



DEPARTMENT OF FINANCE
DEPARTMENT OF BUDGET & MANAGEMENT
BUREAU OF CUSTOMS

JOINT CIRCULAR NO. 3-2012
May 31, 2012

Pursuant to Executive Order No. 68, Series of 2012, providing for the establishment of the Value-Added Tax (VAT) Tax Credit Certificate (TCC) Monetization Program ("Program") in relation to the special provisions of Republic Act No. 10155 or the General Appropriations Act of 2012, the following implementing guidelines are hereby prescribed:

Section 1. Coverage. These guidelines shall cover the following:

- for Dep. of Fin.*
- A. Import VAT portion of TCCs issued jointly by the Bureau of Customs (BOC) and the One-Stop Shop Inter-Agency Tax Credit and Duty Drawback Center (DOF-OSS Center) for duty drawbacks pursuant to Section 106 of the Tariff and Customs Code of the Philippines, as amended (TCCP), and those solely issued by the Bureau of Customs (BOC) pursuant to Section 112(A) of the National Internal Revenue Code of 1997, as amended (NIRC).
 - B. Holders of covered TCCs, whether as original grantees or transferees.

Section 2. Responsibilities.

- A. Department of Finance (DOF). The DOF shall direct the BOC to verify the outstanding VAT TCCs and, subject to existing laws, rules and regulations perform the following functions:
 - 1. Provide the confirmation letter of the National Government to acknowledge that the outstanding VAT TCCs constitute an obligation of the Republic of the Philippines;
 - 2. Favorably endorse to the National Government Agency concerned or to the Bangko Sentral ng Pilipinas, as the case may be, the application to secure the necessary financial features required in the issuance of investment certificates to improve the net proceeds of the beneficiaries;

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3. Make arrangements with trustee bank on the requirements for the opening of a special account; and
4. Make available the facilities of the Bureau of Treasury including, but not limited to, the Registry of Scripless Securities, the Automated Debt Auction Processing System, and such other facilities as may be required for the auctioning process in the implementation of the Program.

B. Department of Budget and Management (DBM). The DBM shall ensure that the funding requirements for the monetization program are included in the National Expenditure Program (NEP) from 2012 to 2016 based on the requests of the BOC through:

1. Budget Preparation

- i. For 2013, the funding requirements for the monetization of TCCs originally issued in 2004, 2005, 2006, 2007 and 2008 shall be included in the NEP to cover the necessary appropriations for the Program based on the certification by the DOF in the case of TCCs jointly issued by the BOC & DOF-OSS Center pursuant to Section 106 of the TCCP and the certification by the Financial Management Office of the BOC, in the case of TCCs issued solely by the BOC pursuant to Section 112(A) of the Tax Code of 1997.
- ii. Starting 2014 to 2016, the annual funding requirements, which the DBM will include in the NEP for the said years, shall be based on the total value of outstanding TCCs that have been issued from 2009 to April 11, 2012 and are covered by the Notice of Payment Schedule (NPS) issued to the enrollees of the Program.

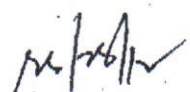
2. Budget Execution

- i. For 2012, the release of the Special Allotment Release Order (SARO) and Notice of Cash Allocation (NCA) for the Program shall be subject to the special budget request of the BOC, as endorsed by the DOF based on the Master List of NPS issued indicating the name of the taxpayer, refundable amount, maturity date of the TCC, and such other necessary information.
- ii. The release of SAROs and NCAs for the Program for the succeeding years shall also be subject to the special budget requests of the BOC, as endorsed by the DOF based on the Master List of issued NPS.

3. Accountability Report

The BOC shall submit its yearly budget accountability report as required under existing guidelines, including a report on the redemption made on

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NPS issued pursuant to the Program vis-à-vis the Master List of NPS submitted for budget preparation/execution purposes.

Section 3. Verification and Validation of TCCs. Holders of TCCs who intend to enroll in the Program shall submit their TCCs for verification and validation by the BOC or the DOF-OSS Center, as the case may be, prior to the monetization thereof. TCCs submitted for verification and validation pursuant to these guidelines shall no longer be allowed to be utilized as payment for duty and/or tax liabilities.

The mechanics for the verification and validation of TCCs shall be governed by a BOC Customs Memorandum Order.

Section 4. When and Where to File Application for Enrolment. Applications for enrolment in the Program must be received by the following TCC-issuing offices within three (3) months from the effectivity of this Joint Circular, to wit:

Type of TCC	Where to File
1. TCCs solely issued by the BOC pursuant to Sec.112(A) of the Tax Code of 1997	BOC
2. TCCs jointly issued by the BOC and the DOF-OSS Center pursuant to Sec. 106 of the TCCP, as amended.	DOF OSS-Center

Section 5. Issuance of Notice of Payment Schedule (NPS). TCCs verified and validated shall be issued an NPS which shall be proof of the TCC's authenticity and validity as verified by the BOC or the DOF-OSS Center, as provided in Sections 3 and 4. The NPS shall indicate the details of the taxpayer's entitlement to monetization, the refundable amount and the maturity date.

Section 6. Schedule and Manner of Giving Refund.

A. Holders of the NPS may opt to:

1. Sell the outstanding amounts at a discount to government financial institutions (GFIs) for monetization in accordance with the rates to be determined by the Secretary of Finance and the GFIs, or
2. Hold the NPS until its maturity date and be paid by the BOC the full cash value of the TCC in accordance with the following schedule:

TCCs originally issued in from 2004 to 2007	2012
TCCs originally issued in 2008	2013
TCCs originally issued in 2009	2014
TCCs originally issued in 2010	2015
TCCs originally issued in 2011 and 2012	2016

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- B. For TCCs scheduled for monetization in 2012, the refund shall be made upon checks drawn by the Commissioner of Customs or by his duly authorized representative.
- C. For TCCs scheduled for monetization in 2013 to 2016, the BOC shall issue an NPS confirming the details of the taxpayer's entitlement to monetization, the refundable amount net of outstanding tax liabilities (except for withholding tax) and the maturity date.
- D. Checks which remain unclaimed or uncashed within five (5) years from the date of the issuance of said checks shall be forfeited in favor of the government and the amounts thereof shall revert to the general fund; Provided, that in no case shall the life of the refund check to be issued under this Program be beyond the statutory life of five (5) years, or ten (10) years, if the TCC is revalidated, counted from the date of the original issuance of the covering TCC.

For purposes of the Program, the maturity date corresponds to the expiry date of the VAT TCC, unless revalidated pursuant to existing rules and regulations issued by the BOC, in relation to Sec. 230(B) of the NIRC, as amended.

Section 7. When to Present NPS for Monetization. The NPS must be presented to the BOC for monetization within thirty (30) calendar days before its maturity date. To this end, the NPS shall contain the following statement: *"This NPS must be presented for payment within thirty (30) calendar days before [maturity date]; otherwise, the NPS shall be cancelled in favor of the government."*

If the last day for the presentation of the NPS falls on a Saturday, Sunday, holiday (regular or special) or a declared non-working day due to force majeure, the NPS shall be presented on the next succeeding business day.

Section 8. Monetization by GFIs. Where a taxpayer opts to monetize his TCC before its maturity date, he shall surrender the NPS to the GFIs. The GFIs shall give the equivalent of the refundable amount less the applicable discount. The GFIs shall provide the BOC a list of actual availments under the program.

Section 9. Rights of TCC Holder Who Will Not Enroll in the Program. Any holder of a covered TCC who opts not to enroll in the Program shall retain the right to credit the TCCs against tax liabilities in accordance with existing rules on TCC utilization.

Section 10. Treatment of Pending Claims. Applications for drawback claims that are pending before the DOF-OSS Center and the BOC prior to the effectivity of this Joint Circular shall be given the option to select the preferred scheme for the recovery of the creditable input VAT under Sec. 106 of the TCCP, as amended.

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Within three (3) months from the effectivity of this Order, claimant with pending applications for drawback must notify the DOF-OSS Center, in writing, of their preference for TCCs instead of cash refund.


Once the said option has been exercised by the claimant, the same shall be considered as irrevocable, and shall be construed as a waiver for the conversion of the claim from tax credit to cash refund.

Section 11. *Transitory Provision.* For the smooth implementation of the Program, TCCs with VAT component jointly issued by the BOC and the DOF-OSS Center prior to the effectivity of this Joint Circular, with outstanding balance as verified and validated by the DOF-OSS Center and the BOC shall be automatically qualified for this Program.

Section 12. *Separability.* In case any provision of this Joint Circular is declared unconstitutional or contrary to law, other provisions which are not affected thereby shall continue to be in force and in effect.

Section 13. *Effectivity.* This Joint Circular shall take effect fifteen (15) days from its publication in the Official Gazette and in at least two newspapers of general circulation.

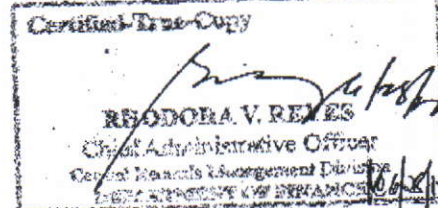

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