REVENUE MEMORANDUM CIRCULAR NO. 21-2022 issued on February 21, 2022 prescribes the guidelines in the claim of Input Value-Added Tax (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 No. 10963 (TRAIN Law).

Per Section 110 of the Tax Code, "the input tax on goods purchased or imported in a calendar month for use in trade or business for which deduction 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 (₱ 1,000,000.00); Provided, however, That if the estimated 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".

The following work-around procedures and guidelines are prescribed in the meantime that the BIR Form Nos. 2550Q and 2550M pertaining to Quarterly 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 ₱1 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 ₱1M in Column "G"
2550Q *(v. February 2007)*	Schedule 3(A)	Purchases/Importation of Capital Goods (Aggregate Amount Exceeds ₱1 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 ₱1M in Column "G"

Under EFPS and eBIRForms, 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 ₱1M 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.