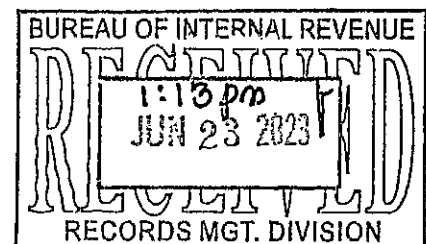


**VERIFICATION OF CLAIMS FILED UNDER SECTION 112(A) OF THE TAX CODE,
AS AMENDED**

- I. The assigned Revenue Officer (RO) shall conduct the following preliminary procedures:
 - a. Familiarize with the business of the taxpayer and determine the economic activity in which he/it is engaged in, whether sale of goods, properties, services and other lines of business aside from the principal undertaking, based on the VAT returns, financial statements and other sources within the Bureau and through on-line facilities.
 - b. Establish the existence and legitimacy of the business of the taxpayer-claimant by conducting ocular inspection of the taxpayer's premises, such as principal place of business, production plant, sales outlets and/or storage facilities
 - c. Ascertain that the taxpayer-claimant is not included in the list of Cannot-Be-Located (CBL) taxpayers.
 - d. Ascertain the legal basis of the claim.
 - e. Verify from the Bureau's information system or offices concerned the following:
 - i. Number of branches and facilities with corresponding locations
 - ii. Tax types duly registered for the branches and facilities
 - iii. Registered books of accounts for the principal office and branches
 - iv. Annual Registration, VAT Returns and Income Tax Returns data from BIR Integrated Tax System (ITS)/Internal Revenue Integrated System (IRIS) or from the Electronic Filing and Payment System (eFPS) for eFPS filed returns.
 - v. All other relevant information available in the BIR records.
 - f. In cases where the authenticity of the documents submitted can be verified electronically or online [e.g., through "quick-response" (QR) codes)], the assigned evaluator shall attach to the docket, a printout or screenshot of the result of the verification from the facility hosting the electronic/online system with the duly-signed notation that the same has been verified through the said system.
 - g. Analyze the Audited Financial Statement to determine the accounting method of sales and income recognition, accounting period, input tax existence in the asset account, sources of input taxes, related-party transactions and other relevant information.
 - h. Conduct interviews, where necessary, with responsible and authorized finance, accounting, sales and other personnel to further familiarize with business operations related to sales and purchases, as well as other activities that may relate to the claim.
 - i. Request for books of accounts and other relevant accounting records, as necessary, to determine recording of the claim and reconcile findings and discrepancies noted.

2. Establish that the VAT refund/tax credit claim conforms with the following requisites under Section 112(A) of the Tax Code as amended
 - a. The taxpayer-claimant must be VAT-registered. Ascertain that VAT is included in the registered Tax Types of the claimant per IRIS-Taxpayer Registration System.
 - b. There must be zero-rated or effectively zero-rated sales. The assigned ROs must perform verification procedures for sales of goods in Annex "D.1" and/or for sales of services in Annex "E".
 - c. Input taxes were incurred or paid. The assigned ROs must perform verification procedures for purchases of goods and services in Annex "F".
 - d. Such input taxes were directly attributable to zero-rated sales or effectively zero-rated sales. Where the taxpayer is engaged in zero-rated or effectively zero-rated sale and also in taxable or exempt sale of goods of 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, it shall be allocated proportionately on the basis of the amount of sales and only the proportionate share of input taxes allocated to zero-rated or effectively zero-rated sales can be claimed for tax refund. Please refer to Annex "D.3" for the allocation template.



- e. The input VAT was not applied against any output VAT liability.
 - i. In determining the creditable input tax, Section 110(C) of the Tax Code of 1997, as amended, mandates that the sum of the excess input tax carried over from the preceding month or quarter and the input tax creditable to a VAT-registered person during the taxable month or quarter shall be reduced by the amount of claim for refund or tax credit for VAT and other adjustments, such as purchase returns or allowances and input tax attributable to exempt sale.
 - ii. Ensure that the amount of claim applied for was shown as a deduction from the available input tax in the VAT return filed and submitted on or before the date of the application for VAT refund. The reason for the deduction is to ensure that the claimed input VAT shall not be applied against any future output VAT liability. To grant a claim for a refund, without proof of deduction of the corresponding amount, would be tantamount to granting twice the refund sought to be refunded, to the prejudice of the Government.
 - f. The claim for input VAT refund was filed within the two-year prescriptive period. Tax refunds relating to zero-rated or effectively zero-rated sales must be filed within two (2) years after the close of the taxable quarter when sales were made in accordance with Section 112 (A) of the Tax Code.
3. In the course of the verification of claims, the RO with the approval of the head of office and upon recommendation of the GS, shall:
 - a. Recommend deduction from the claim such amount that may lead to the imposition of output VAT based on the submitted documents;
 - b. Refer, through a memorandum, to the RDO/LTAD having jurisdiction over the taxpayer-claimant for clarification, investigation or appropriate action, any findings that may result in deficiency assessment of internal revenue taxes, if any; and
 - c. If the taxpayer has a VAT liability, the reviewing Office, shall notify the Collection Section of the Revenue District Office and/or Collection Division of the Revenue Region having jurisdiction over the taxpayer-claimant, of the approved VAT refund which may be used or garnished by the BIR to collect either fully or partially for the outstanding delinquent tax liability of the taxpayer-claimant, subject to existing tax laws and revenue issuances on the enforcement and settlement of delinquent accounts.
 4. The assigned RO/s shall validate the original copies of sales invoices or receipts for sales and purchases presented by the claimant. In case of full denial, the same shall be returned to the claimant after stamping "VAT Credit/Refund Processed" to the original copies of SI/OR for purchases.
 5. The RO shall prepare a memorandum report recommending the approval/disapproval of the claim for VAT refund /credit for review and preliminary approval of the Group Supervisor and head of the processing office.
 6. The head of office shall ensure compliance of the time frame per Annex "G" for the verification, processing and submission of the report and complete docket of the claim to the reviewing office.
 7. In addition to the documents submitted by the taxpayer-claimant, the RO shall prepare, attach and submit, together with the abovementioned memorandum, which shall form part of the docket of the claim, the following:
 - a. Documents Required for the VAT Credit/Refund Claim Docket (Annex "H.1")
 - b. Authority to Issue VAT Refund/Tax Credit Certificate (Annex "I")
 - c. VAT Credit/Refund Notice on Local Purchases (Annex "J.1") or VAT Credit/Refund Notice on Local Purchases and Importations (Annex "J.2"), whichever is applicable
 - d. VAT Credit/Refund Covering Sheet (Annex "K.1/K.2/K.3/K.4")

