

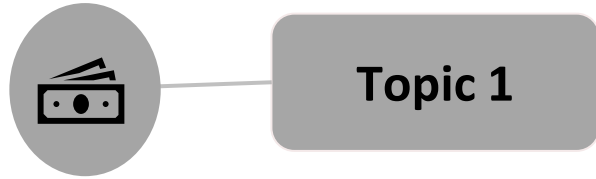
EASE OF PAYING TAXES ACT

VAT AND INVOICING REQUIREMENTS

(As implemented by
Revenue Regulations 3-2024
and 7-2024)

May 14, 2024

OUTLINE



Gross sales as tax base



Invoice as primary document



Use of Supplementary Documents



Transitory Provisions

Value-Added Tax



Use of accrual basis of recognizing sales for both sales of goods and services



Use of gross sales as common basis for output tax for both sales of goods and services or lease of properties.



Use of invoice as principal document evidencing sale of goods and services

Gross sales, defined (sales of service)

Gross sales refers to the total amount of money or its equivalent representing the contract price, compensation, service fee, rental or royalty, including the amount charged for materials supplied with the services during the taxable period for the services performed for another person, which the purchaser pays or is obligated to pay to the **seller in consideration of the sale, barter, or exchange of services that has already been rendered by the seller and the use or lease of properties that have already been supplied by the seller.**

Gross sales



- Includes amount charged for materials supplied with the services during the taxable period
- Excludes amount earmarked for payment to 3rd party
- Excludes amount received as reimbursement for payment on behalf of another

Gross sales



Rule for long-term contracts (1 year or more)

- the invoice shall be issued on the month in which the service, or use or lease of properties is rendered or supplied.

Allowable Deductions from Gross Sales

- Value of goods/properties sold and subsequently returned during the quarter.
- Value of services rendered for which allowances were granted during the quarter.
- Sales discount granted and indicated in the invoice.

Output VAT Credit on Uncollected Receivable

Requisites:

- 1 Sale or exchange has taken place after the effectivity of the RR.
- 2 Sale is on credit or on account.
- 3 There is a **written agreement** on the period to pay the receivable.


Output VAT Credit on Uncollected Receivable

Requisites:

- 4 VAT is separately shown on the invoice.
- 5 Sale is specifically reported in the SLS and **not reported as part of "various"** sales.
- 6 Output VAT was declared in the tax return.

Output VAT Credit on Uncollected Receivable

Requisites:

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- 6 The **period agreed upon**, whether extended or not, **has elapsed**.
 - 7 The VAT component of the uncollected receivable was not claimed as a deduction from gross income (i.e. bad debt).

Output VAT Credit on Uncollected Receivable



In case of recovery of uncollected receivables, the output VAT pertaining thereto shall be added to the output VAT during the period of recovery

Invoice



a written account evidencing the sale of goods and/or services issued to customers in the ordinary course of trade or business.



May serve as proof of payment

Invoice



- ✓ Sales Invoice
- ✓ Commercial Invoice
- ✓ Cash Invoice
- ✓ Charge Invoice
- ✓ Credit Invoice
- ✓ Service Invoice
- ✓ Miscellaneous Invoice

VAT Invoice



- ✓ written account evidencing the sale of goods, properties, services and/or leasing of properties subject to VAT
- ✓ cash sales or sales on account
- ✓ used as basis of the output tax liability of the seller and the input tax claim of the buyer or purchaser
- ✓ may serve as proof of payment

Non-VAT Invoice



- ✓ written account evidencing the sale of goods, properties, services and/or leasing of properties not subject to VAT
- ✓ cash sales or sales on account
- ✓ may serve as proof of payment
- ✓ Used as basis of the Percentage Tax liability of the seller, if applicable

Invoicing Requirements



The term Invoice is printed or included (e.g. Sales Invoice, Commercial Invoice, Cash Invoice, Charge Invoice, Credit Invoice, Service Invoice or any similar description followed by the word "Invoice")



Removal of business style as part of invoicing requirements

Invoicing Requirements



- ✓ If VAT registered, a statement that the seller is a VAT-registered person followed by the seller's TIN and Branch Code
- ✓ The total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the VAT

Invoicing Requirements



- ✓ The VAT amount is shown as a separate item
- ✓ The term "VAT-Exempt Sale" is written or printed, if the sale is exempt from VAT
- ✓ The term "Zero-Rated Sale" is written or printed, if the sale is subject to zero percent (0%) VAT

Invoicing Requirements



If the sale involves goods, properties or services some of which are subject to VAT, Zero-Rated or VAT-Exempt, the invoice shall clearly indicate the breakdown of the sale price between taxable, exempt and zero-rated components and the calculation of the VAT on each portion of the sale shall be shown on the invoice



May issue separate invoices for the taxable, exempt and zero-rated components of the sale.

Invoicing Requirements



Failure to comply with invoicing requirements shall make the issuer liable for non-compliance. The input VAT for the purchaser shall still be allowed if the following are present:

- ✓ Amount of sales and VAT;
- ✓ Name and TIN of both purchaser and issuer;
- ✓ Description and date of the transaction.

Invoicing Requirements



Guidelines for issuance of invoice:

- Issued for sales valued at P500 (adjusted every 3 years)
- If the sales amount per transaction is below P500 but aggregate amount is at least P500, the seller will issue 1 invoice for the aggregate amount at the end of the day

Invoicing Requirements



Guidelines for issuance of invoice:

- Seller shall issue the invoice regardless of the amount when the buyer so requires
- VAT-registered persons shall issue invoice regardless of the amount

Use of Supplementary Document

- written document, other than sales or commercial invoice such as:
 - official receipt
 - delivery receipt
 - order slip
 - debit and/or credit memo
 - purchase order
 - Acknowledgement receipt
 - cash receipt
 - collection receipt
 - bill of lading
 - billing statement
 - statement of account

Use of Supplementary Document



- ✓ Not valid proof to support the claim of input taxes
- ✓ Serves as source of accounting entries in the books of accounts

Record Keeping

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Preservation of books and other records shall be for a period of 5 years

- ✓ Exception to the period of preservation: any pending protest/claim for refund/tax credit.
- ✓ Manner of preservation:
 - Manual/loose leaf books and other records– in hard copies.
 - Computerized books and other records – in electronic copies.

Transitory Provisions



Unused Official Receipts:

May be used as supplementary document until fully consumed

OR

May be converted as primary Invoice until December 31, 2024

Transitory Provisions



Unused Official Receipts

❖ If used as supplementary document:

- The phrase "THIS DOCUMENT IS NOT VALID FOR CLAIM OF INPUT TAX." is stamped on the face of the document
- May serve as proof of payment

Transitory Provisions

Unused Official Receipts

❖ If used as **primary Invoice**:

- ☑ Allowed until December 31, 2024
- ☑ Strikethrough the word "Official Receipt" on its the face
- ☑ Stamp on its face "Invoice", "Cash Invoice", "Charge Invoice", "Credit Invoice", "Billing Invoice", "Service Invoice", or any name describing the transaction.

Transitory Provisions



Unused Official Receipts

❖ If used as **primary Invoice:**

- Valid for claim of input tax from January 22 to December 31, 2024
- Can serve as proof of sales transaction and proof of payment at the same time.

Transitory Provisions



Unused Official Receipts

- ❖ Official Receipts, whether stamped with "Invoice" or unstamped, issued after December 31, 2024, will be considered supplementary documents only.
- ❖ Ineligible for input tax claims.

Transitory Provisions

Reportorial Requirement of Unused Official Receipts to be Used as Invoice

- ❖ The stamping of unused OR as Invoice does not require BIR approval
- ❖ Submit inventory of unused official receipts, indicating the number of booklets and corresponding serial numbers within thirty (30) days upon effectivity of the Regulations to the RDO/LT Office/LT Division where the Head Office or Branch Office is registered

Transitory Provisions



Reconfiguration of CRM,/POS, CAS/CBA:

- ☑ CRM/POS considered as **minor adjustment** – change the word "official Receipt" to "Sales Invoice" without the need to notify the RDO
- ☑ CAS/CBA considered as **major enhancement**

Transitory Provisions



Reconfiguration of CRM,/POS, CAS/CBA:

- ✓ Reconfiguration shall be undertaken on or before June 30, 2024.
- ✓ Period of reconfiguration may be extended subject to:
 - ✓ Prior BIR approval
 - ✓ No longer than 6 months from the effectivity of the regulations

Transitory Provisions



Reconfiguration of CRM,/POS, CAS/CBA:



Documents issued by CRM/POS containing the word "Official Receipt" beginning the effectivity of the RR shall not be considered as valid for claim of input tax.



Issuance of "Official Receipt" after June 30, 2024 shall not be considered as evidence of sale of goods and shall be tantamount to non-issuance of sales invoice.

Locally rooted – Globally connected