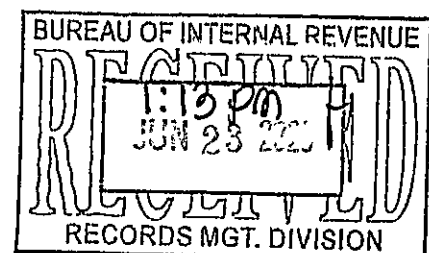


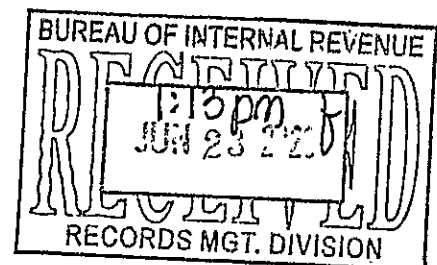
VERIFICATION PROCEDURES FOR SALES OF GOODS
[For Claims Filed Under Section 112 (A) of the Tax Code, As Amended]

The assigned Revenue Officer shall:

1. Ascertain and perform the following:
 - a. Ensure that sales declared as zero-rated actually emanate from export sales and other transactions that may qualify as zero-rated or effectively zero-rated sales. Provided, further, that such sales are properly recorded and reported in the VAT returns, Audited Financial Statements and general ledger of the taxpayer-claimant.
 - b. Section 238, in relation to Section 113(A) of the Tax Code, as amended, mandates that a VAT-registered person shall issue a VAT invoice for every sale, barter or exchange of goods or properties. For zero-rated sales, the term "zero-rated sale" shall be written or printed prominently on the invoice.
 - c. In the case of zero-rated sales under Sections 106(A)(2)(a)(1) and (3) of the Tax Code of 1997, as amended, the payments for the sales must have been made in acceptable foreign currency duly accounted for in accordance with the BSP rules and regulations.
 - d. For zero-rated sale of goods to companies engaged in international shipping or air transport under Sec. 106(A)(2)(a)(6) photocopy of contracts or other acceptable documents, such as but not limited to certification from Civil Aviation Authority of the Philippines (CAAP) or Philippine Ports Authority (PPA), to prove that the goods sold are delivered to foreign principals and/or clients that are engaged in international shipping or air transport.
 - e. In case of effectively VAT zero-rated sales anchored under the CREATE Act, the assigned ROs shall ensure compliance with the implementing rules and regulations of the said law particularly RR No. 21-2021 and RMC No. 24-2022, including its succeeding amendments, particularly on the following:
 - i. That the goods sold are used directly and exclusively in the registered project or activity of the registered export enterprise buyer;
 - ii. That the respective investment promotion agency (IPA) that has jurisdiction over the REE buyer has endorsed to the Bureau that the said REE is qualified to the incentives granted under the CREATE particularly VAT during the period covered by the claim. This can be verified from the Audit Information Tax Exemption and Incentives Division (AITEID).
 - iii. That the claimant has secured an approved VAT zero-rating from the BIR for claims covered upon the effectivity of RMC No. 24-2022 on March 9, 2022 up to the effectivity of RR No. 3-2023 on April 28, 2023;
 - iv. That the taxpayer has properly observed the transitory provisions under the CREATE Act and RMC No. 24-2022, as amended; and
 - v. That the goods sold are identifiable only to the qualified registered project or activity of the REE. Should the REE buyer has other registered activities or business operations and the particular purchase cannot be attributed to a specific activity, proper allocation of the input VAT claimed must be made.
 - f. For zero-rated sales other than those that are direct export or those covered by the incentives provision of Title XIII of the Tax Code of 1997, as amended by the CREATE Act, the documents required under the Special Laws (such as Renewable Energy Act) including its Implementing Rules and Regulations and corresponding BIR issuances shall be submitted.



- g. In cases where the authenticity of the document can be verified electronically/online [e.g., through "quick response" (QR) codes], attach to the docket a printout of the screenshot of the result of the verification from the facility hosting the electronic/online system with the duly signed notation that the same was verified through the said system.
2. Compare each category and amount of sales in the quarterly VAT returns, audited financial statements and general ledger. Identify and reconcile discrepancies noted to determine taxable and exempt transactions, which will be subject to output tax or allocation of input tax.
 3. Determine whether sales declared as zero-rated actually emanate from export sales and other transactions that may qualify as zero-rated or effectively zero-rated sales by verifying sales contracts, marketing agreements and other sales related documents.
 4. Verify from the financial statements, VAT returns and books of accounts, as necessary, if there are local sales and exempt transactions which should not be subject to zero rate.
 5. Check the correctness of the submitted Schedule of Zero-Rated Sales of Goods (Annex "A.1.2"), Exempt Sales ("A.1.4"), and Taxable Sales ("A.1.5"), and completeness of the supporting documents through the following procedures:
 - a. Examine export sales invoices, airway bills/ bills of lading and/or other proofs of exportation of goods for zero-rated sales.
 - b. Check the accuracy of the details in the schedule against the sales invoices issued for zero-rated sales, to include proofs of inward remittances of foreign currency representing proceeds from zero-rated sales.
 - c. Ascertain if the proceeds from zero-rated sales were paid for, in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP) by verifying the supporting bank credit memo, bank certifications, taxpayers' passbook or any document issued by the bank to prove the inward remittance of foreign currency from the zero-rated sales.
 - d. Match the amounts of exempt sales and taxable sales per schedule with those reflected in the VAT returns and determine if the amount of output tax reflected has been correctly computed.
 - e. Verify totals of zero-rated, exempt and taxable sales as a basis for allocation of input taxes not directly identifiable with each category of sales.
 6. In case of constructive remittance, such as offsetting arrangement, verify the agreements or any correspondences submitted therewith.
 7. If the amount of the inward remittance, whether actual or constructive, is less than the total declared zero-rated sales, the discrepancy shall be construed as unremitted export sales. Hence, the input tax pertaining to the discrepancy shall be deducted from the allowable input tax using the following formula:



a. For companies with purely zero-rated sales of services:

$$\frac{\text{Unremitted Export Sales}}{\text{Total Zero-Rated Sales}} \times \text{Allowable Input Tax} = \text{Input Tax Allocable to Unremitted Export Sales}$$

b. For companies with zero-rated and taxable transactions:

$$\frac{\text{Unremitted Export Sales}}{\text{Total Sales}} \times \text{Allowable Input Tax Inclusive of Output Tax} = \text{Input Tax Allocable to Unremitted Export Sales}$$

Computation of Allowable Input Tax:

Total input tax claimed	P	xxx
Less: Disallowed input tax per verification		<u>xxx</u>
Allowable input tax		P xxx

An illustration is provided for in Annex "D.3"

8. Determine compliance with invoicing requirements by:
 - a. Verify whether the sales invoices issued are covered by the Authority to Print (ATP) or approved Permit to Use Computerized Accounting System submitted by the taxpayer;
 - b. Checking the issuance of sales invoices in accordance with Section 113(B) of the Tax Code of 1997, as amended, and RMO No. 12-2013; and
 - c. Ascertaining the issuance of sales invoices for VATable sales, zero-rated sales and exempt sales by taxpayers with mixed transactions in compliance with the invoicing requirements under Section 113 of the Tax Code of 1997, as amended.

9. Ensure that all issued sales invoices are accounted for, including those issued by branches. Take down any break in the sequence of the serial numbers of issued invoices and ask the taxpayer to account for the missing numbers. In case of cancellation, look for the original copy and note in the working papers the cancelled invoices, as well as those which are unaccounted for.

Determine if the unaccounted invoices pertain to local sales which should be subject to output tax.

10. Ascertain violation of invoicing requirements wherein a compromise penalty under RMO No. 7-2015 and/or existing issuances may be imposed, for indorsement to concerned RDO/LTDO.

11. Determine any "deemed sales" as defined in Section 106(B) of the Tax Code, as amended, and deduct the corresponding output tax from the claim, where applicable.

