REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

March 14, 2016

REVENUE MEMORANDUM CIRCULAR NO. 30-2016

SUBJECT : Tax Compliance Reminders under the May 09, 2016 National and Local Elections

TO : All Internal Revenue Officers and Others Concerned

This Circular is being issued to remind everyone, particularly those who are running as candidates or participating in any other manner in the May 9, 2016 National and Local Elections, of their obligations under pertinent revenue issuances.

I. BIR Registration

All candidates, political parties, including party list groups, are required to register with the BIR, issue official receipts and withhold taxes pursuant to RR No. 8-2009, as amended by RR No. 10-2009. The registration of political parties or party list groups shall be made with the Revenue District Office (RDO) having jurisdiction over their Head Office or principal office.

It shall be the duty of every individual candidate upon the filing of the certificate of candidacy, whether for local or national position to register, or to update their registration with the BIR for those who have previously registered as Withholding Agents pursuant to RR No. 8-2009. The registration shall be made with the RDO having jurisdiction over the political subdivision where the candidate is seeking election, and, if this is not applicable, registration shall be made at the RDO having jurisdiction over their principal residence or registered address, as the case may be.

The registration of individuals in their capacity as candidates shall automatically end after thirty (30) days from the date of the election. However, the registration of political parties including party list groups shall subsist.

II. Registration of Books

All candidates and political parties, including party list groups are required to register with the concerned RDO and keep adequate books and other accounting records such as Cash Receipts Journal, Cash Disbursements Book or their equivalent.

III. Issuance of BIR Registered Official Receipts (ORs)

Every candidate, treasurer of a political party, including party-list groups, and every person acting under authority of such candidate or treasurer shall register with

the RDO concerned official receipts at least in duplicate to be issued for every contribution received, whether in cash or in kind. The original OR shall be issued to the contributor/donor while the duplicate shall be retained by the candidate or political party/party list.

Contributions in kind shall be valued at their cash equivalent or fair market value.

To address the immediate need for the ORs as the May 2016 election is barely three months away, all RDOs are hereby authorized to issue to their registered individual candidates BIR-Printed Non-VAT official receipts, without requiring Authority to Print (ATP). These Non-VAT ORs shall be accounted for by submitting data on the number of receipts used and surrendering the unused ones to the RDO within ten (10) days after the election.

IV. Preservation of Accounting Records

All candidates and political parties, including party list groups shall be responsible for the preservation of the records of contributions and expenditures, together with all pertinent documents, for at least five (5)[1] years after the holding of the election to which they pertain and for their production for inspection as authorized by the Commissioner of Internal Revenue.

V. Tax Treatment of Campaign Contributions

Revenue Regulations No. 07-2011 provides for the following income tax treatment of political contributions —

> *"1. As a general rule, campaign contributions are not included in the taxable income of the candidate to whom they were given, the reason being that such contributions were given not for the personal expenditure/enrichment of the concerned candidate, but for the purpose of utilizing such contributions for his/her campaign. Thus, to be considered as exempt from income tax, these campaign contributions must have been utilized to cover a candidate's expenditures for his/her electoral campaign.*
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> *2. Unutilized/excess campaign funds, that is, campaign contributions net of the candidate's campaign expenditures, shall be considered as subject to income tax, and as such, must be included in the candidate's taxable income as stated in his/her Income Tax Return (ITR) filed for the subject taxable year.*
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> *3. Any candidate — winning or losing — who fails to file with the COMELEC the appropriate Statement of Expenditures required under the Omnibus Election Code, shall be automatically precluded from claiming such expenditures as deductions from*

[1] Under Section 2, Rule 9, of COMELEC Resolution No. 9991 dated October 2, 2015, all statements of contributions and expenditures shall be kept and preserved at the office where they are filed and shall constitute part of public records thereat for five (5) years after the conduct of election.

his/her campaign contributions. As such, the entire amount of such campaign contributions shall be considered as directly subject to income tax."

IT IS HEREBY EMPHASIZED THAT ONLY THOSE DONATIONS/CONTRIBUTIONS THAT HAVE BEEN UTILIZED/SPENT DURING THE CAMPAIGN PERIOD AS SET BY THE COMELEC ARE EXEMPT FROM DONOR'S TAX. PERFORCE, DONATIONS UTILIZED BEFORE OR AFTER THE CAMPAIGN PERIOD ARE SUBJECT TO DONOR'S TAX AND NOT DEDUCTIBLE AS POLITICAL CONTRIBUTION ON THE PART OF THE DONOR.

DONATIONS MADE BY CORPORATIONS IN VIOLATION OF SECTION 36 (9)[2] OF THE CORPORATION CODE OF THE PHILIPPINES ARE SUBJECT TO DONOR'S TAX AND MAY NOT BE DEDUCTED AS POLITICAL CONTRIBUTION ON THE PART OF THE DONOR/CORPORATION.

Thus, individual candidates, political parties and party-list groups who receive taxable contributions/donations shall file the proper income tax return and pay as follows:

a. In the case of a candidate registered as a self-employed individual, such unutilized/excess/unreported funds coming from contributions/donations shall be declared for the quarter ending **June 30, 2016** not later than **August 15, 2016** using BIR Form No. 1701Q. It should be noted that no further deduction, either itemized or optional, should be made against this taxable income;

b. In the case of a candidate who is purely a compensation income earner within the year 2016, such taxable income shall be declared in BIR Form No. 1700 for taxable **year 2016** not later than **April 15, 2017**;

c. In the case of a candidate who is neither a self-employed individual nor a compensation income earner as of May 9, 2016, he/she shall declare said taxable income by filing a short-period return, for the period from **January 1, 2016** to **May 9, 2016**, using BIR Form No. 1700 not later than **August 15, 2016**; and

d. In the case of political parties or party-list groups, the above taxable income shall be reported in the manner by which domestic corporations are required to file returns and pay taxes. Accordingly, the above taxable income shall be declared for the second quarter ending June 30, 2016 not later than **August 29, 2016** using BIR Form No. 1702Q.

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[2] Section 36(9) of the Corporation Code of the Philippines provides:

"Sec. 36. Sec. 36. Corporate powers and capacity. - Every corporation incorporated under this Code has the power and capacity:

xxx xxx xxx

9. xxx Provided, That no corporation, domestic or foreign, shall give donations in aid of any political party or candidate or for purposes of partisan political activity;"

The above returns shall be filed and the income tax shall be paid in any of the authorized agent banks (AABs) or through the Revenue Collection Officer/s, in places where there are no AABs, within the jurisdiction of the Revenue District Office (RDO) where the candidate, political party or party list group is registered.

VI. Tax Treatment of Campaign Expenditures

Pursuant to Section 2.57.2 (X) of RR No. 2-98, as amended by RR Nos. 08-09 and 10-09, income payments made by political parties and candidates of local and national elections for their purchases of goods and services as campaign expenditures, and income payments made by individuals or juridical persons for their purchases of goods and services intended to be given as campaign contribution to political parties and candidates, shall be subject to a creditable withholding tax (CWT) of five percent (5%). The 5% CWT shall apply to payments for goods and services regardless of the source of funds, that is, whether the source is through donations/contributions or from the personal funds of the payor, or otherwise. The 5% CWT shall likewise apply to payments for various media services, printing jobs, talent/entertainment fees, lease of real and personal property, pre-election surveys, consultancy fees and fees for other similar services.

The 5% CWT shall be remitted to BIR not later than the 10th day of the month following the month of payment/disbursement by filing the Monthly Remittance Return of Creditable Income Taxes Withheld (BIR Form No. 1601-E) in triplicate copies through the authorized agent banks (AABs) under the jurisdiction of the Revenue District Office (RDO)/Large Taxpayers District Office (LTDO) where candidate, political party, and contributor is registered. In places where there is no authorized agent bank, the return shall be filed directly with the Revenue Collection Officer or the duly authorized Municipal/City treasurer of the Revenue District Office.

The payors/withholding agents who are engaged in trade or business or in the practice of their profession are required to attach to BIR Form 1601-E the Monthly Alphalist of Payees (MAP) prescribed under Revenue Regulations No. 2-2006. Conversely, payors/withholding agents who are not engaged in trade or business or in the practice of their profession are not required to attach the MAP.

Candidates, political parties and contributors who are covered by the Electronic Filing and Payment System (eFPS) shall follow the rules prescribed for them, including the deadline for electronically filing the applicable withholding tax returns and paying the taxes due thereon via the eFPS in accordance with RR No. 26-2002.

The payors/withholding agents are also required to file with the BIR Office where it is registered, on or before March 1, 2017, an Annual Information Return of Creditable Taxes Withheld (Expanded)/Income Payments Exempt from Withholding Tax (BIR Form No. 1604E) as well as the Statement of Contributions and Expenditures duly stamped "Received" by the Commission on Elections (COMELEC). For payors who are not engaged in business or practice of profession and have been designated as withholding agents for a limited time only during the election period, the due date to file the said documents is on or before the 30th day after the day of elections.

Expenses that were not subjected to the 5% CWT as herein required are not considered utilized campaign funds, and the candidates, political parties/ party-list groups are precluded from claiming such expenditures as deductions from his/her/its campaign contributions. As such, the full amount corresponding to said expense shall be reported as unutilized campaign funds subject to income tax.

All revenue officials and employees are enjoined to give this Circular the widest possible publicity.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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