

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

March 19, 2018

REVENUE MEMORANDUM ORDER NO. **20-2018**

SUBJECT : Prescribing the Revised Policies and Procedures on the Processing of Tax Credit Certificates (TCCs) for Cash Conversion

TO : All Internal Revenue Officers and Others Concerned.

I. Objectives

- A. To prescribe the revised guidelines, policies and procedures in the processing of request for conversion of Tax Credit Certificate (TCC) into cash refund;
- B. To update the functions and responsibilities of each office involved in the processing of requests for conversion of TCCs into cash refund; and
- C. To provide a better control and monitoring mechanism in the cancellation of TCCs and the release of funds of approved requests for cash conversion.

II. Guidelines and Policies

- A. All requests for cash conversion shall be filed with the office that originally processed/investigated the claim for issuance of TCC, except in the following cases:
 1. Claims filed with the Revenue District Offices but were subjected to further review and approval by the concerned offices/officials in the National Office, which shall be filed with the Tax Audit and Review Division (TARD); and
 2. Revalidated TCCs which shall be filed with the Miscellaneous Operations Monitoring Division (MOMD) of the Collection Service (CS) for revalidated TCCs.

The concerned offices shall process the requests for cash conversion and certify as to the authenticity and validity of the TCC issued.

- B. The following revenue officials shall recommend the approval/disapproval of the requests for cash conversion of TCCs:

Office Responsible for Processing of Request for Cash Conversion	Signatory of the Memorandum Report Recommending the Approval/ Disapproval of the Request for Cash Conversion of TCCs
VAT Credit Audit Division (VCAD) – for TCCs signed by Assistant Commissioner (ACIR) – Assessment Service (AS),	ACIR - AS

R.G. Manabat & Co.
TAX

Office Responsible for Processing of Request for Cash Conversion	Signatory of the Memorandum Report Recommending the Approval/ Disapproval of the Request for Cash Conversion of TCCs
Deputy Commissioner (DCIR) – Operations Group (OG) and Commissioner of Internal Revenue (CIR)	
Large Taxpayers - Audit Divisions (LTADs)/Large Taxpayers Divisions (LTDs) – for TCCs signed by ACIR – Large Taxpayers Service (LTS)	ACIR – LTS
Appellate Division – for TCCs signed by DCIR – Legal Group (LG)	ACIR – Legal Service (LS)
Revenue District Offices (RDOs) – for TCCs signed by the Regional Director	Concerned Regional Director
TARD – for claims filed with the RDOs but the TCCs were issued in the National Office and signed by ACIR-AS/DCIR-OG/CIR	ACIR – AS
MOMD – for revalidated TCCs	ACIR – CS

- C. The original copy of the TCC must be surrendered to the concerned processing office as part of the supporting documents for cash conversion. For approved application for cash conversion of TCC, the cancellation of the original TCC and the entry in the BIR Integrated Tax System – Tax Credits and Refund System (ITS – TCRS) (details corresponding to the TCC applied for cash conversion) shall be done by the Accounting Division (AccD) in the National Office. However, if the taxpayer-claimant was found to have an Outstanding Tax Liability (OTL) upon verification by the MOMD during the processing of the request and/or by the AccD prior to the final approval of the refund, the taxpayer-claimant may use the TCC for payment of the OTL, if applicable. In the latter case, the CS shall be responsible for the manual cancellation of the original TCC upon issuance of the Tax Debit Memo (TDM) by the concerned TDM – Issuing Office, if the TCC is fully utilized after deducting the TDM from the TCC balance.
- D. Any request for cash conversion of the amount reflected in the TCC or any unutilized portion thereof may be allowed, subject to the provisions of Section 230 of the Tax Code of 1997, as amended.
- E. No cash conversion shall be allowed for TCCs issued under the following cases:
1. TCC issued as a result of the availment of incentives granted pursuant to special laws for which no actual payment was made; and
 2. Previously transferred or assigned TCCs prior to Revenue Regulations (RR) No. 14-2011.
- F. TCCs issued which remain unutilized after five (5) years from date of issue, unless revalidated before the end of the fifth year, shall not be allowed to be converted into cash.

- G. All requests for cash conversion of TCCs shall be referred to the ACIR-CS for verification of the taxpayer's tax liabilities, and subsequently, to the ACIR-Finance Service (ACIR-FS) for funding purposes. However, the validity and correctness of the TCC and the completeness of the supporting documents surrounding the issuance thereof shall still be the responsibility of the office which approved and issued the same.
- H. The DCIR – OG shall approve/disapprove the recommendations for approval/disapproval for cash conversion of TCCs issued by all offices in the National Office and Regional Offices, prior to submission to the Finance Service for processing of payment of cash conversion of TCCs. In the absence of the DCIR – OG, the Commissioner shall approve/disapprove the same.
- I. The policies and procedures prescribed in Revenue Memorandum Order (RMO) No. 38-2014 shall be observed by the concerned offices in the National and Regional Offices (e.g., Finance Service, AccD, General Services Division, Office of the Regional Director, Finance Division, etc.) in the processing of payment of cash conversion of TCCs. However, the threshold set for the Regional Directors as mentioned under item III.B.5 and III.B.6 of RMO No. 38-2014 was revised per Revenue Memorandum Circular (RMC) Nos. 89 – 2017 and 17-2018.
- J. All pending applications for conversion into cash refund of TCCs filed prior to the issuance of this Order shall be processed in accordance with the guidelines, policies and procedures prescribed in this Order.

III. Documents Required for the Processing and Approval of Requests for Conversion of TCC into Cash Refund

- A. Documents Required to be Submitted by the Taxpayer-Claimant
 - 1. Letter request of taxpayer-claimant for conversion of TCC to cash refund;
 - 2. Original copy of the TCC for conversion;
 - 3. Original copy of the Secretary's Certificate/Special Power of Attorney (SPA) executed by the taxpayer-claimant authorizing his/its representative to apply for TCC cash conversion on his/its behalf, whichever is applicable;
 - 4. Board Resolution approving the issuance of a Secretary's Certificate/SPA to the authorized representative, whichever is applicable; and
 - 5. Any government-issued identification card of the taxpayer-claimant or his/its authorized representative.
- B. Documents to be Prepared/Secured by the Concerned Offices and to be Attached to a Docket for Cash Conversion of TCC
 - 1. All the documents submitted by the taxpayer-claimant as enumerated under Item No. III.A hereof;

2. Original case docket supporting the issuance of the TCC;
3. Certificate of authenticity and validity of the TCC;
4. Certification on OTL of the taxpayer-claimant;
5. Certification on the Status of Cases Pending Legal or Judicial Resolution;
6. Certification from the Chief, Accountable Forms Division/Administrative and Human Resource Management Division (AHRMD) that the TCC is not included in the list of cancelled or lost TCCs;
7. Duly signed Disbursement Voucher (DV) and Budget Utilization Request and Status (BURS) Forms; and
8. Duly approved memorandum report.

IV. Procedures

A. The VCAD/LTADs/LTDs/Appellate Division/RDOs/TARD/MOMD shall –

1. Receive the letter request for the conversion of TCC to cash refund, together with the documents mentioned in item no. III.A hereof.
2. Retrieve the original case docket which was the basis for issuing the original TCC and attach thereto the letter request and the original TCC submitted by the taxpayer-claimant.
3. Review and evaluate the record of the case by ensuring that the TCC being applied for conversion into cash refund is that which had been duly processed and validly issued by the Office.
4. Prepare the Certificate of Authenticity and Validity of the TCC for signature of the Division Chief/ Revenue District Officer.
5. Prepare the memorandum report recommending approval/disapproval for conversion of TCC for signature of the concerned revenue officials mentioned under II.B hereof.
6. Prepare the DV and BURS and indicate the name of DCIR – OG under “Box A”.
7. Affix initial(s) under the name of said revenue officials.
8. Forward the entire docket of the case, together with the DV and BURS, to the recommending revenue officials.

B. The AS/CS/LTS/LS/Office of the RD shall -

1. Review the docket pertaining to the request for cash conversion of TCC.

2. Sign the memorandum report recommending the approval/disapproval for cash conversion of TCC.
 3. Affix initial on "Box A" of the DV and BURS.
 4. Forward the docket with signed recommendation, DV and BURS to the MOMD.
- C. The MOMD shall –
1. Check the completeness of documents submitted and if found complete, acknowledge receipt thereof, together with the entire docket of the case.
 2. Request the Accounts Receivable Monitoring Division (ARMD), Large Taxpayers Collection Enforcement Division (LT-CED), RDO and Collection Division of the concerned Regional Office, where applicable, to verify the existence of tax liabilities of the taxpayer-claimant and to issue a Certification on OTL of the taxpayer- claimant.
 3. If the taxpayer-claimant is found to have an OTL and/or open stop-filer case, perform the following courses of action:
 - 3.1 Inform the taxpayer-claimant of the existence of the OTL and advise the taxpayer-claimant to pay the said liability either in cash or thru TDM, if appropriate. In case of settlement of OTL through TDM, the MOMD shall issue a TDM, or request the concerned TDM-Issuing Office to issue a TDM, if the taxpayer-claimant is not under the functional jurisdiction of the MOMD per RMO No. 37-2011. The amount corresponding to the TDM issued shall be deducted against the TCC balance.

If the taxpayer-claimant refuses to fully settle the OTL, including the delinquency penalties, he/it shall be informed that non-payment of the said OTL shall be a ground for the denial of the application for cash conversion of the TCC. In case of non-payment, a denial letter shall be issued to the taxpayer.

Require the submission/presentation of proof of payment if the taxpayer-claimant claims that the OTL has already been settled. Verify/validate from the Collection and Bank Reconciliation System (CBRS) – ITS/Collection Remittance and Reconciliation System (CRRS) – eTIS if the payment has already been posted. In case the payment is not yet posted, require the RDO who has jurisdiction over the taxpayer-claimant to issue a certification that said payment was duly received by the BIR.
 - 3.2 If the OTL involves withholding taxes, inform the taxpayer-claimant that the same should be settled before the application can be processed, since payment of the said OTL through TCC is not allowed pursuant to Section 3 of RR No. 5-2000.
 - 3.3 In case the taxpayer-claimant has an existing OTL with pending application for compromise settlement/abatement, the processing of the application for cash conversion shall be held in abeyance until the application for compromise

settlement/abatement is approved by the authorized revenue official and the OTL is settled by the taxpayer-claimant.

- 3.4 For taxpayer-claimant with open stop-filer cases, notify the said taxpayer-claimant to coordinate with the concerned RDO for the resolution of the open stop-filer cases. The processing of the application shall be held in abeyance pending the resolution of the taxpayer-claimant's open stop-filer cases.
4. Request from the Appellate Division for a Certification on the Status of Cases Pending Legal or Judicial Resolution.
5. Request from the Accountable Forms Division or AHRMD of the Regional Office, for TCCs issued and approved by the Regional Director, a certification as to whether or not the TCC for cash conversion is included in the list of cancelled or lost TCCs.
6. Review and evaluate the documents and certifications submitted by the concerned issuing offices and compare the information/details in the submitted certifications with the information indicated in the original TCC, TCC details encoded in the ITS-TCRS and the certifications issued by the concerned offices.
7. Verify the accuracy of the outstanding balance of the TCC applied for cash conversion by checking if the TCC balance appearing on the TCC, the balance in the ITS-TCRS and other files/records on TCC issuance and utilizations maintained in the office are exactly the same. (This shall be undertaken if the TCC issuing office and the TDM issuing office is one and the same). In case of discrepancy, conduct the necessary investigation and resolve the same. There must be a written justification duly approved by the head of the office before any adjustment on the TCC balance to any of the aforementioned records can be performed, e.g., effecting manual correction of the TCC balance appearing at the back portion of the TCC issued, data fix execution by the Administrative Systems Division (ASD) of the Information Systems Development Operations Service, if the error is in the ITS-TCRS.
8. Prepare a memorandum report bearing on the recommendation of the ACIR – CS for approval/disapproval by the DCIR – OG on the conversion of the TCC to cash refund based on the verification conducted and the certifications issued by the concerned offices. In case of disapproval, prepare denial letter for signature of the DCIR – OG, stating therein the reason/s for disapproval of the application for cash conversion.
9. Forward the memorandum report recommending the approval/disapproval of the application for signature by the ACIR – CS, together with the denial letter, if applicable, and the entire docket of the case to the CS.
10. Receive from the DCIR – OG the duly approved memorandum report with the signed denial letter, if applicable, and the entire docket of the case.
11. Forward the docket on the approved application to the Finance Service for processing of payment in accordance with RMO No. 38-2014.

12. For taxpayer-claimant with OTL upon verification of the AccD prior to final approval of the refund –
 - 12.1 Receive from the AccD the entire docket of the case with the updated Delinquency Verification;
 - 12.2 Verify/confirm the findings; and
 - 12.3 Perform the necessary courses of actions.
 13. Maintain a record of all TCCs converted into cash refund together with the photocopy of the cancelled TCC furnished by the AccD.
 14. Release the signed denial letter to the taxpayer-claimant/authorized representative.
 15. Submit to the Collection Service a monthly report of all cancelled TCCs converted into cash refund stating the total number of cases and the amount of each TCC approved for conversion into cash refund.
- D. The ARMD/LT-CED/RDO/Collection Division-Regional Office shall –
1. Upon the request of MOMD, verify if the taxpayer-claimant has OTL.
 2. Issue a Certification on OTL of the taxpayer-claimant showing the current status of the outstanding tax liabilities of the taxpayer-claimant, if any, or a statement in the certification that the taxpayer has no delinquent account, if there is none.
 3. Forward to MOMD the aforesaid certification.
 4. In case of payment of the tax liability by the taxpayer, record the payment of the liability and issue the corresponding updated certification to the MOMD.
- E. The Appellate Division shall -
1. Upon the request of MOMD, verify if the taxpayer-claimant has any pending case for legal or judicial resolution.
 2. Issue to the MOMD a Certification on the Status of Cases Pending Legal or Judicial Resolution.
- F. The Accountable Forms Division/AHRMD shall -
1. Upon the request of MOMD, verify if the TCC for cash conversion is included in the list of cancelled or lost TCCs.
 2. Issue to the MOMD a certification as to whether or not the TCC for cash conversion is included in the list of cancelled or lost TCCs.
- G. The Collection Service (CS) shall –
1. Receive and review the docket with the recommendation of the MOMD.

2. Approve and sign the memorandum report from the MOMD, if it concurs with the recommendation. In case of disapproval, affix initial on the denial letter to the taxpayer-claimant.
3. Transmit the docket with the recommendation for approval/disapproval of the application and denial letter, if applicable, to the DCIR – OG.

H. The DCIR – OG shall -

1. Evaluate the docket with the memorandum report containing the recommendation for approval/disapproval signed by the ACIR – AS/ACIR – LTS/ACIR – LS/Regional Director and ACIR – CS and denial letter, if applicable.
2. Approve/disapprove the recommendation for cash conversion of TCC. If approved, affix signature on “Box A” of the DV and BURS. In case of disapproval, sign the denial letter.
3. Return the entire docket of the approved/disapproved application for cash conversion of TCC to the MOMD.

V. Repealing Clause

This Order supersedes all revenue issuances or portions thereof inconsistent herewith.

VI. Effectivity Clause

This Order shall take effect immediately.

(Original Signed)
CAESAR R. DULAY
Commissioner of Internal Revenue

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