

ADVISORY ON VAT REFUND CLAIMS

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**BIR REVENUE MEMORANDUM CIRCULAR
NO. 115-2024**

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**Clarification of Certain Policies and
Procedures Relative to the Implementation
of the Risk-Based Approach in the
Verification and Processing of Value-Added
Tax (VAT) Refund Claims**

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**CLARIFICATION OF CERTAIN POLICIES AND PROCEDURES RELATIVE TO THE IMPLEMENTATION
OF THE RISK-BASED APPROACH IN THE VERIFICATION AND PROCESSING OF VALUE-ADDED
TAX (VAT) REFUND CLAIMS**

General Policies

The following are the clarifications on the risk-based approach verification and processing of VAT refund claims pursuant to Section 112(A) of the Tax Code, as amended by the EOPT Act.

- The Taxpayer shall submit all documentary requirements mandated by the BIR for purposes of VAT refund regardless of the identified risk level.
- The submission of complete documentary requirements shall be based on the Checklist of Mandatory Requirement (Annex A.1).
- Noncompliance with the completeness of mandatory requirements shall result in the non-acceptance of the VAT refund application.
- The 90-day period to process and decide shall start from the time of acceptance of the processing office of the claim/application for VAT refund with complete documentary requirements.

VAT Refund Procedures

The sequence in the processing of VAT refund claims shall be as follows:

1. Checklisting¹ based on the Checklist of Mandatory Requirements;
 - a. Check completeness and propriety in the accomplishment of the application form;
 - b. Check if the schedules comply with the prescribed format and that the required supporting documents are present (but without confirmation if the transactions are individually supported);

¹ Checklisting refers to the initial state in the processing of the VAT refund claims and is limited only to ensuring the completeness of the submitted documentary requirements.

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2. Cursory checking of completeness of supporting documents submitted for sales and purchases of goods and services after the application has been accepted;
3. Determination of the risk level of the claim;
4. Processing and verification² for medium and high-risk claims. Low-risk claims are automatically recommended for refund, net of transactions with no supporting documents.

The verification procedures to be observed based on the risk level of the claim:

Risk Level	Verification Procedures
Low-risk claims	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Limited only to the checklisting and completeness of documentary requirements. <input checked="" type="checkbox"/> Verification procedures for sales of goods and services as well as purchases and input tax shall no longer be performed.
Medium-risk and High-risk claims	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> The verification procedures outlined in RMO No. 23-2023 shall still apply, except for sales and purchases transactions not included in the required percentage of documents to be verified for medium-risk claims.

Impact of Specific Findings on the Verification Procedures

Findings	Impact
“No Supporting Documents (NSD)”	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Shall NOT be considered as incomplete submission but will result in the disallowance of the unsubstantiated portion regardless of the risk classification. <input checked="" type="checkbox"/> If the NSD for sales and purchases exceed at least 1% of the total amount of sales (for sale transactions) or total amount of claim (for purchase transactions), the application shall be automatically classified as high-risk and shall require 100% verification.

² Verification refers to the process that ensures correctness and accuracy of the documents involving thorough examination, evaluations, and a deeper level of analysis and investigation.

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Findings	Impact
Missing/Incomplete information in the schedules of sales and purchases submitted	<input checked="" type="checkbox"/> Shall be automatically classified as high-risk and shall require 100% verification.
Cannot Be Located (CBL) taxpayers	<input checked="" type="checkbox"/> Local Suppliers with Input VAT claimed that are not selected for verification but are identified as CBL taxpayers shall not be allowed and shall form part of the disallowance of the claim.
Run After Fake Transactions (RAFT Program) for medium-risk claims	<input checked="" type="checkbox"/> Input VAT claimed that are not selected for verification but are included in the RAFT program shall not be allowed, leading to outright disallowance.

Source:

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