

EASE OF PAYING TAXES ACT

Salient Features and Proposed
Implementing Rules and Regulations

May 14, 2024

Period of Implementation

July 2024

CW	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
27		1	2	3	4	5	6
28	7	8	9	10	11	12	13
29	14	15	16	17	18	19	20
30	21	22	23	24	25	26	27
31	28	29	30	31			

The amended regulations on tax refund and remedies shall cover tax credit/refund claims that are filed **starting July 1, 2024 onwards.**

Refund of Excess Input Tax



Classification of VAT refund claims into low-, medium-, and high-risk claims with medium- and high-risk claims being subject to audit/verification processes

- ✓ Mandatory submission of complete documentary requirements regardless of the risk classification.
- ✓ Effect of the risk-based approach on the scope of verification is as follows:

Risk Level	Verification of Sales	Verification of Purchases
Low	No verification	No verification
	Mandatory full verification on the 4 th VAT refund claim after 3 consecutive filing of low-risk VAT refund claims	

Refund of Excess Input Tax



Classification of VAT refund claims into low-, medium-, and high-risk claims with medium- and high-risk claims being subject to audit/verification processes

Effect of the risk-based approach on the scope of verification is as follows:

Risk Level	Verification of Sales	Verification of Purchases
Medium	At least: <ul style="list-style-type: none"> ✓ 50% of amount of sales; AND ✓ 50% of total invoices/receipts (including inward remittance and proof of VAT zero-rating) 	At least: <ul style="list-style-type: none"> ✓ 50% of amount of purchases; AND ✓ 50% of suppliers (with priority on Big Ticket purchases)
	Adjusted to 100% if there is at least 30% disallowance of the amount of refund	
High	100%	100%

Refund of Excess Input Tax



Classification of VAT refund claims into low-, medium-, and high-risk claims with medium- and high-risk claims being subject to audit/verification processes

- ✓ Specific circumstances with **automatic high-risk classifications**:
 - First-time claimants for the succeeding 3 VAT refund claims;
 - The succeeding claim following a full denial; and
 - VAT refund claims arising from retirement/cessation of business.
- ✓ Main risk factors: Amount; Filing frequency; Tax compliance history; and other risks
- ✓ Risk classification shall be made for every filing even if filed on a quarterly basis
- ✓ Shall be subject to post-audit by COA

Refund of Excess Input Tax



Verification and processing of VAT refund shall be separate from regular audit. BIR may utilize sales and/or purchase data from E-Invoicing System.



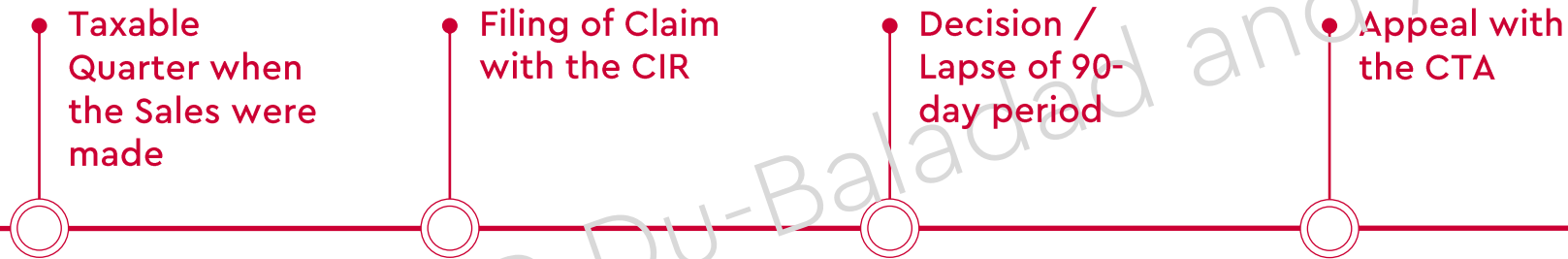
Failure to act on the application within the 90-day period gives rise the exclusive remedies of: i) appeal to the Court of Tax Appeals; or ii) foregoing the judicial remedy and awaiting the decision of the CIR



Disallowance by the Commission on Audit shall make the taxpayer **solely liable** for the disallowed amount without prejudice to any administrative liability on the BIR employee for gross negligence

Refund of Excess Input Tax

Prior to EOPT



2-Year Period

- › Administrative claim with the CIR must be filed within the 2-year prescriptive period

90-day Period

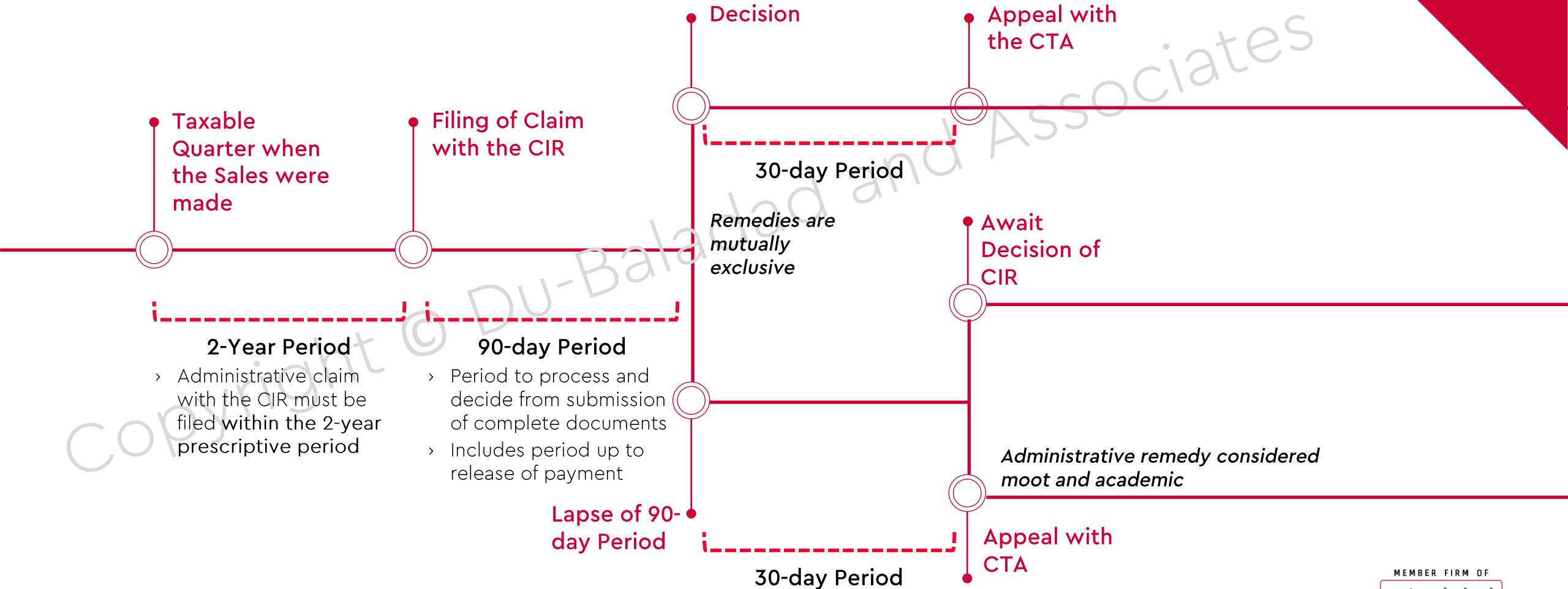
- › Period to process and decide

30-day Period

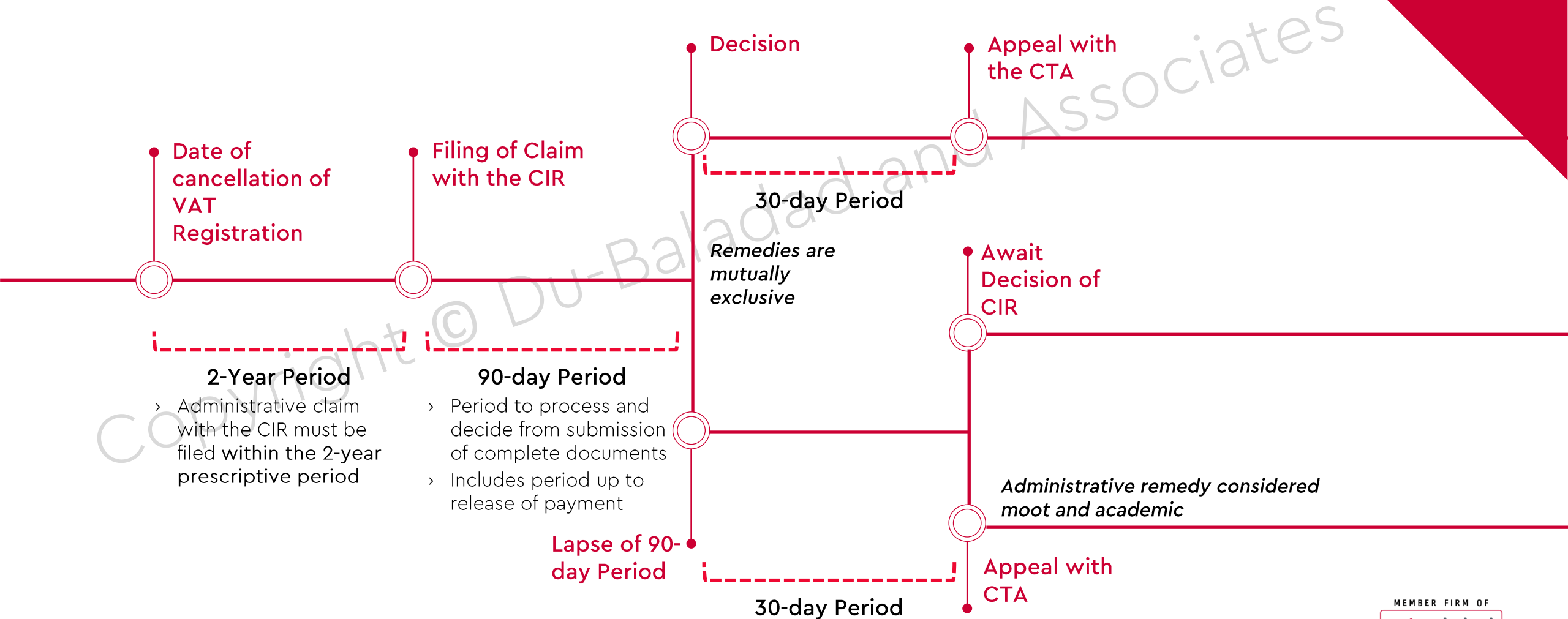
- › Appeal to the CTA must be made within the 30-day prescriptive period

Refund of Excess Input Tax

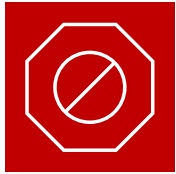
After to EOPT



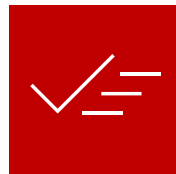
Refund of Unutilized Excess Creditable Input Tax – Cancellation of Registration



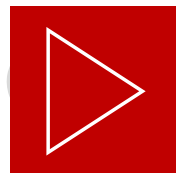
Refund of Excess Income Tax Credit – Dissolution/Cessation



The BIR shall decide within 2 years from the date of the dissolution or cessation of business. This is an **exception** to the 180-day processing of refund claims.



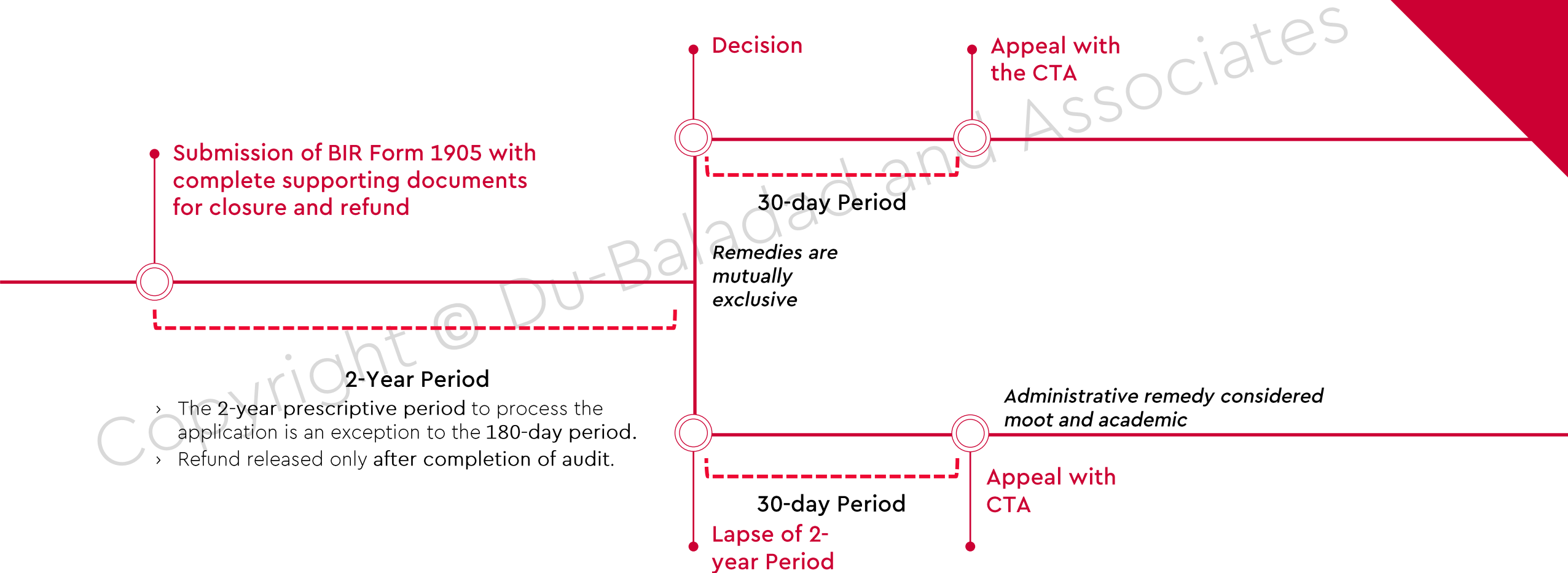
The 2-year period shall commence from the submission of the application (BIR Form 1905) together with the complete documentary requirements for the closure and refund.



Approved refund shall be released only:

- After completion of mandatory audit covering the immediately preceding year and the short period return; and
- Full settlement of all tax liabilities for the closure/cessation of business and any existing prior tax liability.

Refund of Excess Income Tax Credit – Dissolution/Cessation

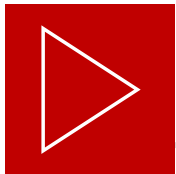


Refund of Excess Income Tax Credit – Regular



Claims for tax credit or refund of creditable withholding tax shall be given due course only if:

- ✓ Filing is done within 2 years from the date of filing of AITR;
- ✓ The income payment has been declared as part of the gross income; and
- ✓ The fact of withholding is established by a copy of the CWT showing:
 - Amount of income payment;
 - Amount of tax withheld; and
 - Taxpayer-claimant as payee.



Processing shall not be held in abeyance pending completion of the audit for all internal revenue taxes

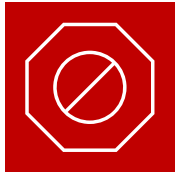
Refund of Excess Income Tax Credit – Regular



Option to carry-forward is irrevocable

Per the EOPT Act	Per RR No. 5-2024
<p>Once the option to carry-over and apply the said excess quarterly income taxes paid against the income tax due for the taxable quarters of the succeeding taxable years has been made, such option shall be considered irrevocable for that taxable period and no application for cash refund or issuance of a tax credit certificate shall be allowed therefor</p> <p>- <i>Sec. 76, Tax Code, as amended by EOPT</i></p>	<p>In case the taxpayer chose the option to be issued TCC or refund but carried forward the said amount to be refunded/issued TCC in the AITR filed for the succeeding year, this shall be a ground for denial of the claim for tax credit or refund. However, the carried over amount may be allowed as credit against future income tax liabilities of the taxpayer-claimant.</p> <p>- <i>Sec. 5(A)(3), RR No. 5-2024</i></p>

Refund of Excess Income Tax Credit – Regular



Option to carry-forward is irrevocable

UCPB vs. CIR, G.R. No. 204687, April 24, 2023

Facts: UCPB filed its Annual ITR (AITR) and two (2) subsequent amended AITRs for TY 2004. All the said AITRs were marked with the option "To be issued a Tax Credit Certificate" with respect to its income tax overpayment. In its 1st Quarter ITR for TY 2005, UCPB carried over the same overpayment as "Prior Year's Excess Credits."

UCPB filed a claim for refund/issuance of TCC of its unutilized CWT for TY 2004. The BIR argued that although UCPB ticked the box for refund, the same was negated when the excess CWT was carried-over to the quarterly and annual ITRs for TY 2005.

Issue: Whether or not UCPB is precluded from seeking a refund for the excess CWT for TY 2004?

Refund of Excess Income Tax Credit – Regular



Option to carry-forward is irrevocable.

UCPB vs. CIR, G.R. No. 204687, April 24, 2023

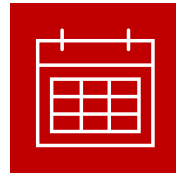
Ruling: The Supreme Court held that the **irrevocability rule applies exclusively to the carry-over option.**

UCPB's option to be issued a TCC was negated by its very act of carrying forward the excess CWT in its 2005 quarterly ITRs. Since UCPB used its option to carry-over, it may no longer revert to its original choice due to the irrevocability rule.

Refund of Erroneously or Illegally Collected Tax



No credit/refund shall be allowed unless the taxpayer files a claim in writing. A return filed showing an overpayment shall be considered as a written claim for credit/refund.



180-day period shall cover the entire process to decide and up to payment. It shall be counted from the submission of complete supporting documents which should be within the 2-year prescriptive period.



Requisites in claiming tax refund/credit:

- Pertains to erroneously or illegally collected taxes or penalties imposed without authority;
- Filing of a claim must be done within 2 years after the payment of tax or penalty;
- Supported with a copy of the duly filed tax return with the corresponding payment remitted to the BIR.

Refund of Erroneously or Illegally Collected Tax



Decision shall be communicated to the taxpayer-claimant; In case of full/partial denial, the legal/factual basis shall be stated.

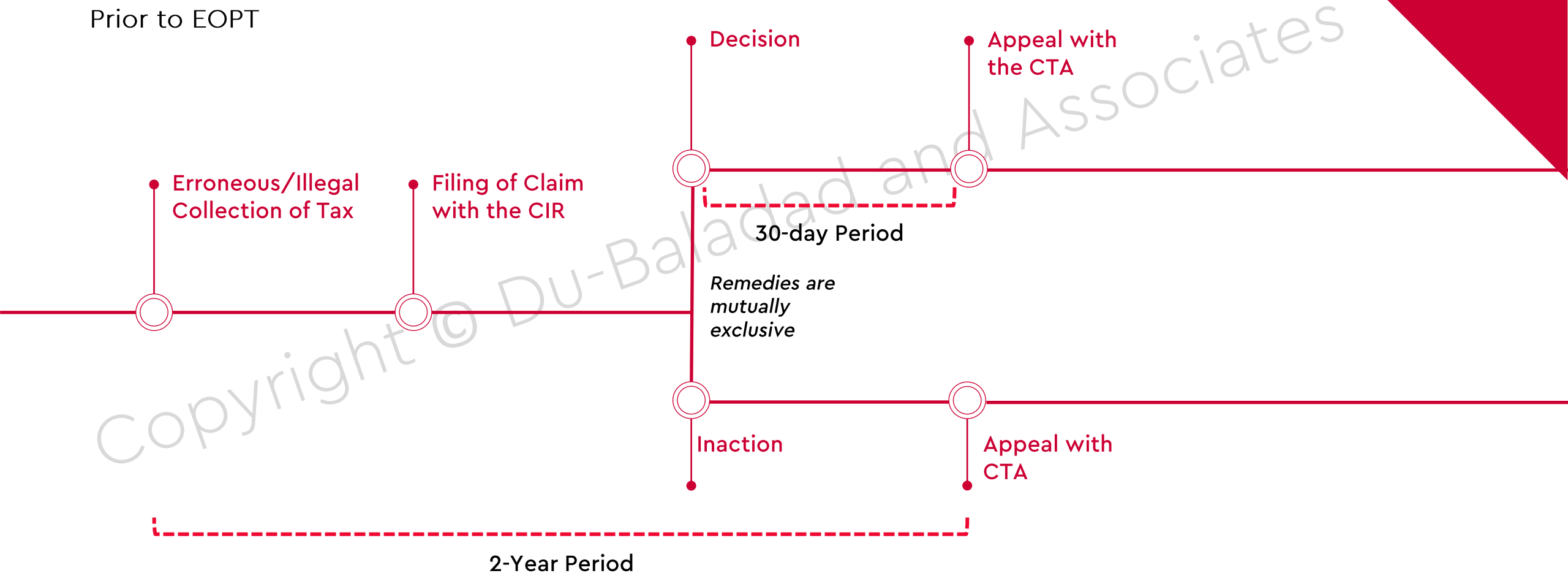


A TCC may be applied against any internal revenue tax liability, excluding WT. It may also be converted into a refund provided:

- ✓ The original TCC showing a creditable balance is surrendered; and
- ✓ The TCC is not a result of avilment of incentives for which no actual payment was made.

Refund of Taxes – Erroneously or Illegally Collected Tax

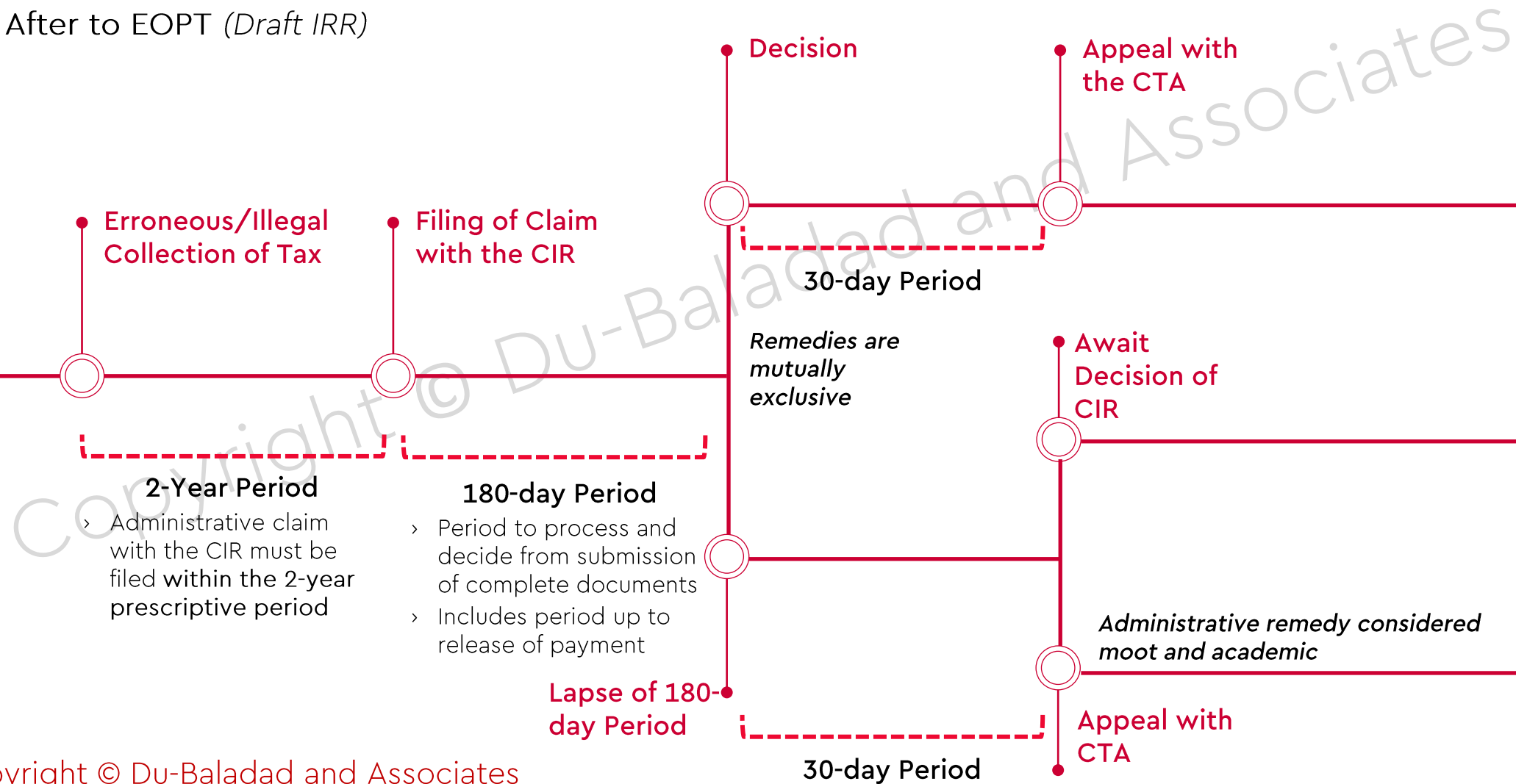
Prior to EOPT



- › Administrative claim with the CIR and appeal with the CTA must be filed within the 2-year prescriptive period

Refund of Taxes – Erroneously or Illegally Collected Tax

After to EOPT (Draft IRR)



Locally rooted – Globally connected