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TAX DIGEST

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REVENUE REGULATIONS

NEW FORMAT OF ANNUAL INCOME TAX RETURNS

BIR has issued Revenue Regulations No. (RR) 2-2014, dated January 24, 2014, prescribing the Newest Income Tax Returns for the filing of 2013 Annual Income Tax Returns and other related Matters.

New ITRs

1. **BIR Form No. 1700** version June 2013 (Annual Income Tax Return for Individuals Earning Purely Compensation Income);
<ftp://120.28.53.14/webadmin1/pdf/82310BIR%20Form%201700.pdf>
2. **BIR Form No. 1701** version June 2013 (Annual Income Tax Return for Self-Employed Individuals, Estates and Trusts);
<ftp://120.28.53.14/webadmin1/pdf/82255BIR%20Form%201701.pdf>
3. **BIR Form No. 1702-RT** version June 2013 (Annual Income Tax Return for Corporations, Partnerships and Other Non-Individual Taxpayers Subject Only to the REGULAR Income Tax Rate);
<ftp://120.28.53.14/webadmin1/pdf/82314BIR%20Form%201702-RT.pdf>
4. **BIR Form No. 1702-EX** version June 2013 (Annual Income Tax Return for Use Only by Corporations, Partnerships and Other Non-Individual Taxpayers EXEMPT Under the Tax Code, as amended, [Sec. 30 and those exempted in Sec. 27(C)] and Other Special Laws, with No Other Taxable Income); and
<ftp://120.28.53.14/webadmin1/pdf/82276BIR%20Form%201702-EX.pdf>
5. **BIR Form No. 1702-MX** version June 2013 (Annual Income Tax Return for Corporations, Partnerships and Other Non-individuals with Mixed Income Subject to Multiple Income Tax Rates or with Income Subject to Special/Preferential Rate).
<ftp://120.28.53.14/webadmin1/pdf/82278BIR%20Form%201702-MX.pdf>

Rounding Off to the Nearest Peso in ITRs

Amounts with 0.49 centavos are to be dropped to zero

while amounts with 0.50 centavos are to be rounded to P1.00.

Mandatory Itemized Deductions

The RR prescribes electronic method of submission as follows:

- A. Itemized deductions are required to be used by taxpayers in the following cases:
 - a. Those exempt under the Tax Code, as amended [Section 30 and those exempted under Section 27(C) and other special laws, with no other taxable income;
 - b. Those with income subject to special/preferential tax rates; and
 - c. Those with income subject to income tax rate under Section 27(A), and 28(A)(1) of the Tax Code as amended and also with income subject to special/preferential tax rates.

Exemption: Taxpayers whose taxable base is the gross revenue or receipts are not entitled to the itemized as well as the Optional Standard Deduction (OSD)

- B. Taxpayers not entitled to avail of the OSD such as the following:
 - a. Those exempt under the Tax Code, as amended, and other special laws with no other taxable income [e.g. Barangay Micro Business Enterprise (BMBE)];
 - b. Those with income subject to special/preferential tax rates; and
 - c. Those with income subject to income tax rate under Section 24 of the Tax Code, as amended, and also with income subject to special/preferential tax rates.

Taxpayers who filed Income tax Return using ITRs other than the ones prescribed above shall re-file Income Tax return using the newly prescribed ITR.

This regulation is effective starting the taxable year 2013 and after fifteen (15) days following the date of publication.

(Revenue Regulations No. 2-2014)

REVENUE MEMORANDUM CIRCULAR

EXTENSION OF PROVISIONAL ACCREDITATION OF PRINTERS

Revenue Memorandum Circular (RMC) No. 6-2014 is issued to extend the provisional accreditation of printers is extended until February 28, 2013. This is to give enough time for RDO's to conduct the post-evaluation/ocular inspection, a requirement for the final Certificate of Accreditation, before the validity of the provisional accreditation expires.

Accordingly, BIR Form No. 1906 shall continue to be processed to accommodate taxpayers. Non-compliance of either the BIR or the taxpayer shall be subject to penalties as provided for in the amended Tax Code.

(Revenue Memorandum Circular No. 6-2014)

COMPLIANCE OF MARGINAL INCOME EARNERS

Revenue Memorandum Circular (RMC) No. 7-2014 was issued to clarify the issues on the registration and compliance of Marginal Income Earners (MIEs) provided by RR No. 7-2012.

Marginal Income Earners (MIEs)

MIEs are individuals:

1. With revenue or gross receipts from businesses of not more than P100,000.00 within any 12-month period.
2. Who is self-employed and not a compensation earner under employer-employee relationship; and
3. Whose activity is for subsistence or livelihood

MIEs include but is not limited to agricultural growers/producers (farmers/fishermen) selling directly to consumers, small sari-sari stores, small carinderias or "turo-turos", drivers/operators of a single unit tricycle and such but shall not include licensed professionals, consultants, artists, sales agents, brokers and other similar individuals, and all others whose revenue is subject to withholding tax.

Registration and Compliance Requirements

A MIE is required to:

1. Register with the BIR by filing BIR Form NO. 1901 and attach the following:
 - a. Sworn statement of Income for the year
 - b. NSO Certificate or Local Civil Registry Birth Certificate
 - c. Register Books of Accounts
 - d. Issue registered principal receipts or sales invoices; and
 - e. File and pay Annual Income Tax Return (BIR Form No. 1701

A MIE is exempt from payment of:

1. Annual Registration Fee (ARF)
2. Business taxes

Responsibility of BIR District Office

BIR District Office shall

1. Evaluate applications of MIEs and
2. Issue the Certificate of Registration
3. Ensure compliance with the registration
4. Issue Authority to Print for MIE's Official Receipts or
5. Sales Invoices

(Revenue Memorandum Circular No. 7-2014)

PROOF OF TAX EXEMPTION

Revenue Memorandum Circular (RMC) No. 8-2014 was issued to prescribe the requirement of presentation of proof of Tax exemption and withholding for validity of withholding tax exemption.

Presentation of Proof of Tax Exemption

Withholding agents should require taxpayers claiming to be exempt from income taxes and from withholding taxes to present a "copy of a valid, current and subsisting tax exemption certificate or ruling" before any payment is to be made. The proof of tax exemption must expressly state

the grant of exemption from tax and to withholding tax. Taxpayers who fail to present a valid proof of exemption, shall subject the payments to withholding. Also, withholding agents who still did not withhold despite inexistence of a valid proof of exemption shall be liable to penalties imposed by Sec. 251 and other related sections of the Tax Code.

Revenue Memorandum Circular No. 8-2014

INCOME TAX RETURNS

BIR issued **Revenue Memorandum Circular (RMC) No. 9-2014** to amend the provision of RMC No. 57-2011 "Revised Forms No. 1700, 1701, and 1702" relative to the issuance of RR No. 2-2014.

BIR Form No. 1702 is now renamed as 1702-RT, 1702-EX and 1702-MX, version 2013, which are due for filing on April 15, 2014.

For individuals filing BIR Forms No. 1700 and 1701, the required disclosures of Supplemental Information of the said forms should be also be accomplished starting calendar year 2014. The taxpayers are hereby advised to demand all BIR Form 2307 and evidences of final withholding tax from their withholding agents and to properly receipt and record the tax-exempt income.

Proof of Identification

Individual income tax filers are given the option to present either the following for identification:

1. Community Tax Certificate
2. Passport; or
3. Driver's License

Revenue Memorandum Circular No. 9-2014

REVENUE MEMORANDUM ORDER

ISSUANCE OF SUBPOENA DUCES TECUM (SDT)

BIR issued **Revenue Memorandum Order (RMO) No. 8-2014**, dated January 29, 2014, amending Sections 3.4, 3.5, 3.9, 3.13 and 3.14 of Paragraph III and Section 4.3 of Paragraph IV of RMO No. 10-2013 "Revised Guidelines and Procedures in the Issuance and Enforcement of Subpoenas Duces Tecum and the Prosecution of Cases for Non-Compliance Therewith".

Request of SDT

The SDT shall now be requested from the following officers amended:

1. Assistant Commissioner, Enforcement and Advocacy Service-for the National Office;
2. Assistant Commissioner, Large Taxpayers Service - for the taxpayers under the jurisdiction of the Large Taxpayers Service including LTDOS;

3. Revenue Regional Directors - for the Regional Offices;
4. Any other officer duly delegated by the Commissioner.

The records of the case shall be attached to the Memorandum report.

Within two (2) days after the receipt of the request, the responsible officers shall evaluate the request and take action either to:

1. Return the case to its origin for additional documentation or proper action
2. Prepare and sign the corresponding SDT in two (2) copies which shall be distributed as follows:
 - a. Original - to be served to the taxpayer
 - b. Duplicate - to attached to the docket of the case

Each SDT shall contain serial number which shall be provided by the officer mentioned above using a format specified.

Serving the SDT

The SDT shall be either be served first to the taxpayer's registered address before the known address or concurrently to the registered address and known address.

Completion of SDT

The server as mentioned in paragraph 3.10 shall be responsible in accomplishing the bottom portion of the SDT.

Filing of the Case

Where the taxpayer failed to submit or submitted incomplete required books of accounts and other documents, the issuing office will forward the case to the Prosecution Division at the National Office or Legal Division at the Regional Office for appropriate filing of the case.

Revenue Memorandum Order No. 8-2014

GUIDELINES IN THE PROCESSING OF REQUESTS FOR RULINGS

Revenue Memorandum Order (RMO) No. 9-2014

"Requests for Rulings with the Law and Legislative Division" was issued by BIR providing guidelines on proper requesting for ruling with the Law and Legislative Division.

What are Tax Rulings

Tax Rulings are opinion of the Bureau of Internal Revenue (BIR) on the matter requested by a taxpayer for clarification on issues arising from the provisions of the National Internal Revenue of 1997, other tax laws or their implementing regulations usually for purposes of decreased tax rates or tax exemption. These rulings are based on facts and situations and interpretations of law within the definite period. Rulings are issued to give clarification, confirmation or answer to the taxpayers who requested for such with regards their tax status and the implications of their transactions for taxation purposes.

No Ruling Areas

Despite the authority to give opinion on matters, the BIR:

1. may not be able to issue opinion if the taxpayer requesting for ruling does not comply with the requirements enumerated in Revenue Bulletin No. 1-2003 as amended by Revenue Bulletin No. 2-2003;
2. neither provides for tax planning advise nor "approve" tax planning arrangements. Further, the BIR will not rule on an issue if the same can be resolved through another procedure such as an appeal.

Through its Law and Legislative Division, is precluded to respond to a request under the following instances:

- a. The taxpayer has filed a similar inquiry to another office within the BIR;
- b. Similar issue involving the same taxpayer is under litigation, and;
- c. Similar issue involving the same taxpayer is under investigation, on-going audit, administrative protest, claim for refund or issuance of tax credit certificate or collection proceeding.

"What if" Questions

No ruling shall be issued for "What if?" questions or hypothetical queries containing "theoretical, speculative, conjectured, notional, suppositional, suppositional, supposed, or assumed entities or transactions."

Contents of a Letter Request

A Letter Request for Ruling, "a sworn statement executed under oath by the individual taxpayer or by at authorized official or representative of requester-taxpayer contains the following:

1. Factual background of the request for ruling, including:
 - a. Names, addresses, and Taxpayer Identification Number (TIN) of all interested parties
 - b. A complete statement of the business reasons for the transaction; and
 - c. A detailed description of the transaction or circumstances involved

2. The issues or questions raised or conclusions sought to be confirmed by the taxpayer;
3. The legal grounds and the relevant authorities supporting the position of the taxpayer;
4. List of documents submitted, and;
5. Affirmations stating that:
 - a. A similar inquiry has not been filed and is not pending in another office of the BIR
 - b. There is not pending case in litigation involving the same issue/s and the same taxpayer or related taxpayer;
 - c. The issues of the request is not pending investigation, on-going audit, administrative protest, claim for refund or issuance of tax credit certificate, collection proceeding or judicial appeal; and
 - d. The documents submitted are complete and that no other documents will be submitted in connection with the request.

Addressee of the Letter Requests

All letter requests must be addressed to the Chief as follows, unless otherwise stated in other specific revenue issuances:

The Chief
Law and Legislative Division
BIR National Office Building
BIR Road, Quezon City

Required Attachments

Aside from specific documents required specified by applicable regulations, the following documents must be attached to the letter request for ruling:

1. Certified true copy of all documents that are material to the transaction, including contracts, wills, deeds, agreements and instruments;
2. Proof that taxpayer is entitled to exemption or incentive; and
3. Special Power of Attorney or authorization in case the request is filed by a representative of the taxpayer.

No original document should be attached to the letter request since the document submitted will become part of the BIR's file and will not be returned to the requestor.

Rather, certified true copies of all such documents certified by the appropriate government agency that has authority over the original document shall be the copies to be filed. Attachments should be labelled and arranged alphabetically and placed in a folder.

Processing of Request for Ruling

After the letter request together with the sworn statements is filed, there will be no other communication with the taxpayer.

1. The Law and Legislative Division shall:
 - a. Evaluate the request
 - b. Deny the request, if the documents submitted are incomplete, and send a letter to the taxpayer explaining the reason for denial
 - c. Write opinion, affirming or denying, the request.
2. Only the Commissioner of Internal Revenue (CIR) shall approve and sign the ruling of affirmation or denial unless another officer is delegated to sign and approve the ruling.

Effect and Validity of Rulings

1. The ruling shall be valid only if the taxpayer "fully" and "accurately" disclosed the transaction in the request.
 2. Rulings are applicable only to the applicant. Other taxpayers may only refer to it for information on how the BIR may rule on the same transaction.
 3. BIR shall not issue any opinion for taxes not within its authority like local taxes, customs duties, etc.
- Revocation and Modification

Rulings may be revoked or modified due to various reasons that changes the BIR's opinion from that originally issued such as when the facts presented in the letter request are found to be different from actual transaction. This RMO takes effect immediately

Revenue Memorandum Order No. 9-2014



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Tax Digest by:

Tax Advisory Services / Client Continuity & Communication Team

For clarification, tax queries or if you need our assistance in securing BIR ruling, you may call us at telephone number (632) 759-5090 or email us at aocheadoffice@alasoplascpas.com or visit us at our website www.alasoplascpas.com