

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

November 12, 2007

REVENUE MEMORANDUM CIRCULAR NO. 74-2007

SUBJECT : Circularizing the Full Text of Unnumbered Memorandum Dated November 12, 2007 Regarding “**Table Audit of Pre-need Companies**”

TO : All Internal Revenue Officials, Employees and Others Concerned

For the information and guidance of all internal revenue officials, employees and others concerned, quoted hereunder is the full text of Unnumbered Memorandum dated November 12, 2007 regarding “Table Audit of Pre-need Companies”, as follows:

“MEMORANDUM

TO : Assistant Commissioner / Head Revenue Executive Assistants of the Large Taxpayers Service, Regional Directors, Revenue District Officers and Others Concerned

FROM : (Signed)
LILIAN B. HEFTI
Commissioner

SUBJECT : Table Audit of Pre-need Companies

DATE : November 12, 2007

It has come to the attention of the undersigned that, for purposes of computing Value-Added Tax (VAT), most of the Pre-need Companies are using receipts/contract price net of contribution to the trust fund as their taxable base.

It is hereby clarified that the taxable base of Pre-need Companies for VAT purposes shall be the gross receipts without any deduction. Such contribution is similar or equated to the recorded “Reserve” in the case of insurance companies, whether life or non-life. Reserve is not deductible, for purposes of determining the taxable gross direct premium/writing for non-life insurance companies as well as life insurance

companies. The said tax treatments have already been clarified and reiterated under Revenue Regulations (RR) No. 16-2005, as amended.

In view thereof, you are hereby directed to pre-audit the returns of Pre-need Companies to ensure that they are using the correct tax base/gross receipts for purposes of computing the VAT. Companies who will be found to have used incorrect tax base shall immediately be issued Assessment Notice.

Please be guided accordingly."

All concerned are hereby enjoined to be guided accordingly and give this circular a wide publicity as possible.

(Original Signed)

LILIAN B. HEFTI

Commissioner of Internal Revenue