

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

September 22, 2003

**REVENUE REGULATIONS NO. 31-2003**

**SUBJECT:** **Regulations Providing for the Policies, Guidelines and Procedures in the Implementation of the Tax Subsidy Granted by the Fiscal Incentives Review Board (FIRB) to the Armed Forces of the Philippines Commissary and Exchange Service (AFPCES)**

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

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**SECTION 1. Scope.** - These regulations are hereby promulgated to implement the tax subsidy granted by the Fiscal Incentives Review Board (FIRB) to the Armed Forces of the Philippines Commissary and Exchange Service (AFPCES) with respect to their purchases from local manufacturers, producers or suppliers of articles or commodities subject to excise tax and value-added tax (VAT) and the sale thereof to persons entitled to commissary privileges. As to other tax liabilities of the AFPCES, the provisions of DOF and DBM Joint Circular No. 1-03 (Rules, Guidelines and Procedures Implementing the Tax Expenditure Subsidy Section Under the General Provisions of the Annual General Appropriations Act) dated August 15, 2003 shall apply.

**SEC. 2. Coverage/Limitations.** – The privileges granted herein shall be limited to the products/goods, amount of tax subsidy, scope and period of tax subsidy as provided for in the FIRB Resolution and Certificate of Entitlement to Subsidy (CES) issued by the Department of Finance.

**SEC. 3. General Guidelines** - No purchase order (PO) for articles or commodities originating from the AFPCES, for which payment of the corresponding tax shall be made through the application of its government-granted subsidy, shall be honored or filled by any manufacturer, producer or supplier unless the same is approved by the authorized official of the AFPCES indicated therein. The name of the approving official, together with his specimen signature, shall be furnished to the Commissioner of Internal Revenue or his duly authorized officers.

The AFPCES shall file an application with the Department of Budget and Management (DBM) for availment of entitlement to subsidy for the payment of excise tax and/or VAT on its purchases of goods for subsequent sale to its intended beneficiaries. Upon approval of the application, the DBM shall issue a Special Allotment Release Order (SARO) in favor of the Bureau of Treasury (BTr) to cover the payment of the aforesaid taxes payable to the BIR. The AFPCES shall furnish the Revenue District Office (RDO) having jurisdiction over the AFPCES' principal office and the BTr with a copy of the SARO.

Upon receipt of the SARO, the RDO having jurisdiction over AFPCES' principal office shall furnish the Revenue Accounting Division (RAD) under the Collection

Service with a copy of the same. The RAD shall record the corresponding revenue collection upon receipt of the BTr's Journal Entry Voucher (JEV).

The AFPCES shall submit to the Commissioner of Internal Revenue, through the RDO having jurisdiction over the AFPCES' principal office, a Quarterly Summary List of Purchases and Input Tax in diskette form in accordance with the provisions of Revenue Regulations No. 8-2002. In addition to the information required in the said regulations, the following shall be indicated in the list:

- 1) PO Number issued by AFPCES;
- 2) Sales invoice issued by the manufacturer, producers or supplier; and
- 3) Delivery receipts issued by the manufacturer, producer or supplier.

The manufacturers, producers or suppliers referred to herein, as well as the AFPCES, shall each have a registry book, duly registered with the Bureau of Internal Revenue. All sales made to AFPCES by the manufacturers, producers or suppliers shall likewise be entered in the said registry book not later than the day immediately following the date of the transaction. The books of the manufacturer, purchaser or supplier and AFPCES shall be kept and maintained like any ordinary accounting record and shall be opened for inspection at any time during office hours by any duly authorized internal revenue officer.

#### **Sec. 4 Procedural Guidelines**

##### **A. On Items Subject to Value-Added Tax (VAT)**

(1) AFPCES shall apply for the Tax Subsidy Availment Certificate (TSAC) representing payment of VAT on purchases of goods for subsequent sale to its intended beneficiaries with the Commissioner of Internal Revenue through the RDO having jurisdiction over AFPCES' principal or head office. The application for the issuance of a TSAC shall be signed by the duly authorized official of the AFPCES. For VAT purposes, AFPCES shall attach to the application a copy of the PO and two (2) copies of the suppliers' invoice/official receipt covering the transaction. The aforesaid transaction shall be billed VAT inclusive.

(2) Upon determination that the application is complete and in order, the Commissioner, through the RDO, shall issue the TSAC to the effect that taxes for the said purchase have been paid. This certificate shall be made in four (4) copies to be distributed as follows:

Original	-	AFPCES
Duplicate	-	Seller of the Goods
TriPLICATE	-	Revenue Accounting Division
Quadruplicate	-	File copy – RDO

(3) Before the release of the TSAC, each and every availment of the subsidy shall be properly recorded by the RDO in order to determine and update the balance of the released allotment.

(4) The RDO shall submit a Monthly Report of Tax Subsidy Availment Certificates Issued, with the triplicate copies of the TSAC, to the RAD within fifteen (15) days after the end of each month.

(5) The amount appearing in the TSAC shall be used as payment of the VAT input tax on purchases of goods made by AFPCES from its local manufacturers, producers or suppliers.

(6) In filing his/its Quarterly Value-Added Tax Return, the manufacturer, producer or supplier shall include the sales covered by the availment of tax subsidy in his/its total gross sales subject to VAT. The issued duplicate copy of the TSAC shall be used by the manufacturer, producer or supplier as payment of his VAT liability on his/its sales to AFPCES. For this purpose, the issued duplicate copy of the certificate shall be attached to his/its VAT return.

## **B. On Articles Subject to Excise Tax**

(1) For goods subject to excise tax, AFPCES shall prepare POs indicating therein the tax base, amount of excise tax due and total amount. The PO shall be course through the concerned RDO for proper evaluation as to the accuracy of the amount of excise tax indicated therein. The PO shall then be used to support the preparation and issuance of a TSAC equivalent to the excise tax amount as computed therein by the concerned district office. However, purchases of petroleum products from dealers shall be covered by the tax subsidy only if the same are purchased by dealers directly from local refiners. In addition to the PO, a copy of the Supply Agreement between the dealer and local refiner shall also be submitted together with the Application for Tax Subsidy Availment Certificate for Excise Tax. It should be stated in the agreement that the supply is being purchased exclusively for AFPCES. To ensure that the excise tax thereon has been paid, the documents pertaining to said transactions shall be subject to proper verification by the Bureau prior to the release of the TSAC.

(2) Prior to the issuance of the TSAC, the issuing unit shall update its books to indicate the available balance for future utilization, after deducting the latest application for TSAC utilization for excise tax purposes. For purchases from petroleum dealers, the name of the dealer and local refiner from whom the petroleum product was purchased shall be indicated in the TSAC to be issued as follows:

(Name of the Dealer) for the Account of (Name of the Supplier/Local Refiner)

The amount appearing in the said TSAC shall be deducted from the total amount payable by the petroleum dealer to the supplier/local refiner. This TSAC shall be used by the latter as payment of its excise tax liability with the Bureau of Internal Revenue, without the necessity of applying for transfer/utilization.

(3) All invoices issued by AFPCES covering sales of motor fuel and lubricants shall indicate legibly, among others, the name of the purchaser who is the user of the

vehicle, if government-issued, or of the owner of the vehicle, make of vehicle, plate number, and kind/description and quantity of petroleum products to be sold.

(4) Upon full and actual receipt of its purchased articles, AFPCES shall immediately submit to the concerned RDO the copies of the sales invoices/official receipts and delivery receipts (DR), duly acknowledged by AFPCES' authorized representative, corresponding to the POs covered by the TSAC issued in its favor. The following information shall be indicated in the DR:

1. Full name of authorized employee;
2. Signature;
3. Date;
4. Time; and
5. Place of actual delivery/unloading of purchased articles.

The RDO shall not process any subsequent application for TSAC on excise tax unless a previously issued TSAC in favor of AFPCES has been fully liquidated as herein required.

(5) The same procedure for recording the issuance of the TSAC as stated in Section 4(A)(3) and (4) hereof shall apply to articles subject to excise tax.

**Sec. 5. Transitory Provisions** - The Tax Compliance Certificate (BIR Form No. 2322), now referred to as the TSAC, shall still be continuously used until such time that the present inventory is fully utilized in accordance with the FIRB Resolution. Thereafter, the form shall be denominated as "Tax Subsidy Availment Certificate."

Tax Compliance Certificates (TCC) issued in the year 2002 on purchases of petroleum products from dealers and covered by the tax subsidy granted to AFPCES per CES No. 0272 shall be replaced with a new tax certificate, now called Tax Subsidy Availment Certificate, subject to the condition stated in the preceding paragraph. The following guidelines and procedures shall be observed:

1. The concerned RDO shall submit an inventory list of TCCs issued to petroleum dealers to the Large Taxpayers Service, indicating the TCC No., date of issuance, name and address of the dealer/supplier, and amount of TCC issued, within five (5) days from the effectivity of these regulations.
2. The original and duplicate copies of TCCs issued to AFPCES and dealers of petroleum products, respectively, shall be presented to the concerned RDO for replacement of the tax certificate, together with a copy of the Withdrawal Certificate/delivery receipt/invoice issued by the local refiner to the dealer, as proof that the petroleum product was purchased by the dealer from the local refiner. In addition, AFPCES shall also submit copies of the sales invoices/official receipts and delivery receipts issued by the dealer, corresponding to the TCC issued in its favor as required in Section 15 of RR No. 13-2002, in case the same has not been provided to the RDO.

3. The TCCs previously issued which are not in accordance with Section 4(B)(2) hereof shall be cancelled and in lieu thereof, a new TCC or TSAC shall be prepared. Prior to the release of the new TCC/TSAC, the RDO shall record all the pertinent information indicated on the new TCC/TSAC in the registry/record book maintained for this purpose.

**SEC. 6. Repealing Clause** - Any existing regulations, order or instructions or portions thereof that are inconsistent with these regulations are hereby repealed, amended or modified accordingly.

**SEC. 7. Effectivity Clause** - These Regulations shall take effect after fifteen (15) days from the date of publication in a newspaper of general circulation.

(Original Signed)  
**JOSE ISIDRO N. CAMACHO**  
Secretary of Finance

Recommending Approval:

(Original Signed)  
**GUILLERMO L. PARAYNO, JR.**  
Commissioner of Internal Revenue