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When to issue official receipt and acknowledgement receipt

As a business owner in the Philippines, it's essential to understand the tax compliance requirements for your business.
One critical requirement is issuing official receipts (OR) to your customers.

In this blog, we will discuss what is official receipt, differences between collection receipt vs official receipt, sales invoice vs official receipt philippines, official receipt sample philippines,collection receipt vs official receipt difference,acknowledgement receipt vs official receipt, requirements for bir receipt. Stay tuned! So, what exactly is an OR? An OR is a document that serves as proof of payment for goods or services received. It must be issued by the seller at the time of the transaction and include specific information such as the name and address of the seller, the date of sale, a description of the goods or services sold, and the amount paid. Why are ORs significant? They're essential because they serve as evidence of income for your business. Related: No Payment of Tax on Your Online Business in the Philippines Businesses in the Philippines must file an annual income tax return.
To do this, you must record your annual income and expenses. ORs serve as proof of income, which you can use to calculate your taxes. Input VAT is the value-added tax charged on goods or services purchased by your business. If your business is registered for VAT, you can claim input VAT credits on your annual VAT return. This can result in a refund from the government if your inputs exceed your outputs. To claim input VAT credits, you must have proof of purchase in the form of an OR or sales invoice. As mentioned earlier, ORs serve as proof of income. This is important for tax purposes, as discussed above. In addition, it's also essential for compliance with the Bureau of Internal Revenue (BIR). The BIR requires businesses to issue ORs to customers as proof of income. Companies that fail to do this may be penalized, including fines or imprisonment. Related: BIR Extends Deadline for Online Business Registration The Official Receipt, also popularly known as the BIR Receipt, is a document issued by a taxpayer in exchange for payment received for goods or services.

Related: VAT Invoices Update under Train Law 2018 The issuance of an Official Receipt is required under Section 237 of the National Internal Revenue Code of 1997. This section says that all people who have to pay taxes on income must issue receipts for each sale or transfer of something worth 25 pesos or more.

The receipt must show the date, quantity, unit cost, and a description of what was sold or transferred. The receipt must also be made in duplicate. Official Receipts must be issued to provide a record of the transaction and allow the taxpayer to claim deductions or input tax credits. What is a BIR Form 2307? For those unfamiliar with the term, it is simply an official receipt that must be provided by a business to its supplier whenever withholding taxes are deducted from the payment. If, for example, 2% withholding tax is legally required to be deducted from an amount made to a supplier, the business must then file and remit that 2% withholding tax to the proper authorities. At the same time, the business must provide the supplier with a BIR Form 2307 as proof that the withholding tax has been applied. This form will then be used by the supplier when applying for a tax credit. It will deduct the amount withheld from the supplier's tax payable because she has effectively remitted the tax in advance through the service payment. Thus, businesses need to be aware of their obligations regarding withholding taxes and the requirements for issuing a BIR Form 2307. It would be best if you always kept official receipts on hand to avoid any penalties or fines. Updates: The "Ease of Doing business and Efficient Government Service Delivery Act of 2018" removes the five (5)-year validity period on all manual and system-generated principal and supplementary invoices and receipts. The Bureau of Internal Revenue (BIR) requires all registered businesses to have an Authority To Print (ATP) their own receipts and invoices.

An ATP is simply a license or permit that allows a business to print its official receipts and invoices instead of having to purchase them from the BIR. The process for applying for an ATP is relatively simple. Businesses will need to fill out and submit a BIR form 1906, along with the required documents.
Once the application is approved, companies will be issued an ATP certificate, which they must display prominently on the business premises. Here are requirements for BIR receipt: Final & clear sample of last issued ATP or Printer's Certificate of Delivery (PCD) or any booklet from the previous issued ATP for subsequent application Related: How To Register in BIR as a Freelancer Guide 2021 A collection receipt is a document that serves as proof of payment but does not include all of the required information for an OR. A collection receipt may be issued by businesses such as utility companies, schools, or hospitals. It should include the payee's name and address, the payment date, and the amount paid. If you're issued a collection receipt, you should request an OR from the business. The business should then give you an OR with all of the required information. A sales invoice is a document that includes all of the required information for an OR, plus additional information such as the terms of sale, payment methods, and shipping details. Businesses such as online retailers, manufacturers, or wholesalers may issue a sales invoice. If you're issued a sales invoice, you can use it as proof of payment. However, if you need an OR for tax purposes, you should request one from the business. An acknowledgement receipt is a document that confirms you received the goods or services. However, it does not include all the required information for an invoice. An acknowledgement receipt should include the name and address of the payee, the date of payment, a description of the goods or services received, and the signature of the person receiving the goods or services. If you're issued an acknowledgement receipt, you should request an OR from the business. The business should issue you an OR with all the required information. In the Philippines, businesses must issue ORs to customers for all transactions. This includes sales of goods and services, rentals, leases, and commissions. The only exceptions are transactions exempt from VAT, such as exports and certain financial services. Official receipts can be issued manually or electronically. If you're issuing ORs manually, you should use pre-printed forms that include all the required information. You can purchase these forms from stationery stores or office supply stores. If issuing ORs electronically, you can use accounting software such as QuickBooks or Xero. These software programs will generate ORs that include all of the required information. Once you've generated the OR, you should print it out and issue it to the customer. The customer should then sign the OR to confirm receipt. Here is the official receipt sample from the Philippines. The following information must be included on all ORs: Name, TIN (with a suffix of the word VAT), business style, if any, and address of the VAT-registered client; Description of the nature of the transaction Invoice value or consideration, showing the VAT separately The total amount billed and received Space for date of transaction Space for customer name and address Serial Number of invoice or receipt ATP Number and series approved Printer information Here are some tips to help you stay compliant with Philippine tax law: This includes cash transactions and transactions made using credit cards, checks, and bank transfers. It would be best if you issued an OR for every transaction, irrespective of the amount. The OR should be straightforward to understand. It should include all of the required information and your business name and contact information. ORs are valid for three years from the date of issuance. After that, they expire and can no longer be used for tax purposes. This will help you save time and ensure that all the required information is included in each OR. If you don't comply with tax laws in the Philippines, you may be subject to penalties and fines. The penalties for not issuing an OR can range from PHP 1,000 to PHP 30,000 for the first offense, while for the second offense, penalties can range from 2,500 to 50 000. See the table below. Official receipts are an essential part of tax compliance in the Philippines. If you're a business owner in the Philippines, it's essential to understand what official receipts are and how to issue them properly. This blog post provided an overview of what is official receipt, differences between collection receipt vs official receipt, sales invoice vs official receipt philippines, official receipt sample philippines,collection receipt vs official receipt difference,acknowledgement receipt vs official receipt, requirements for bir receipt. We'll also offer some tips on staying compliant with Philippine tax law. Did you know that issuing proper official receipts is one of the key requirements for businesses in the Philippines? Make sure your business is up to date on all the latest tax compliance requirements by reading our latest blog post. Recommended: How to Get TIN Number Online and Verification Process Rule-of-thumb is that companies could obtain these deductions as long as transactions are presented mainly for business purposes and in the form of official receipts which need to be included in tax returns that will be submitted to the BIR. Keep in mind that any miscalculations in forms due to remittances would affect the amount of taxes that you owe.The question is how could you identify if your O.R (official receipt) is valid? And how could you ensure that you could claim deductions with the receipts that you currently have or might get in the future? We will cover it all up in this article.What Makes an Official Receipt, "Official"?Official receipts are not just like any other documents that you see most of the time. Typical receipts are the ones that you encounter when you purchase items from your vendor which simply contain handwritten notes of amounts along with the signature of the person accepting the payment.A valid official receipt has to come up with the following information that you, as the business owner, need to keep an eye on. These are:TIN – Your official receipt has to contain consistent Tax Identification Numbers of you (as the customer) and your vendor.Date – Make sure to cover the actual date of the transaction in order to avoid inconsistencies.Amount – amounts should be accurate based on the quantity of item(s) that you ordered from your vendor.Business Name – things such as DBA (doing business as), as well as entity type should be specified along with the complete business name.Reminder: In accordance with Revenue Regulations No. 17-2013, taxpayers are required to preserve other forms of "accounting records" such as invoices, vouchers, as well as receipts for a period of ten (10) years, following the deadline in filing the returnTips in Managing O.RAside from the factors listed above, you would also need to perform the following actions, especially if you wanted to ensure that you'll be able to claim official receipts for tax deduction purposes: Provide Complete InformationThere are ways on how you could provide information to your vendor: One of them is by simply jotting your business information in a piece of paper. This could help vendors in identifying which information they should include in the receipt.Another best practice is for you to provide your vendor with a business card in order to avoid any misinformation on the receipts that they'll be giving you. Business cards should be complete, containing the full name of your company along with its TIN and address. Take a Photo of Receipt(s)Taking photos of your receipt(s) is an effective way of obtaining a "soft copy" backup of your document and it could also help especially whenever your vendor who's aside from writing manual receipts is also printing a copy of it through a POS cash register. Capturing an image of both receipts is also a good practice since it can help you do cross-references for both copies of receipts, and make sure that calculations are correct.
On Reviewing Your Receipts...You have to make sure that you had carefully verified all the information present in your receipt — including a breakdown of amounts for both VATable and non-VATable items (e.g. service charge, discounts, etc.), as well as confirming if it's an authentic O.R, and not just some form of an acknowledgment or collection receipt. You also need to specify the purpose for the creation of a specific transaction.Stop Piling, Start CapturingAt JuanTax, we believe that keeping all those paper receipts is a very tedious task for Accountants like you.
Most notably during tax season.

Form 'B'
[See Paragraph 5(4)]

Acknowledgement Receipt

Application No. ....

Date ..../........./...................

Received from Mr/ Mrs / Ms...Cash/
Demand Draft/Cheque No./Electronic Transfer/... dated
...../........./..... drawn on (Bank and branch) ....
.... for ____ grams totaling an amount of ₹............. (Rupees.....................
.... only) for the purchase of Sovereign Gold Bond 2019-20 –
Series I/II/III/IV for a period of 8 years, interest payable on basis of the nominal value of
₹.......................... (Rupees..
....................only).

(Stamp / Seal of the Receiving Office)

This is why we developed our JuanTax mobile app to help ease your stress with these kinds of tax hurdles.With JuanTax mobile app, all you have to do is snap a picture of your receipt and that's it — there's no need for you to store those paper receipts in a shoebox anymore since it automatically saves your file within the Transactions module section of both mobile and web versions of JuanTax.Not only will files get backed up automatically, but there's also no need for you to do manual data entry. Juantax's mobile app uses OCR (Optical Character Recognition) to pick up important details from documents such as invoices and receipts.Still don't have a JuanTax account? Visit our website at and Sign up for a free trial!