

**[ BIR REVENUE MEMORANDUM ORDER NO. 14-2002, MAY 17, 2002, May 17, 2002 ]**

**PRESCRIBING POLICIES AND GUIDELINES IN IMPLEMENTING THE MEMORANDUM OF AGREEMENT ENTERED INTO BY AND AMONG THE DEPARTMENT OF FINANCE (DOF), BUREAU OF INTERNAL REVENUE (BIR), DEPARTMENT OF INTERIOR AND LOCAL GOVERNMENT (DILG), LEAGUE OF PROVINCES OF THE PHILIPPINES (LPP), LEAGUE OF CITIES OF THE PHILIPPINES (LCP), LEAGUE OF MUNICIPALITIES OF THE PHILIPPINES (LMP) AND THE LIGA NG MGA BARANGAY SA PILIPINAS (LBP) ON THE COMMITMENT OF ALL PARTIES TO HELP ONE ANOTHER IN THE IMPLEMENTATION OF STRATEGIES TO ENHANCE THEIR TAX ENFORCEMENT AND COLLECTION EFFORTS BY UTILIZING ALL AVAILABLE RESOURCES NECESSARY IN THE PURSUIT OF THESE OBJECTIVES**

**I. Objectives:**

This Memorandum Order is issued to:

1. Implement the Memorandum of Agreement (MOA) entered into by and among the DOF, BIR, DILG, LPP, LCP, LMP, and LBP, circularized under Revenue Memorandum Circular No. 21-2001, in order to:

a. Increase tax collections by increasing the taxpayer base and collecting correct internal revenue taxes from concerned taxpayers;

b. Implement continuing Tax Campaign Program for the enhancement of information dissemination to all concerned parties to increase their level of tax compliance as well as for the delivery of fast, efficient and courteous service to the taxpaying public;

c. Recognize the importance of a collaboration effort among the aforementioned concerned groups in meeting the national and local tax collection targets;

d. Ensure compliance by all local government units (LGUs) with the pertinent provisions of internal revenue tax laws, rules and regulations; and

2. Prescribe policies and procedures relative to the receipt, processing and maintenance of data from the LGUs.

**II. Policies and Guidelines:**

1. The Revenue District Office (RDO) shall secure from the Local Government Units (LGUs), e.g., Provincial, City, Municipality, under their jurisdiction the following:

- a. Annual Alphabetical List of Taxpayers (Individuals/Corporations) who were issued Provincial/City/Municipal/Barangay Permits to engage in business;
  - b. Annual Alphabetical List of Professionals/Persons who were issued Professional/Occupational Tax Receipt (PTR/OTR); and
  - c. Quarterly List of Contractors of the respective government contracts entered into by the provinces/cities/municipalities/barangays. (The list shall be shown on a monthly basis or shall have a monthly breakdown).
2. For letters a and b of the preceding paragraph, whenever there are two or more RDOs which geographically comprise one LGU, the RDO where the LGU is located shall secure and transmit the reports to the Tax Assistance Unit (TAU) of the Revenue Region where the RDOs belong. The TAU shall ensure that each RDO shall be provided data on their respective taxpayers. The RDO shall transmit to the concerned Revenue Data Center (RDC) copies thereof but shall always retain a copy (of herein-mentioned reports), copy-furnished the TAU of the region;
3. For letter c of paragraph 1 under Policies and guidelines, the RDO where the LGU is located or which has jurisdiction over the LGU shall receive the Quarterly List of Contractors reports, with monthly breakdown, in either soft copies (diskettes) or hard copies, and shall transmit the same to the Assessment Service, Attention: Audit Information, Tax Exemption and Incentives Division (AITEID), but one copy shall be forwarded to the Assessment Division of the Revenue Region where the RDO belongs for the perusal of the RDOs and the Revenue Region;
4. The RDO shall remind in writing the Chief, Business Licenses Office of the LGUs every first working day of the year, to require the presentation by taxpayers of the following documents prior to the renewal of the Business Permits:
- a. Income Tax Returns of the preceding quarter/s and/or year;
  - b. VAT/Percentage Tax Returns;
  - c. BIR Certificate of Registration (BIR Form No. 2303); and
  - d. Annual Registration fee payment (BIR Form No. 0605).
5. The RDO shall ensure that the LGUs comply with the provisions of EOs 98 & 31, as part of the mandatory requirements in all applications for government permits, licenses, clearances, official papers and documents and Community Tax Certificates (CTCs);
6. The RDO shall monitor compliance by the Local Chief Executives and the respective Treasurers and Chief Accountants of the LGUs with the withholding tax laws, rules and regulations by conducting field verification and notifying these officers in case there are discrepancies detected;
7. The RDO, in coordination with the Taxpayer Assistance Service (Taxpayer Information and Education Division), shall assist all LGUs in the following:

- a. Disseminating tax reminders;
- b. Providing BIR resource speakers to tax information conferences/dialogues initiated or hosted by the LGUs through the Union of Local Authorities of the Phil., Inc. (ULAP) or their leagues; and
- c. Promoting BIR programs and campaigns for the issuance of official receipts/invoices for every purchase made by the taxpayer.

8. The Assessment Service, thru the Asset Valuation Division, shall secure from the LGUs update of the Current/Fair Market Value (FMV) of properties registered with the Assessor's Office of the provinces/cities/municipalities, whenever there is a revision thereto or upon request;

9. The Revenue Accounting Division, BIR, National Office shall require the RDO to submit all requirements relative to the computation of Internal Revenue Allotment (IRA), and which will facilitate the issuance of certificates to the four major leagues of LGUs on:

- a. 40% mining taxes collected per RA 7160;
- b. Franchise Tax paid by the Manila Jockey Club, Inc. (MJCI) and the Philippine Racing Club, Inc. (PRCI) per RA 6631, as amended by RA No. 8407 and RA No. 6632, as amended by RA 7953, respectively;
- c. Special privilege tax — 60% of the SPT collection from mini-hydro electric plants under RA 7156;
- d. Annual VAT collection by city/municipality every January 31 of the succeeding year;
- e. 2% of the 5% tax on gross income collected from all businesses/enterprises within the Subic/Clark/Camp John Hay/Poro Point/Special Economic Zones per RA 7227 every January 31 of the succeeding year;
- f. 15% Excise tax on locally manufactured Virginia-Type cigarette under RA 7171; and
- g. Collection from PEZA-registered enterprises.

The RDO shall ensure that all the above requirements are properly submitted to RAD.

10. The Revenue Accounting Division, BIR, National Office shall receive from the LGUs the requirements relative to the computation and issuance of the following certificates:

- a. 40% mining taxes collected per RA 7160;
- b. Franchise Tax paid by the Manila Jockey Club, Inc. (MJCI) and the Philippine Racing Club, Inc. (PRCI) per RA No. 6631 as amended by RA No. 8407 and RA No. 6632, as amended by RA No. 7953, respectively; and

c. Special privilege tax (SPT) — 60% of the SPT collection from mini-hydro electric plants under RA 7156.

### **III. Procedures:**

A. The Revenue District Office shall:

1. Receive the following reports from their respective LGUs:

a. Annual Alphabetical List of Taxpayers (Individuals/Corporations) who were issued Provincial/City/Municipal/Barangay Permits to engage in business every March 1 of the following year using the format shown in "Annex A-1<sup>[1]</sup>";

b. Annual Alphabetical List of professionals/persons who were issued Professional/Occupational Tax Receipt (PTR/OTR) every January 31 of the following year with the information shown in "Annex A-2<sup>[2]</sup>"; and

c. Quarterly list (with monthly breakdown) of contractors of the respective government contracts entered into by the provinces/cities/municipalities/barangays every 15th day after the end of the calendar quarter with the information shown in "Annex A-3<sup>[3]</sup>".

2. Transmit copies of reports mentioned in letters a and b of the preceding paragraph to the concerned RDC, but always retaining copies thereof, and copy of the report in letter c to the Assessment Service, Attention: The Chief, Audit Information, Tax Exemption and Incentives Division, but a copy shall likewise be forwarded to the Assessment Division of the revenue region;

A.1 The Taxpayer Service Section of the RDO shall:

1. Receive reports (Annexes "A-1 and A-2<sup>[4]</sup>") either in soft-copies or hard-copies and transmit the same in excel format in diskettes or via e-mail to the concerned Revenue Data Center (RDC) for appropriate action but retain one copy for use by the district or region;

2. Compare contents of the lists as shown in "Annex A-1" and "Annex A-2" with the list of taxpayers in the district registration database (ITS data base, or stand-alone database for non-ITS districts);

3. Consult National Office ITS registration database or TIN-web for those taxpayers not found in the district database;

4. Take action on the list of potential registrants/taxpayers with invalid TINs or unmatched data by requiring the taxpayers to accomplish the appropriate BIR registrations forms (e.g., 1901, 1902, 1903, 1905) in accordance with the existing procedures for registering taxpayers — registering unregistered taxpayers, transferring misplaced registration data of taxpayers to the home RDO (owner-RDO), and/or updating registration data of taxpayers with incorrect and/or incomplete registration information;

5. Prepare and submit the revised TAS Report 009 (Annex "B"<sup>[5]</sup>) to TSPMD; and

6. Receive reports (Annex A-3<sup>[6]</sup>) in either soft copies (diskettes) or hard copies and transmit the same (List of Contractors) to the Assessment Service, Attention: Audit Information, Tax Exemption and Incentives Division (AITEID), but forward one copy to the Assessment Division of the region for use by the district and/or region;

A.2 The Collection Section of the RDO shall:

1. Monitor compliance by Local Chief Executives and their respective Treasurers and Chief Accountants with the withholding tax laws, rules and regulations by conducting verification and notifying these officers in case there are discrepancies detected;

2. Transmit to the Assessment Section a listing of taxpayers with discrepancies for purposes of further field verification/records examination and/or of preparing the Notice of Informal Conference; and

3. Coordinate with the LGU in locating unregistered and/or delinquent taxpayers.

A.3 The Assessment Section of the RDO shall:

1. Receive from the Collection Section a listing of LGUs with discrepancies;

2. Review and validate the discrepancy;

3. Request for access to tax records (e.g., taxable transactions, income payments, assessment, collection and remittance records) of all LGUs subject to limitations provided by the Local Government Code;

4. Issue a conference letter to designated LGU officials;

5. Forward docket of LGU to the Assessment Division of the region for appropriate action.

It is to be emphasized, however, that this Section may initiate verification/examination of LGU's records even without referrals from the other sections of the district.

B. The Regional Office shall:

1. Monitor the implementation of the herein subject MOA

B.1 The Assessment Division of the Regional Office shall:

1. Receive copy of "Quarterly List of Contractors" report for safekeeping and use by the regional and district officials and employees;

2. Receive docket of LGU from the district;

3. Review the discrepancy report or proposed assessment of the district;