

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

February 27, 2003

REVENUE REGULATIONS NO. 11-2003

SUBJECT : Amending Further Revenue Regulations No. 3- 2003, in relation to Revenue Regulations No. 1-2003, thereby Extending Further the Deadline for Registration and Other Compliance Requirements During the Transitory Period of the Imposition of Value-Added Tax (VAT) on Sale of Services by Persons Engaged in the Practice of Profession or Calling and Professional Services Rendered by General Professional Partnerships; Services Rendered by Actors, Actresses, Talents, Singers and Emcees; Radio and Television Broadcasters and Choreographers; Musical, Radio, Movie, Television and Stage Directors; and Professional Athletes; as Well as Services Rendered by Customs, Real Estate, Stock, Immigration and Commercial Brokers, beginning January 1, 2003 and for other purpose.

TO : All Internal Revenue Officers and Others Concerned

SECTION 1. SCOPE. Pursuant to the provisions of Sections 244 and 108 of the National Internal Revenue Code of 1997, in relation to Section 5 of Republic Act No. 8424, as last amended by Section 1 of Republic Act No. 9010, these Regulations are hereby promulgated to amend the transitory provisions under RR No. 1-2003 as amended by Revenue Regulations No. 3-2003 in relation to the imposition of value-added tax on sale of services by persons engaged in the practice of profession or calling and professional services rendered by general professional partnerships; services rendered by actors, actresses, talents, singers and emcees; radio and television broadcasters and choreographers; musical, radio, movie, television and stage directors; and professional athletes, as well as services rendered by customs, real estate, stock, immigration and commercial brokers.

SEC. 2. AMENDMENT. – Section 3 of Revenue Regulations No. 1-2003, as amended by Revenue Regulations No. 3-2003, is hereby further amended to read as follows:

“SEC.3. TRANSITORY PROVISIONS. – During the transition, the following guidelines shall be followed:

a. **Registration** – Affected taxpayers are required to register as VAT/Non-VAT taxpayers without penalty not later than **March 19, 2003**.

It is to be stressed out, that the VAT Declaration/Monthly Percentage Tax Return covering the transactions for January 2003 should be filed not later than the deadline for filing of the said returns covering the transactions in February 2003 (March 20, 2003 for regular/manual VAT/Non-VAT taxfilers and the prescribed date under the staggered filing system for those using the Electronic Filing and Payment System (EFPS), without any penalty.

It is emphasized, however, that the sale of service by professionals, etc., beginning January 1, 2003 is already subject to the VAT (Output tax), except those whose gross receipts for the preceding year (or expected gross receipts for the current year, for new taxpayers) do not exceed P550,000 who shall pay only the 3% percentage tax unless they likewise opt to be covered by the VAT system and, therefore, are also subject to VAT. Thus, VAT-registrable professionals, etc. (those required to register as VAT-persons but have not registered yet) are subject to the VAT beginning January 1, 2003. These newly covered taxpayers may, pending registration as VAT-persons and compliance with paragraph (b) hereof, issue Provisional or Temporary Receipts to acknowledge receipt of payment of service fees from their clients/customers. These Provisional or Temporary Receipts shall be immediately replaced by VAT Official Receipts upon the availability thereof and, at this point in time, the client/customer may then claim input tax credit.

b. **Unused receipts** – Taxpayers who change status from NON-VAT to VAT as a result of the lapse of the effectivity of RA 9010 should submit on or before **March 19, 2003** an inventory of unused receipts as of December 31, 2002 indicating the number of booklets and the corresponding serial numbers. Unused NON-VAT receipts shall be allowed for use in transactions subject to VAT provided the phrase “VAT registered as of _____” is stamped on all copies thereof. These receipts with the proper stamp shall be allowed for use in transactions subject to VAT until June 30, 2003.

c. **Billed but uncollected sale of services.** – Amounts due on sale of services rendered on or before December 31, 2002 and becoming liable to VAT starting January 1, 2003 payments of which are due on or after that date shall be considered accrued as of December 31, 2002 for the purpose of VAT-exemption and payment of any applicable percentage tax, subject to the following conditions:

1. An information return showing the name/s of the contractee/s, client/s, customer/s, and the amount/s of the contract price outstanding as of December 31, 2002, and containing a declaration to pay the applicable percentage tax due, if any, shall be filed not later than **March 19, 2003**;

2. The seller billed the unpaid amount not later than December 31, 2002 and a copy of such billing is attached to the information return required in (1) hereof;

3. The seller has recorded in its books of accounts for the year 2002 the amount receivable;

4. The seller issued or should issue non-VAT official receipts to the buyer for this purpose; and

5. The seller files not later than January 20, 2003 or on before the 20th day of the next month, depending upon the month of collection of the consideration, the regular percentage tax return for the payment of the percentage tax on payments received after 2002 (applicable to brokers only).

Failure to comply with the above-stated conditions shall automatically subject the gross receipts to value added tax.

d. Transitional input tax credits. – For goods (other than capital goods), materials or supplies not for sale but purchased for use in business in their present condition which are not intended for further processing and are on hand on December 31, 2002, a presumptive input tax equivalent to 8% of the value thereof, or the actual value-added tax paid on such goods, materials and /or supplies, whichever is higher, shall be allowed. For this purpose, an inventory as of December 31, 2002 of such goods, materials and/or supplies showing the quantity, description and value should be filed with the RDO not later than March 19, 2003. In recognizing presumptive input tax as of December 31, 2002, a journal entry should be made in the books debiting the input tax account and crediting the aforementioned asset accounts. Provided, however, that this paragraph does not apply to brokers.

In the case of brokers, any input tax outstanding in their books and corroborated by their VAT returns as of December 31, 1999 and still unused as of December 31, 2002 shall be allowed as transitional input tax.”

SEC. 3. 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. 4. EFFECTIVITY CLAUSE. – These Regulations shall take effect immediately after 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