



April 8, 2015

MEMORANDUM No. 2015-009

TO : ALL ELECTRIC COOPERATIVES

SUBJECT : ECs' GROSS RECEIPTS FOR VALUE ADDED TAX AND LOCAL TAXES

This Memorandum is hereby issued by the National Electrification Administration (NEA) to address the queries of certain electric cooperatives (ECs) on the composition of gross receipts (GR) of the ECs for purposes of computing the twelve percent (12%) value added tax (VAT) imposed by the Bureau of Internal Revenue (BIR) and the local taxes imposed by the local government units (LGUs) based on pertinent provisions of Energy Regulatory Commission (ERC) Resolution No. 20 and BIR Revenue Memorandum Circular No. 62-2012.

I. BACKGROUND INFORMATION

1. R.A. 9337 amended and repealed certain provisions of the National Internal Revenue Code (Tax Code) of 1997, particularly Section 108 (a) thereof, on the imposition of value added tax (VAT).
2. The BIR issued Revenue Memorandum Circular (RMC) No. 61-2005 clarifying certain provisions of Revenue Regulation No. 14-2005, as amended by Revenue Regulation No. 16-2005, implementing the Tax Code, as amended, affecting generation, transmission and distribution companies as well as ECs.
3. RMC No. 61-2005 provides, *inter alia*, that generation, transmission and distribution companies including ECs shall be subject to VAT effective November 1, 2005, pursuant to the Tax Code, as amended by R.A. 9337.
4. The ERC, pursuant to the provisions of R.A. 9337 and in accordance with its power and authority to determine, fix and regulate electricity rates under Section 43 (f) of R.A. 9136 and Section 18 of R.A. 7638 issued Resolution No. 20, Series of 2005, authorizing the generation companies (GC), TRANSCO and all distribution utilities (DUs) including ECs to impose appropriate VAT subject to certain conditions mentioned therein. A copy of ERC Resolution No. 20, Series of 2005 is hereto attached as Annex "A" for your reference.
5. NEA issued Memorandum No. 2008-025 dated October 1, 2008 on the pro-forma accounting entries to take up the VAT, a copy thereof is hereto attached as Annex "B" for your reference.

6. NEA issued Memorandum No. 2010-017 dated July 13, 2010 on the standard procedures and guidelines for the remittance of the VAT collections, a copy thereof is hereto attached as Annex "C" for your reference.
7. The BIR Issued Revenue Memorandum Circular (RMC) No. 62-2012 dated October 25, 2012 to synchronize the remittance of the VAT on power generation and other related charges under Section 108 of the Tax Code of 1997, as amended, a copy thereof is hereto attached as Annex "D" for your reference.

II. ECs' GROSS RECEIPTS

1. Under II (c) of ERC Resolution No. 20, Series of 2005, the ECs' GR shall mean the total amount paid to them for the distribution of electricity and related electric services, including but not limited to the following:
 - i. Distribution charge
 - ii. Supply charge
 - iii. Metering charge:
 - a. Retail customer charge
 - b. Metering system charge
 - iv. Lifeline rate subsidy
 - v. Inter-class subsidy
 - vi. Power Act Reduction
 - vii. Rate Reduction due to Loan Condonation
 - viii. Currency Exchange Rate Adjustment (CERA); and
 - ix. Local Franchise Tax
2. GR shall not include the Energy Tax under Batas Pambansa Blg. 36, Universal Charges Implemented under R. A. 9136, Benefits to Host Communities under Energy Regulation 1-94 and security deposit for metering machines including interests, provided that when applied to consumer's liability, it shall be subject to VAT.
3. Under I (k) of ERC Resolution No 20, the GC and TRANSCO shall bill the end-users through the DUs for the sale and transmission of electricity and ancillary services including the VAT thereon. The amount collected from the end-users for such charges shall not form part of the GR of the DUs and shall not be claimed by the DUs as input tax. The amount collected from the end-users as payment for the generation and transmission charges including the VAT thereon shall form part of the GR and output VAT of the GC or Transco, accordingly (underscoring ours).
4. Under RMC No. 62-2012, the amount collected by the DUs and ECs from end-users for such charges (generation and transmission charges), including the VAT thereon, shall not form part of the GR of the DUs and ECs (underscoring ours).

III. VALUE ADDED TAX UNDER ERC RESOLUTION NO. 20

1. Under I (a) of ERC Resolution No. 20, the imposition of the VAT shall be based on the respective GR of GC, TRANSCO and DUs and shall be reflected as separate items in their billing statements to the consumers.
2. Under II (2) of ERC Resolution No. 20, the ECs shall bill the end-users for the corresponding VAT on the sale and transmission of electricity. The said VAT is neither part of the DUs' GR nor an input VAT. The DUs shall ensure that they are revenue-neutral in their collection of the said VAT. The VAT on the current month's sale and transmission of electricity shall be billed to the end-user on the next billing cycle (underscoring ours).

3. The VAT on the allowable system loss shall be computed on the proportionate share of the transmission component and the generation share from non-renewable sources. VAT on system loss above the allowed cap shall be shouldered by the ECs.
4. The VAT collected by the ECs on generation, transmission and system loss shall be remitted to the concerned GC and NGCP, which in turn, shall be responsible for the tax due to the BIR.
5. The ECs are liable for the VAT on their own gross receipts and it will be the GC and NGCP, which are liable, under the law, to pay for the VAT on generation gross sales and transmission gross receipts, respectively. Gross receipts, as used herein, shall be net of all discounts and gross of penalties. Any additional VAT imposed on the ECs by reason or as a consequence of their fault or negligence cannot be passed on to the end-users.
6. Renewable sources of electricity are zero-rated. Hence, the generation income of the ECs from renewable sources is zero-rated. The ECs' VAT inputs for costs and expenses in generating their own renewable energy may be claimed, through Tax Credit Certificates from the BIR. The ECs, being zero-rated on their imbedded renewable generation, are not liable for the VAT output tax on said generated renewable power.

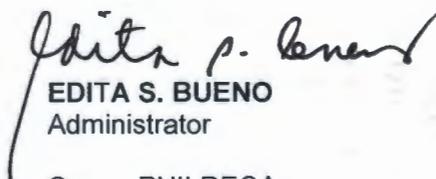
IV. VALUE ADDED TAX UNDER BIR RMC NO. 62-2012

1. The GCs, Aggregators, Market Operators, Retail Electricity Suppliers and other suppliers of electricity shall bill the DUs and ECs for the sale and transmission of electricity and ancillary services including the VAT thereon, if applicable. The VAT shall be remitted by the DUs and ECs to the GCs, Aggregators, Market Operators, Retail Electricity Suppliers and other suppliers of electricity together with the payment for generation and transmission services. All collections by GCs, aggregators, Market Operators, Retail Electricity Suppliers and other suppliers of electricity from DUs and ECs pertaining to generation and other VATable charges shall be deemed to include the VAT thereon.
2. The amount collected by the DUs and ECs from their end-users for such charges, including the VAT thereon, shall not form part of the gross receipts of the DUs and ECs (underscoring ours).

V. GROSS RECEIPTS FOR LOCAL TAXES

Similarly, the GR of the ECs for purposes of computing the local taxes based on gross receipts imposed by LGUs consist of the GR as defined in Section II-c (4) of ERC Resolution No. 20, Series of 2005 and as clarified under BIR RMC No. 62-2012. The generation and transmission charges as well as the VAT thereon do not form part of the GR of the ECs.

Please be guided accordingly.


EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION ADMINISTRATION
Office of the Administrator



NEA-OA216325

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4/21/15

Cc: PHILRECA
NAGMEC
CLECA

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

ERC RESOLUTION NO.20, Series of 2005

**Implementing the Recovery of Value Added Tax (VAT)
and Other Provisions of Republic Act No. 9337
Affecting the Electric Power Industry**

WHEREAS, the Congress of the Philippines has enacted Republic Act No. 9337 (An Act Amending Sections 27, 28, 34, 106, 107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 148, 151, 236, 237, and 288 of the National Internal Revenue Code (NIRC) of 1997, as amended, and for other Purposes);

WHEREAS, Section 6 of R. A. No. 9337 provides that "Section 108 of the NIRC of 1997, as amended, is hereby further amended to read as follows:

Section 108. Value Added Tax (VAT) on Sale of Services and Use or Lease of Properties.

"(A) Rate and Base of Tax. - There shall be levied, assessed and collected, a value-added tax equivalent to ten percent (10%) of gross receipts derived from the sale or exchange of services, including the use or lease of properties: Provided, That the President, upon the recommendation of the Secretary of Finance, shall, effective January 1, 2006, raise the rate of value-added tax to twelve percent (12%), after any of the following conditions has been satisfied:

(i) Value-added tax collection as a percentage of Gross Domestic Product (GDP) of the previous year exceeds two and four-fifth (2 4/5%); or

(ii) National government deficit as a percentage of GDP of the previous year exceeds one and one-half percent (1 1/2%).

The phrase 'sale or exchange of services' means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those performed or rendered by xxx xxx xxx, sales of electricity by generation companies, transmission, and distribution companies; services of franchise grantees of electric utilities, xxx xxx xxx."

"xxx xxx xxx."

"The term 'gross receipts' means 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 and deposits and advanced payments actually or

constructively received during the taxable quarter for the services performed or to be performed for another person, excluding value added tax."

"(B) Transactions Subject to Zero Percent (0%) Rate. - The following services performed in the Philippines by VAT-registered persons shall be subject to zero percent (0%) rate:

(1) xxx xxx xxx.; and

(7) Sale of power or fuel generated through renewable sources of energy such as, but not limited to, biomass, solar, wind, hydropower, geothermal, ocean energy, and other emerging energy sources using technologies such as fuel cells and hydrogen fuels."

WHEREAS, Section 15 of R. A. No. 9337 further amended Section 119 of the NIRC of 1997, as amended, exempts franchise grantees of electricity from franchise taxes.

WHEREAS, Section 24 of R. A. No. 9337 provides that "The following laws or provisions of laws are hereby repealed and the persons and/or transactions affected herein are made subject to the value-added tax subject to the provisions of Title IV of the NIRC of 1997, as amended:

(A) Section 13 of R.A. No. 6395 on the exemption from value-added tax of the National Power Corporation (NPC);

(B) Section 6, fifth paragraph of R.A. No. 9136 on the zero rate imposed on the sales of generated power by generation companies; and

(C) All other laws xxx which are contrary to xxx."

WHEREAS, said R. A. No. 9337 shall take effect on November 1, 2005;

WHEREAS, the Commission in the exercise of its power and authority had previously authorized Private Distribution Utilities to collect National Franchise taxes;

WHEREAS, in Revenue Memorandum Circular No. 61-2005 of the Bureau of Internal Revenue (BIR), said agency clarified certain provisions of Revenue Regulation No. 14-2005 as amended by Revenue Regulations No. 16-2005, implementing the Tax Code of 1997, as amended by R. A. No. 9337, affecting generation, transmission and distribution companies as well as electric cooperatives as defined in R. A. No. 9136 subject to the value added tax as well as their suppliers and customers effective November 1, 2005;

WHEREAS, this Commission is vested with the power and authority to determine, fix and regulate the rates charged by all electric distribution utilities (DUs), the NPC and the National Transmission Corporation (TRANSCO), pursuant to R. A. No. 9136 and Section 18 of R. A. No. 7638;

NOW, THEREFORE, be it resolved, as this Commission hereby resolves, to implement, as it hereby implements, Section 4, 6, 15 and 24 of R. A. No. 9337 by allowing the Generation Companies (GC), TRANSCO and all DUs to impose the appropriate VAT rate subject to the following:

I. GENERAL PRINCIPLES

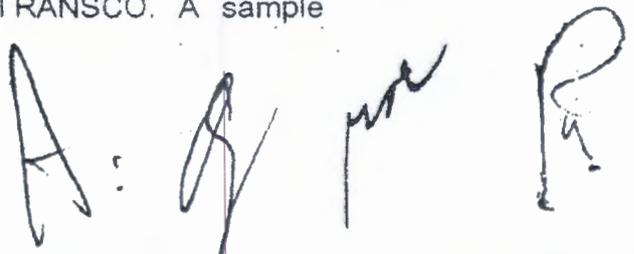
- (a) The imposition of VAT directed herein shall be based on the Gross Receipts (GR) of GC, TRANSCO and DUs concerned and shall be reflected as a separate item in their individual billing statements to their customers in a format approved by ERC. The current billing format as approved by the Commission is hereto attached as Annex "A". Furthermore sample billing statements are attached as Annexes "A-1" and "A-2".
- (b) The imposition of the VAT replaces the payment of the National Franchise Tax.
- (c) The VAT rate used in this Resolution shall be ten percent (10%) unless increased by the President of the Philippines to twelve percent (12%), or zero percent (0%) or a combination of both, in appropriate cases.
- (d) GR shall not include the Energy Tax under Batas Pambansa 36, the Universal Charges implemented under R. A. 9136, Benefits to Host Communities under Energy Regulation 1-94 and security deposit for metering machines including interests provided that when applied to the consumer's liability, it shall be subject to VAT.
- (e) GR shall be net of all discounts and gross of penalties.
- (f) The corresponding amount of VAT for the sale of electricity to the government shall be reflected as a separate line item in the sample bill. The five percent (5%) final VAT withholding rate shall represent the net VAT payable of the seller. The remaining five percent (5%) effectively accounts for the standard input VAT for sales of goods or services to government or any of its political subdivisions, instrumentalities or its agencies, including government-owned or controlled corporations (GOCC), in lieu of the actual input VAT directly attributable or ratably apportioned to such sales. The withholding of the five percent (5%) final VAT shall be made when the payments of purchases of electricity were actually or constructively made. The VAT withheld shall be remitted to the BIR within ten (10) days following the end of the month the withholding was made.
- (g) Electricity sold, transmitted and distributed on or before October 31, 2005 but which will be collected on or after

November 1, 2005 shall be considered accrued as VAT zero rated provided such is billed by November 30, 2005.

- (h) "Deferred Charges" such as Generation Rate Adjustment mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA) incurred on or before October 31, 2005 although billed and collected thereafter, shall still be considered as VAT zero rated. For this purpose, an inventory of the said "Deferred Charges" shall be submitted to the BIR by November 30, 2005.
- (i) Generation rate and foreign exchange rate adjustments to electricity sold on or before October 31, 2005, although billed and collected thereafter, shall be considered as VAT zero-rated.
- (j) Penalties including the corresponding VAT imposed on DUs by reason of their fault or negligence shall not be passed on to DUs' customers.
- (k) The GC and TRANSCO shall bill the end-user through the DUs for the sale and transmission of electricity and ancillary services including the VAT thereon. The amount collected from the end-user for such charges shall not form part of the GR of the DUs and shall not be claimed by the DUs as input tax. The amount collected from the end-user as payment for the generation and transmission charges including the VAT thereon shall form part of the GR and output VAT of the GC or TRANSCO, accordingly.

The DUs may advance, exclusive of the corresponding VAT, the generation and transmission charges to the GC and TRANSCO, respectively. The amount advanced may be offset against the amount collected from the end-user and only the VAT portion of the generation and transmission charges shall be remitted to the GC and TRANSCO upon collection from the end-user. The reckoning of the sale subject to VAT between the GC and TRANSCO to the end-user shall be upon collection on the billing made by the DUs.

- (l) The GC and TRANSCO, whose billing periods start on the 26th day of each month shall calculate the VAT on a pro rata basis applied on electricity consumption beginning November 01, 2005. A sample computation of VAT calculation on a pro rata basis is shown in Annex "B".
- (m) DUs with billing cycles that do not start on the 1st day of each month shall calculate the VAT on a pro-rata basis applied on the distribution component for consumption beginning November 1, 2005. The generation and transmission components shall be billed to their end users upon receipt of the power bills from the GC and TRANSCO. A sample

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computation of VAT calculation on a pro rata basis for the distribution component is shown in Annex "C".

- (n) Pursuant to RMC 61-2005, sales of electricity by GC, TRANSCO, and DUs of to Philippine Economic Zone Authority (PEZA) or Subic Bay Metropolitan Authority (SBMA) registered enterprises shall effectively be subject to the zero (0%) VAT rate.
- (o) The ERC shall perform confirmatory process on the VAT imposed by the Generation, Transmission and Distribution Utilities.

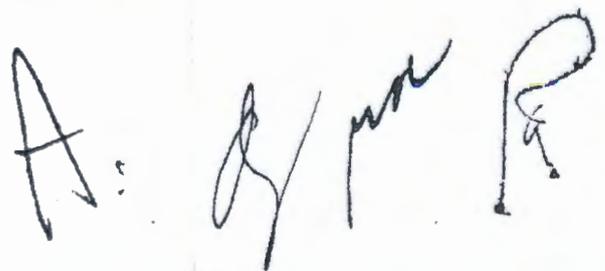
II. IMPOSITION OF THE VALUE-ADDED TAX - The appropriate VAT shall be imposed as follows:

(a) FOR GENERATION COMPANIES

1. The GR of the GC shall mean the total amount paid by the end-user through the DUs to the GC for the sale of electricity and related ancillary services. The latter is billed and collected by the transmission company which shall remit such collection to the concerned GC.
2. For GC, which generates/sources its power purely from non-renewable, GR shall mean the total amount paid for the electricity sold.
3. For GC, which generates/sources its power purely from renewable, GR shall be subject to zero percent (0%) VAT rate.
4. For GC, which generates/sources its power from a mixture of non-renewable and renewable sources of energy, GR shall mean the total amount paid for the electricity sold from non-renewable energy sources.
5. At the implementation of the VAT, the GC shall impose the ten percent (10%) VAT rate on the current billing based on the non-renewable energy portion of the prior month's generation mix. The GC shall undertake an annual true up.

(b) FOR TRANSCO, ITS BUYER OR CONCESSIONAIRE

1. The GR of TRANSCO shall mean the total amount paid by the end-user through the DU to TRANSCO for the transmission of electricity and related electric services.

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2. TRANSCO's GR includes the power service delivery, system operations, supply and metering services, intra-grid cross-subsidy and/or revenue components consistent with Open Access Transmission Service (OATS) Rules and as defined under the Transmission Wheeling Rates Guidelines (TWRG).
3. TRANSCO shall also charge the VAT on the ancillary services. TRANSCO shall impose the ten percent (10%) VAT rate on the non-renewable energy portion of the total amount for ancillary service for the current billing period based on the generation mix when the rate for ancillary services was set.
4. The ancillary service charge inclusive of the corresponding VAT shall be remitted to the concerned GC who shall be responsible for the tax due to the BIR.

T (c) **FOR DISTRIBUTION UTILITIES (PDU, and EC)**

1. ✓ The DUs shall bill the end-user for the corresponding VAT on the sale and transmission of electricity. The said VAT is neither part of the DUs' GR nor input VAT. The DU shall ensure it is revenue-neutral in its collection of the said VAT. The VAT on the current month's sale and transmission of electricity shall be billed to the end-users on the next billing cycle.
2. The VAT on the allowable System Loss shall be computed on the proportionate share of the transmission component and the generation share from non-renewable sources. The VAT on system loss above the allowed cap shall be shouldered by the DU. Attached herewith as Annex "D" is a sample computation.
3. ✓ The VAT collected by the DU on generation, transmission, and system loss shall be remitted to the concerned GC and TRANSCO, who in turn, shall be responsible for the tax due to the BIR.
4. The DUs' GR shall mean the total amount paid to the DUs, which include electric cooperatives, for the distribution of electricity and related electric services, including but not limited to the following:
 - (1) Distribution charge;
 - (2) Metering charge;
 - (2.1) retail customer charge;
 - (2.2) metering system charge;
 - (3) Supply charge;
 - (4) Lifeline rate subsidy;

- (5) Inter-class cross-subsidy;
- (6) Power Act Reduction;
- (7) Rate Reduction Due To Loan Condonation;
- (8) Currency Exchange Rate Adjustment; and
- (9) Local Franchise Tax.

The DU shall impose the VAT on the above charges as approved by the Commission.

III. **REPORTORIAL REQUIREMENTS** – The following shall be submitted on or before the 10th day of each month following the effectivity of this Resolution:

a. For Generation Companies

1. Certification under oath of the Monthly Generation Mix (Non Renewable to Total Mix) per Grid, supported by the monthly kWh generation sales per plant type;
2. Certification under oath of the Summary of Monthly Invoices and official receipts issued to DUs supported by a copy of the invoices and official receipts per DU; and
3. Certificate of VAT Remittance from BIR.
4. Other documents that may be needed by the Commission in the course of confirmation.

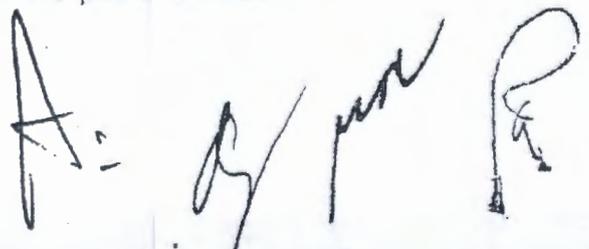
b. For TRANSCO, its Buyer or Concessionaire

1. Certificate of VAT remittance from BIR.
2. Other documents that may be needed by the Commission in the course of confirmation.

c. For Distribution Utilities

In addition to the reportorial requirements enumerated in the Guideline for the Automatic Adjustment of Generation Rate and System Loss Rates by Distribution Utilities (AGRA) and Guideline for the Adjustment of Transmission Rates by Distribution Utilities (TRAM), the DUs shall submit the following:

1. Certificate of VAT remittance from BIR.
2. Certification under oath of the Monthly Generation Mix (Non Renewable to Total Mix) of the power source/s



for DUs sourcing electricity requirements from NPC and/or IPPs and/or own generation supported by the monthly kWh generation sales per plant type;

3. Other documents that may be needed by the Commission in the course of confirmation.

Likewise, the Commission resolved as it is hereby resolves, to revoke the authority granted to all private DUs to collect National Franchise Taxes on their consumers.

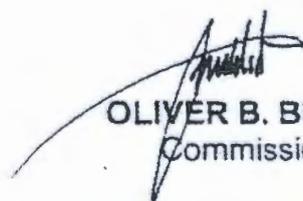
Let copies of this Resolution be furnished all DUs for the appropriate posting thereof in the bulletin boards of the respective cities/municipalities within their franchise areas. Likewise, let copies of this Resolution be furnished the NPC, TRANSCO, the Committees on Energy of both Houses of Congress, the National Economic Development Authority (NEDA), Department of Finance (DOF), Bureau of Internal Revenue (BIR), Department of Energy (DOE), National Electrification Administration (NEA), Department of Justice (DOJ), and other concerned agencies for their information and guidance.

This Resolution shall take effect immediately.

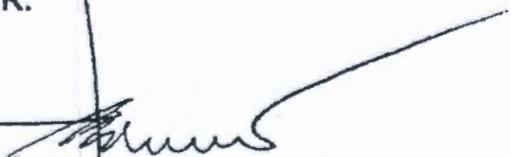
Pasig City, November 7, 2005.



RODOLFO B. ALBANO, JR.
Chairman



OLIVER B. BUTALID
Commissioner



JESUS N. ALCORDO
Commissioner



RAUF A. TAN
Commissioner



ALEJANDRO Z. BARIN
Commissioner

ANNEX "A"

SAMPLE DISTRIBUTION UTILITY BILL

Name of Customer: _____

Billing Period: _____

Billing Determinant : (kWh) 301

Rate Components		Rate	Amount, PhP
Generation & Transmission	Generation Charge (PhP/kWh)	4.9119	1478.4819
	Power Act Reduction (PhP/kWh)	-0.2017	-60.71
	Transmission Delivery Charge (PhP/kWh)	0.8345	251.18
	Transmission Delivery Charge (PhP/kWh)		
	System Loss (PhP/kWh)	0.7642	230.02
Sub-total			1,898.97
Distribution Revenues	Distribution network charge (PhP/kWh)	1.1628	350.00
	Distribution network charge (PhP/kWh)		
	Retail electric service charge (PhP/kWh)	0.5271	158.68
	Retail electric service charge (PhP/cust/mo)		
	Metering Charge (PhP/kWh)	0.2435	73.29
	Metering Charge (PhP/meter/mo)	5.00	5.00
	Distribution connection charge		
	Final Loan Condonation (PhP/kWh)		
	Final Loan Condonation (PhP/cus/mo)		
	CERA	350 x 11.87%	41.55
Sub-total			628.5
Others	Lifeline Rate Subsidy/(Discount) (PhP/kWh)	0.0761	22.91
	Cross subsidy removal (PhP/kWh)	-0.4278	-128.77
	Sub-total	-0.3517	-105.86
Government Revenues	Franchise Tax		
	Local Tax		
	Business Tax		
	Value Added Tax		
	Generation*		126.7
	Transmission**		24.54
	System Loss***		20.86
	Distribution		58.70
	Others		-10.59
	Universal Charges		
	NPC stranded debts (PhP/kWh)		
	NPC stranded costs (PhP/kWh)		
	DUs stranded contract cost (PhP/kWh)		
Missionary Electrification (PhP/kWh)	0.0373	11.23	
Environmental charges (PhP/kWh)	0.0025	0.75	
Equalization of taxes and royalties (PhP/kWh)			
Sub-total			232.19
Grand Total			2,653.80

Data Used:

MERALCO's July 2005 Bill to Residential Consumer

*VAT calculation for Generation Charge was net of the PhP.0025/kWh FBHC. Also, 89.51% of the Net Generation Charge was subject to VAT as this represents the vatable non-renewable energy sources portion of the generation charge (the mix considered all the kWh purchases from NPC and all IPPs of MERALCO for the month of May 2005). Further, the VAT on Power Act Reduction was based on the 82% 82% non-renewable energy source used in the calculation of NPC VAT.

**VAT on TRANSCO charges were based on the 10% of the Transmission Rate Components which include Power Delivery Service, System Operator Charge and Cross Subsidy Charges (will be totally removed by October 2005 billing period); and the non-ancillary portion on the basis of the generation mix at the time the ancillary rates were set. 90% generation mix was used for the purpose of calculating the VAT on ancillary charges.

***VAT on System Loss was based on the combined vatable portions of TRANSCO and GENCO charges.

ANNEX "A-1"

SAMPLE GENERATION COMPANY BILL

Customer : Distribution Utility

Power Bill Number:

Date:

Billing Period:

Rate Component	Billing Determinants (kWh)	Rate (P/kWh)	Billed Amount (PhP)
1. BASIC CHARGES			
Generation Charges:			
1.1a Generation Charge TOU	1,243,152,606	4.2711	5,309,629,095.49
1.1b Generation Charge: AVERAGE	(25,642)	3.8966	(99,916.62)
1.2 Franchise and Benefits to Host Communities	1,243,126,964	0.0245	30,456,610.62
Sub-Total			5,339,985,789.49
2. ADJUSTMENTS			
2.1a 4th GRAM	1,243,126,964	0.3048	378,905,098.63
2.1b 3rd ICERA	1,243,126,964	0.1821	226,373,420.14
2.2 Power Act Reduction (PAR)	455,447,841	(0.3000)	(136,634,352.17)
2.3 Contracted Energy Adjustment	190,126,964	0.9500	180,620,615.80
Sub-Total			649,264,782.40
3. ADJUSTMENTS-Previous Billing Month			
3.1 Power Act Reduction (PAR) Apr-May2005	60,752,789	(0.3000)	(18,225,836.58)
4. SPECIAL PROGRAMS			
4.1 ODPS- Actual	44,461,181		183,414,276.19
4.2 ODPS-Adjustment	-		
Sub-Total			183,414,276.19
TOTAL AMOUNT DUE to GENCO =====>			6,172,664,848.08
VAT (10%) (excludes FBHC, GRAM, ICERA and Renewable Energy Portion of all other Charges)			452,533,718.33
TOTAL AMOUNT DUE =====>			6,625,198,566.41

Data Used:

NPC Bill to MERALCO for the Billing Period: May 26, 2005 to June 25, 2005

*VAT on Generation Charges were calculated based on the vatable non-renewable energy source portion for the month of May 2005 equivalent to 82% of the total mix.

SAMPLE TRANSCO BILL

Customer : DISTRIBUTION UTILITY

Power Bill Number:

Date:

Billing Period:

	Billing Determinants	Rate	Billed Amount
A. BASIC CHARGES			
I. Power Delivery Service			
1. Firm Delivery Service (P/kW)	1,311,297	242.5800	318,094,426.26
2. Non-Firm Delivery (P/kW)	10,049,667	8.0900	81,301,806.03
II. System Operator Charge (P/kW)			
1. Firm Service	1,311,297	12.5000	16,391,212.50
2. Non-Firm Service	10,049,667	0.4110	4,130,413.14
III. Metering Service Provider Charge			
IV. Cross Subsidy Charges			
1. Intra-Regional Grid Cross Subsidy (P/kW)	1,425,000	(60.9000)	(86,782,500.00)
2. Intra-Regional Grid Cross Subsidy (P/kW)	13,456,000	(2.0022)	(26,941,603.20)
3. Intra-Regional Grid Cross Subsidy (P/kWh)	889,185,389	0.1678	149,205,308.27
4. Intra-Regional Grid Cross Subsidy (P/kWh)	284,045,454	0.1678	47,662,827.18
V. Ancillary Services Charges: *			
1. Firm, Load Following and Frequency Regulation (P/kW)	1,311,297	19.25	25,242,467.25
2. Non-Firm, Load Following and Frequency Regulation (P/kW)	10,049,667	0.6329	6,360,434.24
3. Firm, Spinning Reserve (P/kW)	1,311,297	71.50	93,757,735.50
4. Non-Firm, Spinning Reserve (P/kW)	10,049,667	2.35	23,622,747.25
5. Back-up Power			
a. Back-Up Capacity	-	7.4134	-
b. Back-Up Energy	-	4.4080	-
6. Energy Imbalance			
a. Imbalance Capacity Charge		7.4134	
b. Energy Imbalance Charge		4.4080	
c. Energy Imbalance Penalty Charge**	1,141,381	4.8488	5,534,328.19
TOTAL AMOUNT DUE TO NTC =====>			652,045,274.43
VAT** (net of the renewable source portion of the Ancillary service charge) ==>			64,268,126.42
TOTAL AMOUNT DUE =====>			716,313,400.85

Data Used:

TRANSCO Bill to MERALCO for the Billing Period: May 26, 2005 to June 25, 2005

* VAT on TRANSCO charges were based on the 10% of the Transmission Rate Components which include Power Delivery Service, System Operator Charge and Cross Subsidy Charges (will be totally removed by October 2005 billing period); and the non-ancillary portion on the basis of the generation mix at the time the ancillary rates were set. 90% generation mix was used for the purpose of calculating the VAT on ancillary charges.

**Energy Imbalance Penalty Charge is subject to VAT but, the Energy Imbalance Penalty Charge and its corresponding VAT is not authorized as pass-through to end-users.

ANNEX "B"

SAMPLE GENERATION COMPANY BILL For November 2005

Customer : Distribution Utility

Power Bill Number:

Billing Period:

Rate Component	Billing Determinants (kWh)	Rate (P/kWh)	Billed Amount (PhP)
1. BASIC CHARGES			
Generation Charges:			
1.1a Generation Charge TOU	1,243,152,606	4.2711	5,309,629,095.49
1.1b Generation Charge: AVERAGE	(25,642)	3.8966	(99,916.62)
1.2 Franchise and Benefits to Host Communities	1,243,126,964	0.0245	30,456,610.62
Sub-Total			5,339,985,789.49
2. ADJUSTMENTS			
2.1a 4th GRAM	1,243,126,964	0.3048	378,905,098.63
2.1b 3rd ICERA	1,243,126,964	0.1821	226,373,420.14
2.2 Power Act Reduction (PAR)	455,447,841	(0.3000)	(136,634,352.17)
2.3 Contracted Energy Adjustment	190,126,964	0.9500	180,620,615.80
Sub-Total			649,264,782.40
3. ADJUSTMENTS-Previous Billing Month			
3.1 Power Act Reduction (PAR) Apr-May2005	60,752,789	(0.3000)	(18,225,836.58)
4. SPECIAL PROGRAMS			
4.1 ODPS- Actual	44,461,181		183,414,276.19
4.2 ODPS-Adjustment			
Sub-Total			183,414,276.19
TOTAL AMOUNT DUE to GENCO =====>			6,172,664,848.08
VAT (10%) (excludes FBHC, GRAM, ICERA and Renewable Energy Portion of all other Charges)			452,533,718.33
TOTAL AMOUNT DUE =====>			6,625,198,566.41

PRO RATA COMPUTATION

Example Supply Period: October 26 - November 25, 2005

$$\begin{aligned}
 &\text{PRO-RATED VAT} = \frac{\text{No. of VATable days in a billing cycle}}{\text{No. of Days in a billing cycle}} \\
 &= \frac{25 \text{ days}}{31 \text{ days}} \\
 &= 0.8065 \times \text{PhP } 452,533,718.33 \\
 &= \text{PhP } 364,968,443.84
 \end{aligned}$$

SAMPLE DISTRIBUTION UTILITY BILL For November 2005

Name of Customer: _____

Billing Period: _____

Billing Determinant: (kWh) 301

Rate Components		Rate	Amount, PhP
Generation Transmission	Generation Charge (PhP/kWh)	4.9119	1478.4819
	Power Act Reduction (PhP/kWh)	-0.2017	-80.71
	Transmission Delivery Charge (PhP/kWh)	0.8345	251.18
	Transmission Delivery Charge (PhP/kWh)		
	System Loss (PhP/kWh)	0.7642	230.02
Sub-total			1,898.97
Distribution Revenues	Distribution network charge (PhP/kWh)	1.1628	350.00
	Distribution network charge (PhP/kWh)		
	Retail electric service charge (PhP/kWh)	0.5271	158.86
	Retail electric service charge (PhP/cus/mo)		
	Metering Charge (PhP/kWh)	0.2435	73.29
	Metering Charge (PhP/meter/mo)	5.00	5.00
	Distribution connection charge		
	Final Loan Condonation (PhP/kWh)		
	Final Loan Condonation (PhP/cus/mo)		
CERA	350 x 11.87%	41.55	
Sub-total			628.5
Others	Lifeline Rate Subsidy/(Discount) (PhP/kWh)	0.0761	22.91
	Cross subsidy removal (PhP/kWh)	-0.4278	-128.77
	Sub-total		-0.3517
Government Revenues	Franchise Tax		
	Local Tax		
	Business Tax		
	Value Added Tax		
	Generation		
	Transmission		
	System Loss		
	Distribution		58.70
	Others		-10.59
	Universal Charges		
NPC stranded debts (PhP/kWh)			
NPC stranded costs (PhP/kWh)			
DUs stranded contract cost (PhP/kWh)			
Missionary Electrification (PhP/kWh)	0.0373	11.23	
Environmental charges (PhP/kWh)	0.0025	0.75	
Equalization of taxes and royalties (PhP/kWh)			
Sub-total			60.09
Grand Total			2,481.70

PRO-RATA COMPUTATION FOR DISTRIBUTION COMPONENT ONLY:

Example Consumption Period: October 12 - November 11, 2005

Example Billing Period: November 2005

$$\text{PRO-RATED VAT} = \frac{\text{No. of VATable days in a billing cycle}}{\text{No. of Days in a billing cycle}}$$

$$= \frac{11 \text{ days}}{31 \text{ days}}$$

$$= 0.3548 \times 58.70$$

$$= 20.83$$



Republic of the Philippines
National Electrification Administration
 Quezon City

16 October 2008

MEMORANDUM No. 2008-025

TO : ALL ELECTRIC COOPERATIVES
SUBJECT : PRO-FORMA ENTRIES TO TAKE UP THE EXPANDED VALUE ADDED TAX (EVAT)

I. Rationale

Electric Cooperatives (ECs) have different accounting entries in taking up EVAT and subsequent remittances in their Books of Accounts.

II. Objective

To be able to arrive at a uniform accounting entries on the recovery of EVAT that is applicable to all Electric Cooperatives (ECs).

III. PRO-FORMA ENTRIES

A. To record purchased of power from Genco and Transco		General Ledger		Subsidiary Ledger	
Code No.	Account Name	Dr	Cr	Dr	Cr
412-000-00	Other Power Supply Expenses	xxx			
412-555-00	Purchased Power			xxx	
230-232-00	Accounts Payable		xxx		
230-232-10	Accounts Payable-Genco				xxx
230-232-20	Accounts Payable-TRANSCO				xxx

(Note: no entry on VAT charges, it is reflected on sales)

B. To record Sales for the Month		General Ledger		Subsidiary Ledger	
Code No.	Account Name	Dr	Cr	Dr	Cr
140-142-00	Consumer Accts. Receivable	xxx			
140-142-30	Consumer Accts. Receivable-Generation VAT			xxx	
140-142-40	Consumer Accts. Receivable-Transmission VAT			xxx	
140-142-50	Consumer Accts. Receivable-System Loss Gen.VAT			xxx	
140-142-51	Consumer Accts. Receivable-System Loss Trans.VAT			xxx	
140-142-60	Consumer Accts. Receivable-Distribution VAT*			xxx	
230-232-00	Accts. Payable		xxx		
230-232-111	Accts. Payable – Generation VAT				xxx
230-232-112	Accts. Payable – Transmission VAT				xxx
230-232-113A	Accts. Payable – System Loss Gen. VAT				xxx
230-232-113B	Accts. Payable – System Loss Trans. VAT				xxx
230-232-114	Accts. Payable – Distribution VAT (Output VAT)*				xxx

(*Note: 12% VAT applicable for distribution charge only)

C. To record Collections of Consumer Accounts Receivable from Non-Government Accounts		General Ledger		Subsidiary Ledger	
Code No.	Account Name	Dr	Cr	Dr	Cr
1) 130-133-00	Cash on Hand	xxx			
130-133-10	Cash on Hand – Main/Sub-Offices			xxx	
140-142-00	Consumer Accounts Receivable		xxx		
140-142-30	Consumer Accts. Receivable – Gen. VAT				xxx
140-142-40	Consumer Accts. Receivable – Trans. VAT				xxx
140-142-50	Consumer Accts. Receivable – Sys Loss Gen. VAT				xxx
140-142-51	Consumer Accts. Receivable – Sys Loss Trans VAT				xxx
140-142-60	Consumer Accts. Receivable – Dist VAT				xxx

C. To record Collections of Consumer Accounts Receivable from Government		General Ledger		Subsidiary Ledger	
Code No.	Account Name	Dr	Cr	Dr	Cr
2) 130-133-00	Cash on Hand	xxx			
130-133-10	Cash on Hand-Main Office/Sub-Office			xxx	
170-166-00	Prepayments – BIR	xxx			
170-166-20	Creditable Withholding Tax			xxx	
(5% withheld by government offices)					
140-142-00	Consumer Accounts Receivable		xxx		
140-142-20	Consumer Accts Receivable – Energy Sales				xxx
140-142-30	Consumer Accts Receivable – Generation VAT				xxx
140-142-40	Consumer Accts. Receivable – Transmission VAT				xxx
140-142-50	Consumer Accts. Receivable – Sys Loss Gen. VAT				xxx
140-142-51	Consumer Accts. Receivable – Sys Loss Trans. VAT				xxx
140-142-60	Consumer Accts. Receivable – Distribution VAT				xxx

D. To record remittance of VAT to Genco		General Ledger		Subsidiary Ledger	
Code No.	Account Name	Dr	Cr	Dr	Cr
1) 230-232-00	Accounts Payable	xxx			
230-232-111	Accts. Payable – Generation VAT			xxx	
230-232-113A	Accounts Payable – System Loss Gen. VAT*			xxx	
130-131-00	Cash General Fund		xxx		
130-131-10	Cash in Bank – General Fund Current Account				xxx

*Based on the proportionate share of the transmission component and the generation cost from non-renewal sources.

D. To record remittance of VAT to Transco		General Ledger		Subsidiary Ledger	
Code No.	Account Name	Dr	Cr	Dr	Cr
2) 230-232-00	Accounts Payable	xxx			
230-232-112	Accts Payable – Transmission VAT			xxx	
230-232-113B	Accounts Payable – System Loss Trans. VAT*			xxx	
130-131-00	Cash General Fund		xxx		
130-131-10	Cash in Bank – Current Account				xxx

* Based on the proportionate share of the transmission component and the generation from non-renewal sources.

E. To record Input VAT on Purchases other than Power Cost		General Ledger		Subsidiary Ledger	
Code No.	Account Name	Dr	Cr	Dr	Cr
170-166-00	Prepayments – BIR	xxx			
170-166-10	Prepayments – Input VAT			xxx	
130-131-00	Cash General Fund		xxx		
130-131-10	Cash in Bank – Current Account				xxx

F. To record monthly remittance of VAT to BIR		General Ledger		Subsidiary Ledger	
Code No.	Account Name	Dr	Cr	Dr	Cr
230-232-00	Accounts Payable - BIR	xxx			
230-232-114	Accounts Payable – Distribution VAT (Output VAT)			xxx	
170-166-00	Prepayments - BIR		xxx		
170-166-10	Prepayments – Input VAT**				xxx
170-166-20	Creditable withholding Tax***				xxx
130-131-00	Cash General Fund		xxx		
130-131-10	Cash in Bank-General Fund – Current Account				xxx

** Input VAT on purchases other than the Power Cost

*** 5% withholding tax from sales to government offices

RESPONSIBILITY

The responsibility of implementing this policy rests on the General Manager, Finance Manager and Internal Auditor.

EFFECTIVITY

This guidelines shall take effect immediately.

Edita S. Bueno
EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION

IN REPLYING, PLS. CITE: #OR013402



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10/20/08



Republic of the Philippines
National Electrification Administration

13 July 2010

MEMORANDUM No. 2010-017

TO : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT : Remittance of VAT Collections

I. Rationale

Revenue Memorandum Circular No. 61-2005 of the Bureau of Internal Revenue (BIR) "Clarifying the VAT Provisions of Republic Act (R.A.) 9337 Applicable to the Power Industry" states that generation, transmission and distribution companies as well as electric cooperatives shall be subject to the value-added-tax on their sale of electricity effective November 01, 2005 pursuant to the provision of Section 108 of the Tax Code as amended by R.A. 9337.

Section 108(A) of the Tax Code, as amended, imposes a value added tax equivalent to ten percent (10%) of gross receipts derived from the sale or exchange of services, including the use or lease of properties. The 10% VAT was raised to 12% by the President effective January 1, 2006.

II. Standard Procedures and Guidelines

Pursuant to R.A. 9136 and Section 18 of R.A. 7638, the Energy Regulatory Commission (ERC) is vested the power and authority to determine, fix and regulate the rates charged by all electric distribution utilities (DUs), the National Power Corporation (NPC) and the National Transmission Corporation (TRANSCO).

In the ERC Resolution No. 20, Series of 2005, the ERC established the general principles in the implementation of R.A. 9337 by allowing the Generation Companies (GC), TRANSCO and all DUs to impose the appropriate VAT rate. Among others are as follows:

- a. The GC and TRANSCO shall bill the end-user through the DUs for the sale and transmission of electricity and ancillary services including the VAT thereon;

- b. The amount collected from the end-user for such charges shall not form part of Gross Receipt (GR) of the DUs and shall not be claimed by the DUs as input tax;
- c. The amount collected from the end-user as payment for the generation and transmission charges including the VAT thereon shall form part of the GR and output VAT of the GC and TRANSCO, accordingly;
- d. The reckoning of the sale subject to VAT between the GC and TRANSCO to the end-user shall be upon collection on the billing made by the DUs;
- e. The DUs shall bill the end-user for the corresponding VAT on the sale and transmission of electricity. The said VAT is neither part of the DUs GR nor input VAT. The DU shall ensure it is revenue neutral in its collection of the said VAT. The VAT on the current month's sale and transmission of electricity shall be billed to the end-users on the next billing cycle;
- f. The VAT on the allowable System Loss shall be computed on the proportionate share of the transmission component and the generation share from non-renewable sources. The VAT on system loss above the cap shall be shouldered by the DU; and
- g. The VAT collected by the DU on generation, transmission and system loss shall be remitted to the concerned GC and TRANSCO, which in turn, shall be responsible for the tax due to the BIR.

In compliance with the Tax code, as amended by R.A. 9337 and ERC Resolution No. 20, Series of 2005, the ECs are obliged to remit all VAT collected on generation, transmission and system loss to the concerned GC and TRANSCO.

Based on PSALM's Status of Power Receivables as of 30 April 2010, there are 46 ECs which have outstanding VAT payables to NPC/PSALM.

All ECs therefore are directed to reconcile, settle or request PSALM for the restructuring of said VAT accounts to avoid disconnection from the grid based on the DOE Circular No. DC 2010-05-0006 re: Terminating the Default Wholesale Supplier Arrangement for the Philippine Wholesale Electricity Spot Market (WESM) and Declaring a Disconnection Policy.

Finally, please be reminded that the BIR shall conduct audit/examination of tax dues of ECs to determine liability and accountability to the National Government.

For strict compliance.


EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION

IN REPLYING, PLS. CITE: #OR016775



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W.
4/13/10

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

October 25, 2012

REVENUE MEMORANDUM CIRCULAR NO. 62-2012

SUBJECT: Clarifying the Reporting of Gross Receipts Relative to Power Generation and Distribution

TO : All Revenue Officials, Employees and Others Concerned

This Circular is issued to synchronize the remittance of Value Added Tax (VAT) on power generation and other related charges with Section 108 of the National Internal Revenue Code of 1997, as amended.

BACKGROUND

Revenue Memorandum Circular No. 61-05 dated October 27, 2005 was issued to clarify the VAT provisions of Republic Act No. 9337 applicable to the power industry. Question No. 26 thereof provides:

Q26 What is the treatment of the Generation and Transmission charges including the VAT thereon which are pass through charges of the Distribution Companies and Electric Cooperatives?

A26 The Generation and Transmission companies shall bill the end-user through the Distribution Companies and Electric Cooperatives for the sale and transmission of electricity and ancillary services including the VAT thereon. The amount collected from the end-user for such charges shall not form part of the gross receipts of the Distribution Companies and Electric Cooperatives. The Distribution Companies and Electric Cooperatives shall not claim an input tax on such pass-through charges. The amount collected from the end-user as payment for the generation and transmission charges including the VAT thereon shall form part of the gross receipts and output VAT of the Generation Company or Transmission Company, accordingly.

The Distribution Companies and Electric Cooperatives may advance, exclusive of the corresponding VAT, the generation fee to the Generation company. The amount advanced may be offset against the amount collected from the end-user and only the VAT portion of the generation fee shall be remitted to the generation company upon collection from the end-user. The reckoning of the VATable sale between the generation company and the end-user shall be upon collection on the billing made by the Distribution Companies and Electric Cooperatives.

The procedure in the aforementioned provision of RMC No. 61-05 resulted in inefficiency in the collection of VAT on power generation and other related services. It has been noted that Distribution Companies and Electric Cooperatives have incurred delay in the remittance of VAT to Generation Companies. In some instances, Distribution Companies and Electric Cooperatives have paid in advance the generation and other power related charges without remitting the corresponding VAT. Hence, there is a need to revise the process.

REVISED PROCESS

Question No. 26 of RMC No. 61-05 is hereby amended to read as follows:

Q26 What is the treatment of the Generation and other power related charges including the VAT thereon which are pass through charges of the Distribution Companies and Electric Cooperatives?

A26 The Generation Companies, Aggregators, Market Operators, Retail Electricity Suppliers, and other suppliers of electricity shall bill the Distribution Companies and Electric Cooperatives for the sale and transmission of electricity and ancillary services including the VAT thereon, if applicable. The VAT shall be remitted by the Distribution Companies and Electric Cooperatives to the Generation Companies, Aggregators, Market Operators, Retail Electricity Suppliers, and other suppliers of electricity together with the payment for generation and transmission services. All collections by Generation Companies, Aggregators, Market Operators, Retail Electricity Suppliers, and other suppliers of electricity from Distribution Companies and Electric Cooperatives pertaining to generation and other VATable charges shall be deemed to include the VAT thereon.

The amount collected by the Distribution Companies and Electric Cooperatives from the end-user for such charges, including the VAT thereon, shall not form part of the gross receipts of the Distribution Companies and Electric Cooperatives. The Distribution Companies and Electric Cooperatives shall not claim an input tax on such pass-through charges. The amount collected from the end-user as payment for the generation and other VATable charges including the VAT thereon shall form part of the gross receipts and output VAT of the Generation Company or Transmission Company, accordingly.

If the Distribution Companies and Electric Cooperatives pay in advance the generation fee to the Generation company, the amount paid shall be inclusive of the corresponding VAT. The amount advanced may be offset against the amount collected from the end-user.

Under the new process, the VAT on the sale of electricity and ancillary services shall be paid by the Distribution Companies and Electric Cooperatives together with the generation and other fees. Unlike in the previous procedure where the Distribution Companies and Electric Cooperatives remit the VAT on the sale of electricity and ancillary services only after the same have been collected from the end-user, the new process requires the Distribution Companies and Electric Cooperatives to pay the VAT upfront on the sale of electricity and ancillary services. Such VAT paid may not be claimed as input VAT by the Distribution Companies and Electric Cooperatives as these are mere pass through charges. The amount paid for electricity and ancillary services, including the VAT thereon, may be offset against the amount collected from the end-user by the Distribution Companies and Electric Cooperatives.

This new procedure shall take effect beginning billing period August 26 – September 25, 2012.

All outstanding deferred VAT (VAT on generation and other VATable power related charges where the charges were already paid by the Distribution Companies and Electric Cooperatives to the Generation Companies, Aggregators, Market Operators, Retail Electricity Suppliers, and other suppliers of electricity) in the books of Generation Companies, Aggregators, Market Operators, Retail Electricity Suppliers, and other suppliers of electricity up to billing period ending August 25, 2012 shall be remitted on or before the deadline for filing of the monthly VAT declaration for October which is November 20, 2012. The Distribution Companies and Electric Cooperatives are hereby required to remit the VAT on their purchases prior to August 25, 2012 to the Generation Companies, Aggregators, Market Operators, Retail Electricity Suppliers, and other suppliers of electricity on or before November 15, 2012, to allow the Generation Companies, Aggregators, Market Operators, Retail Electricity Suppliers, and other suppliers of electricity to remit the same to the Bureau of Internal Revenue within the prescribed period. Failure on the part of the Distribution Companies, Electric Cooperatives, Generation Companies, Aggregators, Market Operators, Retail Electricity Suppliers, and other suppliers of electricity to remit the VAT within the dates prescribed herein shall warrant the imposition of penalties, surcharges and interest as provided for under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulation.

All concerned revenue officials and employees are hereby enjoined to give this Circular as wide a publicity as possible.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue