

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

July 30, 2003

REVENUE MEMORANDUM CIRCULAR NO. 46-2003

Subject : Publishing the full text of Department Order No. 20-03, dated July 18, 2003, of the Department of Finance Providing for Measures to Safeguard the Integrity of the Tax Credit System Being Administered by the One Stop Shop Inter-Agency Tax Credit and Duty Drawback Center.

To : All Revenue Officials and Employees

For the information and guidance of all concerned, quoted hereunder is the full text of Department Order No. 20-03:

" DEPARTMENT ORDER No. 20-03
18 July 2003

Pursuant to the government's thrust to deliver efficient public service and eliminate red tape within the bureaucracy, and in line with the Department's continuing efforts to safeguard the integrity of the tax credit system being administered by the One Stop Inter-Agency Tax Credit and Duty Drawback Center (OSS Center), the following directives are hereby issued.

Section 1. *Scope & Application.* This order shall cover the utilization of Tax Credit Certificates (TCC) jointly issued by the OSS Center and the Bureau of Internal Revenue (BIR) under Section 112 of the National Internal Revenue Code; and OSS Center and Bureau of Customs (BOC) under Section 106 (b) and (c) of the Tariff and Customs Code of the Philippines.

Utilization shall refer to the use of any of the above defined TCCs as payment for the taxes and/or duties due to the BIR and BOC as provided under existing laws.

Section 2. *Mandatory TDMIA/TDM Issuance and Verification.*
Utilization of TCCs shall be subject to the following conditions:

- a. Any TCC, as defined herein, that is applied for payment of tax liabilities at the BIR or BOC shall not be honored unless supported by a corresponding:

- Tax Debit Memo Issuance Authorization (TDMIA) if applied at the BIR; or
- Tax Debit Memo (TDM), if applied at the BOC,

issued by the OSS Center duly signed by its Executive Director or his official designate. Said TDMIA or TDM shall have a limited validity period of 30 days from date of issuance. Expired TDMIAs/TDMs shall be surrendered to the OSS-Center and re-applied for the issuance of a new TDMIA/TDM.

- b. Furthermore, BIR or BOC shall conduct prior verification on the authenticity of TCCs and TDMIAs/TDMs being presented for payment through the OSS-Center's Document Imaging for Verification and Authentication System (DIVAS).

Section 3. Guidelines on using DIVAS. The following guidelines shall govern the interconnection of the BIR and BOC to the DIVAS:

A. Description of DIVAS

DIVAS shall refer to the computerized information system being developed and maintained by OSS Center to perform the following tasks:

a.1 Scan and store digital image of all approved TCCs and corresponding TDMIA/TDMs;

a.2 Provide a restricted online system that will allow authorized BIR and BOC personnel through registered computer terminals to remotely verify the authenticity of OSS-issued TDMIAs/TDMs and TCCs by electronically retrieving and viewing the stored digital image of the TDMIAs/TDMs and the TCCs issued by OSS.

a.3 Generate pertinent monitoring reports, including but not limited to the following: list of scanned TCCs/TDMIAs/TDMs and list of viewed TCCs/TDMIAs/TDMs, on a monthly basis.

B. Guidelines for DIVAS as a Pre-Requisite for Releasing any OSS-issued TDMIA/TDM

b.1 Undergoing DIVAS document imaging process shall be a prerequisite for releasing any approved TDMIA/TDM. DIVAS document imaging process shall refer to the DIVAS process of digitally scanning a TDMIA/TDM and its corresponding TCC, storing the digital images of the said documents in secured database, assigning a unique, randomly generated locator number to the TDMIA/TDM and the TCC digital images, and putting a marking on the face of the actual TDMIA/TDM to indicate that it has been scanned, including the locator number, signature of the scanning officer, and the date of scanning of the document.

b.2 Any TDMIA/TDM/TCC that fails to meet the preceding prerequisite shall be considered invalid, and shall be honored by the BIR and the BOC for any purposes.

C. Guidelines for Using DIVAS as a Tool for Verifying the Authenticity of OSS-Issued TDMIA/TDM

c.1 OSS is hereby directed to issue and inform BIR and BOC of the guidelines and procedures for accessing/using DIVAS within one week from date of issuance of this order.

c.2 When an OSS-issued TDMIA/TDM is presented to a BIR or BOC Collection Office as payment for taxes/duties, the collection officer (or equivalent) must verify the TDMIA's /TDM's authenticity thru DIVAS.

c.3 If the TDMIA/TDM is found and displayed on the computer screen thru DIVAS, the Collection Officer must match the actual TDMIA/TDM and its digital image version, as follows:

- i. Compare the actual TDMIA/TDM/TCC with the TDMIA/TDM/TCC image shown on the computer monitor to determine if the latter is really the digital image of the actual TDMIA/TDM/TCC. Pay particular attention to the information written on the actual TDMIA/TDM/TCC and on their digital images whether or not they are the same;
- ii. Match the digital TDMIA/TDM image and the digital TCC image against the manual TDMIA/TDM and TCC being presented by the TCC grantee.

If all of the foregoing matching procedures produce affirmative results, the corresponding TDMIA/TDM shall be considered authenticated and may then be honored by the BOC and BIR, subject to the conditional provision stipulated in the transition period of this order.

c.4 If the TDMIA/TDM is not found or if at least one of the matching procedures yield negative results, the TDMIA/TDM shall be rejected; Provided that, although the use of DIVAS is being made mandatory under this order, the mandatory directive does not intend to prevent BIR or BOC from installing within their own internal systems additional measures consistent with the objectives of eliminating inefficiencies and further strengthening the security of their respective tax collection systems.

D. Control Features of the DIVAS

d.1 The DIVAS is an added tool designed for the use by the BIR and BOC, to facilitate the verification of TCCs and TDMIAs/TDMs issued by the OSS-Center, taking the place of the tedious issuance of manual certifications.

d.2 As an internal control mechanism for the BIR and BOC, only the parties officially designated and identified by both agencies shall have access to the system.

d.3 Any and all information uploaded in the DIVAS cannot be deleted or removed from the system unless triggered by the Systems Administrator. Any attempt to delete or destroy images therein will automatically generate an audit trail that will indicate if there has been any tampering activity.

Section 4. *Submission of Report.* BIR and BOC shall submit to the OSS-Center a list of all TCCs and TDMIAs/TDMs applied and accepted at their offices for reconciliation purposes. Submission of the list shall be done within 15 days after the end of every month. Thereafter, the OSS-Center shall submit a report to the Secretary, with copies furnished to the BIR and BOC, on the result of the reconciliation conducted within the next 15 days.

Section 5. *Transition Period.* There shall be a transition period not exceeding 60 days prior to the full implementation of the DIVAS. Within the 60-day period, the BIR and BOC IT Groups shall be allowed to audit the DIVAS to find out if the system conforms to their respective expectations and/or level of acceptability, and identify any potential weaknesses that may have to be improved. Any enhancements deemed necessary for the DIVAS to run effectively should be put in place within the transition period.

In addition to the electronic verification during the transition period, the OSS-Center shall issue a manual certification on the authenticity of the TDMIA/TDM being presented for a particular TCC that is applied for payment at the BIR or BOC.

If the DIVAS satisfies the audit standards of the BIR and BOC IT groups prior to the expiration of the transition period, they shall submit a report to the OSS-Center formally accepting the use of the DIVAS in their respective offices.

After expiration of the 60-day transition period or the formal acceptance by the BIR or BOC IT groups of the DIVAS system, whichever comes first, mandatory verification using the DIVAS shall be operational and any/all information/results generated by the DIVAS shall be deemed sufficient and the OSS-Center shall no longer issue a manual certification.

Section 6. This Order shall take effect immediately upon signing.

(Original Signed)
JOSE ISIDRO N. CAMACHO
Secretary

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

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue