines, v. Mr. Ranson Diodell N. Tenerife doing business under the name "MOTORINA TRADING", CTA EB No. 2805 (CTA OC No. 025), July 10, 2024*)

CTA DECISIONS

1. **Although a valid Letter of Authority (LOA) is necessary to authorize a Revenue Officer (RO) for due process, the same is not needed in protested cases for reinvestigation and hence, the absence of a valid LOA alone does not invalidate the assessment from a reinvestigation.**

   The lack of any changes from the Formal Letter of Demand (FLD) and the Final Decision on Disputed Assessment (FDDA) alone does not entail that the right to due process of the taxpayer has been violated.

The LOA is required to inform the taxpayer whose door the Revenue Officer (RO) is knocking on that he/she has the proper authority to examine his/her books of accounts. Upon issuance of an assessment (thru a FAN), the objective of an LOA becomes *functus officio* and is not anymore necessary after such issuance.

Consequently, in Revenue Memorandum Order No. 69-2010, it was specified that an LOA is not needed for protested cases for reinvestigation and only requires that the cases under re-investigation shall not be assigned to the same RO who handled the original reinvestigation.

Moreover, the CTA held that when the FLD and the FDDA contain the same assessments and the same explanation, such fact does not, by itself, invalidate the FDDA. The CTA further held that

the petitioner's reliance on the *Avon* case is misplaced because that case involved identical amounts of assessment in the PAN and FAN, and the BIR in that case did not consider the arguments and documents submitted by a taxpayer in its protest to the PAN. The CTA differentiated an assessment from a decision on a disputed assessment. (*Alberto Lim Tangso/A.L. Electrical Shop & Parts Supply v. Commissioner of Internal Revenue, CTA Case No. 10367, June 18, 2024*)

2. **In the case of a merger, the surviving corporation need not obtain a prior tax clearance in favor of an absorbed corporation to absorb the unutilized input VAT of the latter.**

   The reckoning point of the absorption by the surviving corporation of the unused input tax of the dissolved corporation is reckoned from the date of merger or consolidation as approved by the SEC.

The CTA held that "a statutory merger shall be effective at the time the certificate approving the articles and plan of merger is issued, and this results in the transfer of all rights, privileges, immunities, franchises, and other assets of the absorbed corporation without need of any act or deed."

The pending investigation into the absorbed corporation should not bar the transfer of its unutilized input VAT to the surviving corporation. If the investigation discovers unresolved tax liabilities on the part of the absorbed corporation, such obligations would logically transfer to the surviving corporation.

A prior tax clearance in favor of an absorbed corporation is unnecessary for the surviving corporation to absorb the former's unutilized input VAT. (*PMFTC, INC. v. Commissioner of Internal Revenue, CTA Case No. 10714, June 19, 2024*)

3. **The CTA can take cognizance of a Petition for Review assailing the Warrant of Distraint and/or Levy and the Warrant of Garnishment issued by the Commissioner of Internal Revenue and taxpayers have 30 days from receipt of notice of such collection efforts within which to file a judicial appeal. Such jurisdiction is distinct from the CTA's jurisdiction over decisions on disputed assessments.**

The CTA can take cognizance of a Petition for Review assailing the Warrant of Distraint and/or Levy and the Warrant of Garnishment (the "Warrants") issued by the Commissioner of Internal Revenue (CIR) and taxpayers have 30 days from receipt of notice of such collection efforts within which to file a judicial appeal. Such jurisdiction is distinct from the CTA's jurisdiction over decisions on disputed assessments.

In this case, Petitioner had earlier filed a Petition praying for the cancellation of the Warrants. Thereafter, Petitioner filed a Supplemental Petition in connection to the administrative Decision issued by the CIR on Petitioner's Request for Reconsideration.

Petitioner, however, filed the Supplemental Petition 53 days from its receipt of the administrative Decision and thus had become final and executory. The CTA therefore could not entertain any prayers regarding the assessments contained in the administrative Decision.

Nonetheless, the CTA held that the Supplemental Petition was validly filed insofar as it manifests the issuance of the administrative Decision and the CTA can take cognizance of the administrative Decision when it renders its judgment on the CIR's collection efforts. In short, The CTA can take cognizance of protests against the Warrant of Distraint and/or Levy and the Warrant of Garnishment (the "Warrants") issued by the Commissioner of Internal Revenue (CIR) and taxpayers have 30 days from receipt of notice of such collection efforts within which to file a judicial appeal. Such jurisdiction is distinct from the CTA's jurisdiction over decisions on disputed assessments.

The CTA notes that the administrative Decision cancelled and withdrew the Final Decision on Disputed Assessment and, consequently, the Warrants have no basis for their validity. The CTA ruled that the Warrants are null and void.

The CTA rebuffed the CIR's argument that the Warrant of Distraint and/or Levy constitutes as the final decision and is not replaced by the administrative Decision. The CTA held that the Supreme Court's pronouncements on treating letters and other issuances as the CIR's final decision on an assessment should be construed as placing limitations on (a) a taxpayer's privilege to dispute an assessment made against it; and (b) the CTA's jurisdiction over such disputations. The pronouncements do not prohibit the CIR from deciding on an administrative protest when a Warrant of Distraint and/or Levy was already issued and used as a "decision" from which a judicial appeal was filed. (*Tower Club, Inc. v. Commissioner of Internal Revenue, CTA Case No. 10384, June 25, 2024*)

4. **A Request for Reconsideration of an FDDA that does not conform to the form and manner prescribed by the implementing rules and regulations is not valid and does not toll the reglementary period.**

The CTA held that the "Request for Reinvestigation" of the taxpayer is invalid for the following reasons: (1) RR No. 12-99, as amended, clearly provides that if a protest is denied by the CIR's duly authorized representative, only a request for reconsideration shall be permitted; and (2) the "Request for Reinvestigation" does not state the applicable law, rules and regulations, or jurisprudence on which the protest is based. For the taxpayer's failure to comply with the necessary procedure and requirements, the FAN and FDDA became final and executory. (*UP North Property Holdings, Inc. v. Commissioner of Internal Revenue, CTA Case No. 10208, June 25, 2024*)

5. **The non-receipt of the decision of the CIR within 90 days from the filing of an administrative refund claim of excess and unutilized input VAT should be construed**

as inaction on the part of the CIR and the refund claimant should reckon the 30-day period to file its judicial claim from the lapse of the 90-day period.

The 30-day period to file a judicial claim should not be reckoned from the CIR's decision on the administrative refund claim which was received by the refund claimant beyond the 90-day period.

The CTA explained that from the filing of the Petitioner's administrative refund claim on 11 November 2019, the CIR had ninety (90) days or until 9 February 2020 to act on the said claim. In case of inaction within the said 90-day period, Petitioner had thirty (30) days from such expiration to file its judicial claim, or until 10 March 2020.

In this case, Petitioner received the CIR's letter dated 8 January 2020 partially denying its administrative refund claim on 14 February 2020 and Petitioner filed its judicial claim on 13 March 2020.

The CTA held that since the CIR's decision denying Petitioner's administrative refund claim was not communicated within the 90-day period, there is no decision appeal to the CTA to speak of. The CTA stated that Petitioner should have construed the non-receipt of the decision within the 90-day period as inaction on the part of the CIR and reckoned the 30-day period to file its judicial claim from 9 February 2020 and not from the receipt of the CIR's letter on 14 February 2020. The CTA ultimately held that the judicial claim was filed beyond the 30-day mandatory and jurisdictional period and consequently, it lacks jurisdiction to hear and decide Petitioner's judicial claim. (*"K" Line Maritime Academy Philippines, Inc. v. Commissioner of Internal Revenue, CTA Case No. 10270, June 27, 2024*)

6. **In proving the fact of withholding of tax in relation to a claim for the refund of excess Creditable Withholding Taxes, the Certificates of Creditable Tax Withheld at Source (BIR Forms No. 2307) should bear the complete TIN of the payee (the refund claimant) and must contain the signature of the payor (the withholding agent), otherwise, it will be disallowed.**

In this case, the CTA only partially granted the Petition because: (1) some of the BIR Forms No. 2307 did not contain the signature of the payor/withholding agent; (2) the TIN of the Petitioner in some of the BIR Forms No. 2307 was incomplete. (*Service Resources, Inc. v. Commissioner of Internal Revenue, CTA Case No. 10503, July 5, 2024*)

7. **In claiming a refund of erroneously paid excise taxes on imported petroleum products subsequently sold to tax-exempt entities, the following are the basic requirements for the entitlement to the claim for refund:**

   i. That petitioner's claim was filed within the two-year prescriptive period as provided for under Sections 204(C) and 229 of the Tax Code;

ii. That the entity to which the petitioner sold the petroleum products is an entity exempt by law from indirect and direct taxes; and

iii. That petitioner is the statutory taxpayer and actually paid the claimed excise taxes on the same petroleum products sold to the exempt entity.

The CTA held that although the Petitioner complied with the first two requisites, the Petitioner failed to prove that the claimed excise taxes pertain to the petroleum products sold to the exempt entities.

From the submitted documents, it cannot be determined with certainty that the liters of petroleum products sold to the exempt entities were the same as the imported fuel oil on which petitioner paid the claimed excise taxes. The documentary evidence submitted is not enough to allow the Court to trace the movement of Petitioner's fuel oil inventory using the first-in, first-out (FIFO) method. No one-to-one correspondence and matching between the imported and the sold petroleum products was established accurately by Petitioner. (*SL Harbor bulk Terminal Corporation v. Commissioner of Internal Revenue, CTA Case No. 10368, July 15, 2024*)

REVENUE REGULATIONS

1. Revenue Regulations No. 12-2024

Amending Sections 5 and 6 of Revenue Regulations (RR) No. 3-2019, on the Validity of Certificate Authorizing Registration (eCAR) and its Revalidation

RR No. 12-2024 amends the provisions of RR No. 3-2019 relative to eCAR's validity and is amended to remove the five (5) year validity of eCAR. RR No. 3-2019, as amended by RR No. 12-2024, now provides that an eCAR shall be valid from the date of issuance until such time that it is presented to the concerned Registry of Deeds and that only CARs issued outside of the BIR's eCAR System, if any, shall be allowed for revalidation.

REVENUE MEMORANDUM ORDERS

1. Revenue Memorandum Order No. 23-2024

Guidelines, Policies, and Procedures in the Implementation of the Risk-Based Approach in the Verification and Processing of Value-Added Tax (VAT) Refund Claims, as Introduced in Republic Act (RA) No. 1976, Otherwise Known as the "Ease of Paying Taxes Act"

General Policies

- The policies on risk-based verification of VAT refund claims shall be strictly followed.

- The assigned RO of the refund claim shall evaluate and ascertain from the necessary data available for purposes of classifying the risk levels of VAT refund claims.
- The BIR office shall respond within 5 days upon receipt and the offices who fail to provide the data within the prescribed 5-day period will be held administratively accountable.
- The risk classification shall be made for every filing and the processing offices shall verify the record of the claims processed for the immediately preceding 6 years with the details of the taxpayer-claimant – and other relevant information.

The BIR lists in RMO No. 23-2024 the VAT refund claims that shall be automatically considered as high-risk or shall require full verification. The list, however, is not considered exclusive. Other cases may be considered as high-risk using a point system which considers the certain risk factors.

If the claim garners 35.00% and below, then it is low-risk. Medium-risk is above 35.00% but not exceeding 60.00%. High risk is above 60.00%.

Before officially receiving the application, the assigned RO in the processing office shall perform the checklisting and pre-verification procedures to ensure the completeness of the submitted documentary requirements.

Processing of VAT refund claims classified as low-risk shall be limited only to the checking of the authenticity and completeness of documentary requirements under the Checklist of Mandatory Requirements in RMO No. 71-2023. For medium risk, the default 50% verification rate shall be determined based on the guidelines under RMO No. 23-2024. For high risk, 100% verification shall be performed pursuant to the policies and procedures applicable to the year of application of the VAT refund.

2. Revenue Memorandum Order No. 25-2024

Providing Guidelines, Policies and Procedures in the Processing of Claims for Tax Credit/Refund of Excess/Unutilized Creditable Withholding Taxes on Income Pursuant to Section 76(C), in Relation to Sections 204(C) and 229 of the National Internal Revenue Code of 1997. as Amended (Tax Code), Except Those Under the Authority and Jurisdiction of the Legal Group

RMO No. 25-2024 provides:

1. The General Policies:
    a. The proper Processing Offices
    b. Complete Documentary Requirements (*The Checklist of Mandatory Requirements is attached to RMO No. 25-2024*)
    c. Guidelines to applications filed by taxpayers of "going-concern" status
    d. Strict compliance with the 180-day processing-period and the breakdown of the 180-day processing period
    e. The following rules shall govern the elevation of a full or partial denial of a claim:

i. In case of full or partial denial, the taxpayer-claimant may appeal the decision with the CTA within 30 days from the receipt thereof
ii. In case it was not acted upon within the 180-day period, the taxpayer-claimant may opt to:
    1. Appeal to the CTA within the 30-day period after the expiration of the 180 days required by law to process the claim; or
    2. Forego the judicial remedy and await the final decision of the authorized processing office.

When no decision is rendered within the 180-day period and the taxpayer-claimant opted to seek for a judicial remedy within 30 days from such period, the administrative claim for refund shall be considered moot and shall no longer be processed.

f. Guidelines on refund of excess taxes in connection to dissolution or cessation of business

2. Procedures for the following:
    a. Processing Office (RDO or LTAD/LTDO)
    b. Reviewing Office (Assessment Division/Office of the HREA-LTS)
    c. Approving Office (Regional Director/ACIR-LTS)
    d. Processing and Issuance of TCC or Tax Refund Check
    e. Reporting
    f. Safekeeping of the Tax Docket

3. Revenue Memorandum Order No. 27-2024

Providing Guidelines, Policies and Procedures in the Processing of Claims for Credit/Refund of Taxes Erroneously or Illegally Received or Collected or Penalties Imposed Without Authority Pursuant to Section 204(C), in relation to Sec. 299 of the NIRC of 1997, as Amended, Except Those Under the Authority and Jurisdiction of the Legal Group

RMO No. 27-2024 provides:

1. The General Policies:
    a. The proper Processing Offices
    b. Strict compliance with the 180-day processing-period and the breakdown of the 180-day processing period
    c. Complete Documentary Requirements (*The Checklist of Mandatory Requirements is attached to RMO No. 27-2024*)
    d. Guidelines in case the taxpayer-claimant has outstanding tax liabilities or "stop-filer cases"
    e. The following rules shall govern the elevation of a full or partial denial of a claim:

i. In case of full or partial denial, the taxpayer-claimant may appeal the decision with the CTA within 30 days from the receipt thereof
ii. In case it was not acted upon within the 180-day period, the taxpayer-claimant may opt to:
    1. Appeal to the CTA within the 30-day period after the expiration of the 180 days required by law to process the claim; or
    2. Forego the judicial remedy and await the final decision of the authorized processing office.

When no decision is rendered within the 180-day period and the taxpayer-claimant opted to seek for a judicial remedy within 30 days from such period, the administrative claim for refund shall be considered moot and shall no longer be processed.

2. Procedures for the following:
    a. Processing Office (RDO or LTAD/LTDO)
    b. Reviewing Office (Assessment Division/Office of the HREA-LTS)
    c. Approving Office (Regional Director/ACIR-LTS)
    d. Processing and Issuance of TCC or Tax Refund Check
    e. Reporting
    f. Safekeeping of the Tax Docket

REVENUE MEMORANDUM CIRCULARS

1. Revenue Memorandum Circular No. 67-2024

Clarifying the Deadline for Filing of Documentary Stamp Tax Return and Payment of the Corresponding Taxes

Since the EOPT Law did not introduce any amendment to the deadline for filing of DST return and payment, the current rule under RR No. 6-2001 applies. Hence, the DST return shall be filed within FIVE (5) DAYS after the close of the month when the taxable document was made, signed, accepted, or transferred, and the tax thereon shall be paid at the same time the DST return is filed.

2. Revenue Memorandum Circular No. 68-2024

Circularizing the Availability of the Revised BIR Form No. 2550Q [Quarterly Value-Added Tax (VAT) Return] April 2024 (ENCS)

This RMC is issued to prescribe the newly revised BIR Form No. 2550Q. The said return contains the items/fields listed below in compliance with the provisions of R.A. No. 11976 otherwise known as the "Ease of Paying Taxes (EOPT) Act":

Item No. 35 Output VAT on Uncollected Receivables
Item No. 36 Output VAT on Recovered Uncollected Receivables Previously Deducted
Item No. 55 Input VAT on Unpaid Payables
Item No. 58 Input VAT on Settled Unpaid Payables Previously Deducted

The revised BIR Form No. 2550Q is already available on the BIR website under the BIR Forms-VAT/Percentage Tax Returns Section. However, the Form is not yet available in the Electronic Filing and Payment System (eFPS) and Electronic Bureau of Internal Revenue Forms (eBIRForms), thus, filing of the returns and payment of the VAT payable, if any, shall be made through other channels.

3. Revenue Memorandum Circular No. 74-2024

Prescribing the Mandatory Requirements for Claims for Credit/Refund of Taxes Erroneously or Illegally Received or Collected or Penalties Imposed Without Authority Pursuant to Section 240(C), in Relation to Section 229 of the National Internal Revenue Code of 1997, as Amended (Tax Code), Except Those Under the Authority and Jurisdiction of the Legal Group

The Checklist of Mandatory Requirements and Taxpayer's Attestations are attached to RMC No. 74-2024 as Annexes A.1 to A.2

4. Revenue Memorandum Circular No. 75-2024

Prescribing the Mandatory Requirements for Claims for Tax Credit or Refund of Excess/Unutilized Creditable Withholding Tax on Income Pursuant to Section 76(C), in Relation to Sections 204(C) and 229 of the National Internal Revenue Code of 1997, as Amended (Tax Code), Except Those Under the Authority and Jurisdiction of the Legal Group

The Checklist of Mandatory Requirements, Summary of Revenues/Income per Annual Income Tax Return with and without Creditable Withholding Taxes, and Taxpayer's Attestations are attached to RMC No. 75-2024 as Annexes A.1 to A.4

5. Revenue Memorandum Circular No. 77-2024

Clarification of the Invoicing Requirements Provided Under Revenue Regulations (RR) No. 7-2024, as Amended by RR No. 11-2024

Under the Ease of Paying Taxes Act, there are invoice requirements for the sale of goods and services. To provide a definite guideline on the content, coverage, and form of said requirements, this RMC was created to provide guidance such as:

1. A VAT-registered person shall issue a VAT Invoice for every sale, barter, exchange or lease of goods or services regardless of the amount.

2. For a non-VAT-registered person it shall be for every sale, barter, exchange or lease of goods or services of Php500.00 or more.

3. For a single transaction with a sale amount of less than Php500.00, the following rules shall be observed:
    a. For VAT-registered sellers, an invoice shall be issued regardless of the amount.
    b. For non-VAT registered sellers, an invoice shall be issued:
        i. if the buyer requests/demands an invoice, regardless of the amount
        ii. if the aggregate amount of all sales transactions exceeded the Php500.00 threshold (at the end of the day).

4. The threshold shall be adjusted every 3 years.

5. Since the Invoice is now the primary evidence for recording sales of goods and services, an ATP must be secured before a seller can have an Accredited Printer print an Invoice.

6. The VAT Invoice and Non-VAT Invoice shall contain the information provided under Sec. 6(B) of RR No. 7-2024.

7. Business Style of the buyer or seller is not required to be indicated in the Invoice.

8. Taxpayers have the following options on the remaining unused Official Receipts:

    Option 1: Continue the use of remaining Official Receipts as supplementary document provided that each page of the unused Official Receipt must be stamped with the phrase **"THIS DOCUMENT IS NOT VALID FOR CLAIM OF INPUT TAX."** Failure to do so will not make the document a valid replacement for the Invoice; hence, seller may be considered as not issuing an Invoice and may be subject to applicable penalty.

    Or

    Option 2: Convert and use the remaining unused booklets of old Official Receipts and use the same as Invoice, or the Billing Statement/Statement of Account/Statement of Charges into Billing Invoice, until they are fully consumed, provided that, the word "Official Receipt/Billing Statement/Statement of Account/Statement of Charges into Billing Invoice" on the face of the manual and loose leaf printed receipt shall be stricken out [*e.g.*, Official Receipt] and shall be stamped "Invoice" or "Cash Invoice" or "Charge Invoice" or "Credit Invoice" or "Service Invoice" or [*e.g.*, Billing Statement] "Billing Invoice," or any name describing the transaction for which such Invoice shall be issued to its buyer/purchaser.

Since the Official Receipt/Billing Statement/Statement of Account/Statement of Charges will serve as supplementary document, the conversion of such to Invoice/Billing Invoice as primary invoice is an option given to taxpayers, provided that the converted Invoice/Billing Invoice shall contain the required information provided under RR No. 7-2024, as amended, **including details like quantity, unit cost and description or nature of service pursuant to Sec. 237 of the Tax Code**. Missing information may be stamped on the document if not originally included, upon conversion.

9. The stamping of Official Receipts as Invoices by taxpayers does not require approval from any RDO/LT Office/LT Division but it must comply with Section 8(2.3) of RR No. 7-2024. However, the reporting of unused Official Receipts to be converted to Invoice is required. The taxpayer should obtain newly-printed Invoices with an Authority to Print (ATP) before full consumption of the converted Official Receipts.

10. All unused manual and loose-leaf Official Receipts to be converted as Invoice shall be reported to the BIR by submitting an Inventory Report of unused Official Receipts (in duplicate copies), indicating the number of booklets and the serial numbers of the unused Official Receipts converted to Invoice.

    Taxpayers using CRM/POS machines/E-receipting (CAS/CBA with e-receipting) or E-Invoicing software that renamed the Official Receipts being issued to Invoice shall be reported by submitting a Notice on the Renaming of Machine/System Generated Official Receipt to Invoice indicating the starting serial number of the converted Invoice and the start date when such serial number was/will be issued.

11. To clearly identify the type of sale, the seller may use different descriptive names for the Invoice to reflect the nature of transactions such as:
    a. **Invoice** - Issued for both sales of goods or services rendered
    b. **Sales Invoice** - General purpose Invoice for any sales transaction
    c. **Cash Invoice** - Used for cash sales or specifically for sales where immediate payment is received
    d. **Charge/Credit Invoice** - Issued for sales on credit, where payment is expected at a later date
    e. **Service Invoice** - Used for transactions where a service is provided
    f. **Billing Invoice** - A document to bill charges similar to Charge Invoice and contains other information similar to a statement of account, billing statement, summarizing charges for a specific transaction
    g. **Commercial Invoice** - A document used by exporter for export transactions
    h. **Miscellaneous Invoice** - Issued for other income received by the seller

12. Service providers who billed their customers shall now issue a Billing Invoice upon billing instead of Billing Statement or Statement of Account. The Billing Invoice should contain the required information provided under RR No. 7-2024, as amended, including the

quantity, unit cost and description or nature of service pursuant to Section 237 of the Tax Code.

13. Sellers cannot issue an invoice upon receipt of payment. However, an Official Receipt or Payment Receipt or Acknowledgement Receipt may be issued upon subsequent collection or receipt of payment.

14. An Invoice is a document evidencing sale of goods or service. However, such Invoice may contain an information acknowledging the receipt of payment for the said sales transaction.

15. A VAT-registered person with mixed transactions may issue a single or separate Invoice for its VATable, VAT-Exempt, and Zero-Rated sales.

    Should the said seller opt to have only one Invoice, the VAT amount and sales amount must be broken down as to VATable Sales, VAT-Exempt Sales, Zero-Rated Sales and the corresponding amount for each type of sale should be indicated in the Invoice.

16. Taxpayers using CRM/POS/e-Receipting/e-Invoicing systems can now replace "Official Receipt" with a more descriptive term for their Invoices without the need for approval of the Revenue District Office.

    Provided, that the serial number of the renamed Invoice shall start by continuing the series from the last issued Official Receipt. The seller shall submit a Notice in two (2) copies (both original), indicating the starting serial number of the converted Invoice and the start date when such serial number was/will be issued. Such Notice shall be submitted to the RDO/LT Office/LT Division where the sales machines are registered.

17. Users of Computerized Accounting System (CAS) or Computerized Books of Accounts (CBA) with Accounting Records can enhance the system until December 31, 2024. Any extension due to enhancements of the system must be approved by the concerned Regional Director or Assistant Commissioner of the Large Taxpayers Service, which shall not be longer than six (6) months from December 31, 2024.

    Taxpayers requesting for an extension to enhance their system **shall notify the concerned RDO/LT Office/LT Division** through the Compliance Section/concerned LT Office/Division, where they are registered, for approval of the concerned Regional Director or Assistant Commissioner of the Large Taxpayers Service, **by submitting a Letter Request** before December 31, 2024 stating the reason or justification for the request for extension, the target date of completion of enhancement, email address and contact details of the contact person.