

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**  
Quezon City

October 30, 2006

**REVENUE MEMORANDUM ORDER NO. 26- 2006**

**TO : All Assistant Commissioners, Regional Directors,  
Revenue District Officers and Other Officers Concerned**

**SUBJECT : Final Allocation of the CY 2006 BIR Collection Goal,  
By Implementing Office**

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**I. CY 2006 Overall Collection Goal**

The overall collection goal of the Bureau for CY 2006 as set by the Department of Finance (DOF) is ₱675,353 million. This is 26.44% higher than CY 2005 actual collection of ₱542,697 million. Out of the ₱675,353 million, ₱52,605 million accounts for the goal for Republic Act (RA) No. 9337 (New VAT Law).

The breakdown of the goal, by major tax type, is as follows:

<u>Tax Type</u>	<u>Total Goal</u>
Income Taxes	₱ 401,313 M
Excise Taxes	59,789
Value Added Taxes	145,348
Percentage Taxes	37,375
Other Taxes	31,528
<b>TOTAL</b>	<b>₱ 675,353 M</b>

**II. Data Used**

The following data were used in the computation of the final goal allocation:

1. Baseline figures used:

Actual CY 2005 collection based on BIR 12.09 reports from the Revenue Accounting Division (RAD) dated April 28, 2006 was used as baseline data.

2. Collection Refinements:

- a. Actual CY 2005 collection on Tax Remittance Advice (TRA) of National Government Agencies (NGAs) by implementing office, based on reports of said offices to the Statistics Division, as of August 7, 2006;
- b. Actual CY 2005 collection on Withholding Taxes of Government and Controlled Corporations (GOCCs) and Local Government Units (LGUs) by implementing office, based on reports of said offices to the Statistics Division, as of August 7, 2006;

- c. Actual CY 2005 collection on Tax on Treasury Bills, Travel Tax, Stock Transactions Tax, Excise Taxes and Documentary Stamp Tax (DST) on Government Securities, per report of RAD dated April 28, 2006;
  - d. Non-recurring transactions amounting to at least ₱1 million or at least 10% of the district's total collection for a particular month for a single transaction, whichever is lower, as reported by implementing offices (updated as of August 30, 2006); and
  - e. Transferred taxpayers (100% considered) as reported by implementing offices (updated and validated/verified as of July 13, 2006).
3. Others:
- a. Gross Regional Domestic Product (GRDP) growth rate for CY 2005, at current prices, net of Agriculture Sector;
  - b. Excise Tax estimates prepared by the Large Taxpayers Service dated Nov. 30, 2005;
  - c. Stock Transactions Tax data based on reports of Revenue District Offices (RDOs) as of January 11, 2006;
  - d. Actual RVAT collection, January to June 2006, as reported by implementing offices;
  - e. Monthly distribution of CY 2005 refined collection, by implementing office; and
  - f. Other available data peculiar to each of the implementing offices that affect their collection trends.

### **III. Goal Allocation Methodology**

#### **A. Total Goal, By Major Tax Type**

- 1. CY 2006 total BIR goal by major tax type, from existing measures and from RA No. 9337 (New VAT Law) was based on the National Government Revenue Program (NGRP), as provided by the DOF. (See **Annex A**.)
- 2. The breakdown of the goal for RA No. 9337, for each specific measure under said law is shown in **Annex B**.

#### **B. Monthly Collection Goal, by Major Tax Type (Annex C)**

- 1. Monthly goal allocation for Excise Taxes was provided by the Large Taxpayers Service.
- 2. For the remaining tax types, monthly goal allocation was based on estimated 2005 monthly trend and adjustments for likely CY 2006 trend due to the deferment of the implementation of the New VAT Law and revenues from 2006 work programs (as of February 2006.)
- 3. Collection goals from non-BIR Operations (i.e., Taxes on T-Bills and corresponding DST; and Travel Tax) were distinguished from collection goals from BIR Operations.

#### **C. Goal Allocation, by Implementing Office**

Total collection goals, by implementing office, are summarized in **Annex D**, with details as provided below. The goal from BIR operations is distributed to the Revenue

Regions and the Large Taxpayers Service, while the goal from non-BIR operations is allocated to the Office of the Commissioner. The allocation of said collection goals, by implementing office, from existing measures and from RA No. 9337 was divided into two parts: Part I—Goal on RA No. 9337 (New VAT Law); and Part II—Goal on Existing Measures, as follows:

***Part I—Goal Allocation for RA No. 9337 (New VAT Law)***

The goal for RA No. 9337, per specific measure as enumerated in Annex B, was allocated to concerned implementing offices proportionately, following the bases for allocation presented in **Annex E**. The resulting figures from said allocation methodology are shown in Annex D.

***Part II—Goal Allocation for Existing Measures***

The computation of the goal for existing measures, by implementing office, is shown in **Annex F**, and is derived as follows:

1. Actual CY 2005 collection was refined by deducting collections from following:
  - a. Tax Remittance Advices (TRAs) of NGAs;
  - b. Withholding taxes of GOCCs and LGUs;
  - c. Non-recurring transactions;
  - d. Special taxes (i.e., taxes on T-Bills, Travel Tax, Stock Transactions Tax, Excise Taxes and DST on Government Securities); and
  - e. Transferred taxpayers (net), i.e., transfer-out less transfer-in.
2. Average of the growth rate of actual collection for CY 2005 and the growth rate of the Gross Regional Domestic Product (GRDP) for CY 2005 at current prices, net of agriculture (**Annex G**), was applied to the Refined Actual CY 2005 Collection, by implementing office.
3. TRAs of NGAs was assumed to be equal to CY 2005 collection (i.e., 0% growth) across all implementing offices.
4. For withholding taxes of GOCCs and LGUs for CY 2006, five percent (5%) growth rate from CY 2005 collection was assumed across all implementing offices.
5. The following taxes were allocated directly to the implementing offices concerned:
  - a. *Tax on T-Bills, Travel Taxes and DST on Government Securities*—Goals on Treasury Bills of ₱ 44,151 million, Travel Tax of ₱345 million and DST on Government Securities ₱5,333 million were allocated to the Office of the Commissioner.
  - b. *Excise Taxes*—Goal on Excise Taxes amounting to ₱66,489 million was allocated to the LTS, while goal on mining and quarrying amounting to ₱75 million was allocated to implementing offices, where applicable.

- c. *Stock Transactions Tax*— Goal on Stock Transactions Tax amounting to of ₱1,701 million was allocated to the implementing offices where the stock brokers are registered using ratio and proportion.
6. Adjustments (e) were made to maintain the total goal set by DOF. The following were considered:
  - a. Percent share of collection by implementing offices to total BIR collection in CY 2005;
  - b. Expiration of entitlements to Income Tax Holidays by identified taxpayers;
  - c. Factors which drastically affect collections, such as government contracts, taxpayers' company policies, large collections on prior years' assessments, number of taxpayers under the jurisdiction of respective implementing offices; and
  - d. Trends of collection performance in 2006.

Aligned with the goals computed in items III.A, III.B and III.C above, the monthly goals by tax type and by month were allocated to implementing offices using ratio and proportion technique based on the trend of January to September 2006 actual collection and October to December 2005 refined collection. (See **Annexes H-1 to H-7, I-1 to I-7, and J-1 to J-7.**)

#### **D. Goal Allocation, by Revenue District Office (RDO)**

The preliminary goal allocation for each RDO shall be prepared by the Statistics Division in coordination with respective Regional Offices and other concerned offices, five days from the approval of this Order. Data on CY 2005 refined collections, as well as other data/reports from implementing offices covering January–September 2006, submitted to the Statistics Division as of October 6, 2006, shall be considered. Worksheets on details of computation of the allocation among RDOs/units shall be provided by the Statistics Division to the concerned Regional Office/LTS which has jurisdiction over said RDOs/units.

The final goal allocation shall be submitted by the Regional Offices to the Statistics Division for consolidation by the 2<sup>nd</sup> week of November 2006.

#### **IV. List of Annexes**

<b>General Goal Allocation, Related Data and Methodology</b>	
Annex A	Total Collection Goal, For Existing Measures and For R.A. No. 9337, By Major Tax Type, CY 2006
Annex B	Breakdown of Goal for R.A. No. 9337 (New VAT Law), By Specific Measure, CY 2006
Annex C	Monthly Collection Goal, By Major Tax Type, For Existing Measures and For R.A. No. 9337 (New VAT Law), From BIR Operations and From Non-BIR Operations, CY 2006
Annex D	Collection Goal Allocation, By Implementing Office, CY 2006

#### IV. List of Annexes (continued)

<b>General Goal Allocation, Related Data and Methodology (continued)</b>	
Annex E	Basis of Allocation of Goal for R.A. No. 9337 (New VAT Law), By Specific Measure, CY 2006
Annex F	Collection Goal Allocation For Existing Measures, By Implementing Office, CY 2006
Annex G	Growth Rates of CY 2005 Collection of BIR Implementing Offices and Gross Regional Domestic Product (GRDP) at Current Prices, Net of Agriculture Sector, By NEDA Administrative Regions
<b>Details of Allocation of Collection Goal For Existing Measures</b>	
Annex H-1	Total Collection Goal Allocation, For Existing Measures, By Implementing Office and Major Tax Type, CY 2006
Annex H-2	Monthly Total Collection Goal, For Existing Measures, By Implementing Office, CY 2006
Annex H-3	Monthly Collection Goal For Income Tax, For Existing Measures, By Implementing Office, CY 2006
Annex H-4	Monthly Collection Goal For Excise Taxes, For Existing Measures, By Implementing Office, CY 2006
Annex H-5	Monthly Collection Goal For Value-Added Tax, For Existing Measures, By Implementing Office, CY 2006
Annex H-6	Monthly Collection Goal For Percentage Taxes, For Existing Measures, By Implementing Office, CY 2006
Annex H-7	Monthly Collection Goal For Other Taxes, For Existing Measures, By Implementing Office, CY 2006
<b>Details of Allocation of Collection Goal For R.A No. 9337 (New VAT Law)</b>	
Annex I-1	Total Collection Goal Allocation, For R.A. No. 9337, By Implementing Office and Major Tax Type, CY 2006
Annex I-2	Monthly Total Collection Goal, For R.A. No. 9337, By Implementing Office, CY 2006
Annex I-3	Monthly Collection Goal For Income Tax, For R.A. No. 9337, By Implementing Office, CY 2006
Annex I-4	Monthly Collection Goal For Value-Added Tax, For R.A. No. 9337, By Implementing Office, CY 2006
Annex I-5	Monthly Collection Goal For Percentage Taxes ( <i>Total</i> ), For R.A. No. 9337, By Implementing Office, CY 2006
Annex I-6	Monthly Collection Goal For Percentage Taxes ( <i>PT103 &amp; PT104</i> ), For R.A. No. 9337, By Implementing Office, CY 2006
Annex I-7	Monthly Collection Goal For Percentage Taxes ( <i>Other Percentage Taxes</i> ), For R.A. No. 9337, By Implementing Office, CY 2006

#### IV. List of Annexes (continued)

<b>Details of Allocation of Total Collection Goal (Existing Measures &amp; R.A No. 9337)</b>	
Annex J-1	Total Collection Goal Allocation, For Existing Measures and R.A. No. 9337, By Implementing Office and Major Tax Type, CY 2006
Annex J-2	Monthly Total Collection Goal, For Existing Measures and R.A. No. 9337, By Implementing Office, CY 2006
Annex J-3	Monthly Collection Goal For Income Tax, For Existing Measures and R.A. No. 9337, By Implementing Office, CY 2006
Annex J-4	Monthly Collection Goal For Excise Taxes, For Existing Measures and R.A. No. 9337, By Implementing Office, CY 2006
Annex J-5	Monthly Collection Goal For Value-Added Tax and R.A. No. 9337, For Existing Measures, By Implementing Office, CY 2006
Annex J-6	Monthly Collection Goal For Percentage Taxes, For Existing Measures and R.A. No. 9337, By Implementing Office, CY 2006
Annex J-7	Monthly Collection Goal For Other Taxes, For Existing Measures and R.A. No. 9337, By Implementing Office, CY 2006

#### V. Effectivity

This Order takes effect immediately and supersedes Revenue Memorandum Order (RMO) No. 6-2006 dated January 6, 2006.

(Original Signed)  
**JOSE MARIO C. BUÑAG**  
**Commissioner of the Internal Revenue**

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