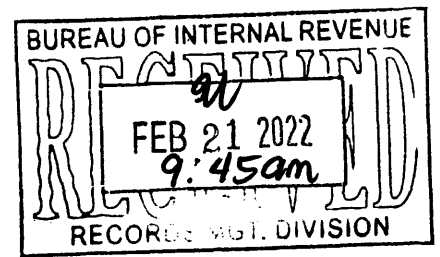




REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE



December 09, 2021

REVENUE MEMORANDUM CIRCULAR NO. 21-2022

**SUBJECT:** Claim of Input VAT on Purchases or Importations of Capital Goods Pursuant to Section 110 of the National Internal Revenue Code of 1997 (Tax Code), as Amended by Republic Act (R.A.) No. 10963, Otherwise Known as the “Tax Reform for Acceleration or Inclusion” or the “TRAIN Law”

**TO :** All Internal Revenue Officers and Others Concerned

---

This is in line with Section 35 of R.A. No. 10963 or the “TRAIN Law,” amending certain provisions of Section 110 of the Tax Code of 1997, as amended, and as implemented under Section 4-110-3(c) of Revenue Regulations (RR) No. 13-2018, which reads:

**“SEC. 110. Tax Credits. -**

**“A. Creditable Input Tax. --**

“(1) xxx

“(2) xxx

“(a) xxx

“(b) xxx

*“Provided, that the input tax on goods purchased or imported in a calendar month for use in trade or business for which deduction for depreciation is allowed under this Code shall be spread evenly over the month of acquisition and the fifty-nine (59) succeeding months if the aggregate acquisition cost for such goods, excluding the VAT component thereof, exceeds One million pesos (P1,000,000): Provided, however, That if the estimated useful life of the capital good is less than five (5) years, as used for depreciation purposes, then the input VAT shall be spread over such a shorter period: **Provided, further, That the amortization of the input VAT shall only be allowed until December 31, 2021 after which taxpayers with unutilized input VAT on capital goods purchased or imported shall be allowed to apply the same as scheduled until fully utilized.** Provided, finally, That in the case of purchase of services, lease or use of properties, the input tax shall be creditable to the purchaser, lessee or licensee upon payment of the compensation, rental, royalty or fee.” (Emphasis and underscoring supplied)*

In this regard, the following work-around procedures and guidelines are prescribed in the meantime that the BIR Form Nos. 2550Q and 2550M pertaining to Quarterly Value-Added Tax (VAT) Declaration and Monthly VAT Declaration, respectively, are undergoing revisions to effect the aforesaid provisions:

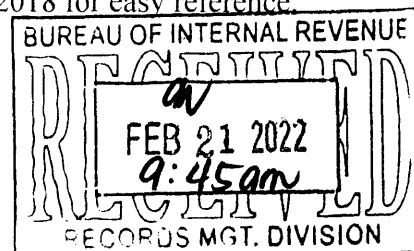
BIR FORM NO.	AFFECTED FIELDS	DESCRIPTION	REMARKS
2550M (v. February 2007)	Schedule 3(A)	Purchases/Importation of Capital Goods (Aggregate Amount Exceeds P1 Million)	Instead of the actual useful life in terms of months, place number "1" under columns "E" and "F" and encode the input tax claimed from purchase/s of capital goods exceeding P1M in Column "G"
2550Q (v. February 2007)	Schedule 3(A)	Purchases/Importation of Capital Goods (Aggregate Amount Exceeds P1 Million)	Instead of the actual useful life in terms of months, place number "1" under columns "E" and "F" and encode the input tax claimed from purchase/s of capital goods exceeding P1M in Column "G"

**ILLUSTRATION:**

Schedule 3							
A) Purchases/Importations this Month/Quarter							
Date Purchased	Description	Amount (Net of VAT)	Input Tax (Cx12%)	Est. Life (in Months)	Recognized Life (in Months) (Useful life or 60 mos. whichever is shorter)	Allowable Input Tax for the Period	Balance of Input Tax to be Carried to Next Period (D) less (G)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
01/05/2022	Motor Vehicle	1,100,000.00	132,000.00	1	1	132,000.00	0.00
Total (To item 21C/D)		1,100,000.00	132,000.00				0.00

Under EFPS and eBIR Forms, the balance of input tax to be carried to succeeding period is computed automatically by these systems. Hence, for purposes of implementing the provisions in the Tax Code of 1997, as amended, that effective January 1, 2022, all input tax on purchases of capital goods shall already be allowed upon purchase/payment, and shall no longer be deferred, the taxpayer shall indicate Roman numeral "I" as the estimated useful and recognized useful life and encode the total input taxes claimed from purchase/s of capital goods exceeding P1M under Column "G" in order to show a nil amount of "Balance of Input Tax to be Carried to Next Period" under Column "H" of the monthly and quarterly VAT returns.

Moreover, taxpayers with unutilized input VAT on capital goods purchased or imported prior to January 1, 2022 shall be allowed to amortize the same as scheduled until fully utilized. Hence, Schedule 3(B) shall still be filled out. However, if the depreciable capital good is sold/transferred within the period of five (5) years or prior to the exhaustion of the amortizable input tax thereon, the entire unamortized input tax on the capital goods sold/transferred can be claimed as input tax credit during the month/quarter when the sale or transfer was made. Illustrations were provided in Section 4-110-3(c) of RR No. 13-2018 for easy reference.



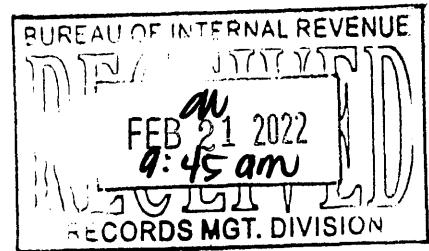
All BIR rulings or issuances inconsistent herewith, are hereby considered amended, modified or revoked accordingly.

All concerned are hereby enjoined to be guided accordingly and give this Circular as wide a publicity as possible.

*Caesar R. Dulay*  
CAESAR R. DULAY

Commissioner of Internal Revenue

049705



10:40

2