REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

May 03, 2018

REVENUE MEMORANDUM CIRCULAR NO. 38-2018

SUBJECT : REITERATION OF THE GUIDELINES IN REGISTRATION, UPDATES AND OTHER TAX COMPLIANCE REQUIREMENTS OF CANDIDATES, POLITICAL PARTIES/PARTY LIST GROUPS AND CAMPAIGN CONTRIBUTORS

TO : All Internal Revenue Officials, Employees and Others Concerned.

All candidates, political parties/party list groups and campaign contributors have the duty to register or update their registration with the Bureau in relation to their candidacy. Hence, this Circular is being issued to reiterate the guidelines in registration, update and other tax compliance requirements of candidates, political parties/party list groups and campaign contributors pursuant to Revenue Regulations (RR) No. 8-2009, as amended, RR No. 7-2011 and other related revenue issuances.

I. REGISTRATION

1. The Client Support Section (CSS) of the concerned Revenue District Office (RDO) having jurisdiction over the residence address, head or principal office of registering candidates, political parties/party list groups and campaign contributors shall verify their registration in the Bureau's Integrated Tax System (ITS)/Electronic Tax Information System (eTIS-1). RDO may secure the official list of candidates and political party/party list groups from the Commission on Election (COMELEC).

2. For individual candidates, political parties/party list groups or campaign contributors who are **NOT YET REGISTERED** [with no existing Taxpayer Identification Number (TIN)] with the BIR:

   The CSS shall:

   2.1 Candidates

   2.1.1 Require the individual candidate to submit the following to the RDO having jurisdiction over his place of residence:
   a. Duly accomplished BIR Form 1901;
   b. Any identification issued by an authorized government body (e.g. Birth Certificate, passport, driver's license) that shows the name, address and birthdate of the applicant; and
   c. Certificate of Candidacy (COC) from the COMELEC.

   2.1.2 Register and tag the candidate in the ITS/eTIS-1 with the following:

	ITS	eTIS-1
a. Taxpayer Type	Professional	Professional – In General
b. Special Code	"Politician"	-
c. PSOC Code	7511 – General (overall) public service activities	1141 – Senior Officials of political Party organizations

d. Tax Type	Expanded Withholding Tax (WE)	Expanded Withholding Tax (WE)
e. Form Type	BIR Form No. 1601EQ-Quarterly Remittance Return of Creditable Income Taxes Withheld	BIR Form No. 1601EQ - Quarterly Remittance Return of Creditable Income Taxes Withheld
f. Alpha Numeric Tax Code (ATC)	WI680 – Individual Income payments made by political parties and candidates of local and national elections on all their purchases of goods and services related to campaign expenditures, and income payments made by individuals or juridical persons for their purchases of goods and services intended to be given as campaign contributions to political parties and candidates	WI680 – Individual Income payments made by political parties and candidates of local and national elections on all their purchases of goods and services related to campaign expenditures, and income payments made by individuals or juridical persons for their purchases of goods and services intended to be given as campaign contributions to political parties and candidates

2.2 Political Parties/Party List Groups

2.2.1 Require the political parties/party list groups to submit the following to the RDO having jurisdiction over the head or principal office of political parties/party list groups:

a. Duly accomplished BIR Form 1903; and
b. COC from the Commission on Election (COMELEC) as attachments.

2.2.2 Register and tag the political parties/party list groups in the ITS/eTIS-1 with the following:

	ITS	eTIS-1
a. Taxpayer Type	Non-stock Non-Profit Organizations (NONST)	Non-stock Non-Profit Organizations (NONST)
b. PSIC Code	7511 – General (overall) public service activities	94920 – Activities of political organizations
c. Tax Type	Expanded Withholding Tax (WE)	Expanded Withholding Tax (WE)
d. Form Type	BIR Form No. 1601EQ	BIR Form No. 1601EQ
e. ATC	WC680	WC680

2.3 Campaign Contributors

2.3.1 Individual campaign contributors shall be registered under Executive Order No. 98 (E.O. 98) as taxpayer type with the RDO having jurisdiction over his place of residence using BIR Form No. 1904.

2.3.2 Non-individual campaign contributors shall be registered with the RDO having jurisdiction over its principal place of business/Head Office using BIR Form No. 1903.

3. For individual candidates or political parties/party list groups **REGISTERED** (with existing TIN) with the BIR:

The CSS shall:

3.1 Candidates and Political Parties/Party List Groups registered as Business Taxpayer

3.1.1 Require the individual candidates or political parties/party-list groups to submit the following with the RDO having jurisdiction over the place of residence of the candidates or the head or principal office of political parties/party list groups:

a. For individual:
   i. Duly accomplished BIR Form 1901;
   ii. Any identification issued by an authorized government body (e.g. Birth Certificate, passport, driver's license) that shows the name, address and birthdate of the applicant; and
   iii. COC from the COMELEC.

b. For non-individual:
   i. Duly accomplished BIR Form 1903; and
   ii. COC from the COMELEC

3.1.2 Register the above candidate or political party/party list group as **BRANCH** and tag in the ITS/eTIS-1 the following:

	ITS	eTIS-1
a. Taxpayer Type a.1 Individual	Professional	Professional–In General
a.2 Non-individual	Non-stock Non-Profit Organizations (NONST)	Non-stock Non-Profit Organizations (NONST)
b. Special Code (Individual only)	"Politician"	-
c. PSIC/PSOC Code a.1 Individual	7511 – General (overall) public service activities	1141 – Senior Officials of political Party organization
a.2 Non-individual	7511 – General (overall) public service activities	94920 – Activities of political organizations
d. Tax Type	Expanded Withholding Tax (WE)	Expanded Withholding Tax (WE)
e. Form Type	BIR Form No. 1601EQ	BIR Form No. 1601EQ
f. ATC f.1 Individual	WI680	WI680
f.2 Non-individual	WC680	WC680

3.2 Candidates Registered as Local Employee (LOCAL):

3.2.1 Require the individual candidates to submit the following to the RDO where their principal employer is registered:

a. Duly accomplished BIR Form 1905;
b. Any identification issued by an authorized government body (e.g. Birth Certificate, passport, driver's license) that shows the name, address and birthdate of the applicant; and
c. COC from the COMELEC.

3.2.2 Update and tag him/her in the ITS/eTIS-1 with the following:

	ITS	eTIS-1
a. Taxpayer Type	Professional	Professional – In General
b. Special Code	"Politician"	-
c. PSOC Code	7511 – General (overall) public service activities	1141 – Senior Officials of political Party organizations
d. Tax Type	Expanded Withholding Tax (WE)	Expanded Withholding Tax (WE)
e. Form Type	BIR Form No. 1601EQ	BIR Form No. 1601EQ
f. ATC	WI680	WI680

3.2.3 For individual candidates registered as local employees in ITS/eTIS-1 but neither working nor engaged in business during election period, they must update their records and be registered as E.O. 98 and follow the guidelines for such as stated in this circular.

3.3 Candidates Registered Under E.O. 98 and/or One-Time Transaction (ONETT):

3.3.1 Require the individual candidates to submit the following to the RDO where their principal employer is registered:

a. Duly accomplished BIR Form 1905;
b. Any identification issued by an authorized government body (e.g. Birth Certificate, passport, driver's license) that shows the name, address and birthdate of the applicant; and
c. COC from the COMELEC.

3.3.2 For candidates whose registration is with a different RDO, the CSS Chief of the New RDO shall fax/email the above BIR Form (with attachments) to the Old RDO;

3.3.3 The Old RDO shall transfer the registration information of the candidate to the New RDO;

3.3.4 The New RDO shall update the candidate's registration information and tag him/her in the ITS/eTIS-1 with the following:

	ITS	eTIS-1
a. Taxpayer Type	Professional	Professional – In General
b. Special Code	"Politician"	-
c. PSOC Code	7511 – General (overall) public service activities	1141 – Senior Officials of political Party organizations
d. Tax Type	Expanded Withholding Tax (WE)	Expanded Withholding Tax (WE)
e. Form Type	BIR Form No. 1601EQ	BIR Form No. 1601EQ
f. ATC	WI680	WI680

4. If the individual candidate, political party/party list group or campaign contributor is **registered with the BIR but not yet uploaded in the ITS nor existing with Old Status in eREG TIN Query**:

   The CSS Chief of the concerned RDO shall encode/tag the registration information of the candidate, political party/party list or campaign contributor by following the preceding guidelines above, whichever is applicable.

5. All candidates and political parties/party list groups registered with the BIR prior to the issuance of this circular shall be updated based on the above guidelines by the CSS of the RDO concerned, whichever is applicable. In addition, the CSS shall monitor all registered candidates or political parties/party list groups that were elected and otherwise, to make appropriate updates of their respective registration information after the elections.

6. Post-Election

   The registration of individuals in their capacity as candidates shall automatically end ten (10) days after the deadline of filing the Quarterly Remittance Return of Creditable Income Taxes Withheld (BIR Form No. 1601EQ). The CSS Chief of the concerned RDO shall end date the Form Type 1601EQ and Tax Type WE of candidates that were registered and/or updated, and cancel the Branch Code of those that were registered as BRANCH for purposes of this circular. However, the registration of political parties including party list groups shall subsist.

   Every candidate and treasurer of the political parties/party list groups shall submit the Statement of Contributions and Expenditures to COMELEC and RDO having jurisdiction over the candidates/political parties/party list groups within 30 days after the election.

II. ANNUAL REGISTRATION FEE AND CERTIFICATE OF REGISTRATION

All candidates and political parties/party list groups shall pay an Annual Registration Fee (ARF) in the amount of five hundred pesos (P500) and be issued a Certificate of Registration (COR).

III. REGISTRATION OF BOOKS

All candidates and political parties/party list groups shall keep books and other accounting records such as Cash Receipts Journal (basis for Statement of Contributions for submission to COMELEC), Cash Disbursements Book (basis for Statement of Expenditures for submission to COMELEC) or their equivalent and register the same to the concerned RDO.

IV. ISSUANCE OF BIR REGISTERED NON-VAT OFFICIAL RECEIPT

Aside from the Books of Accounts, all candidates and political parties/party list groups shall also register Non-VAT Official Receipts (ORs), at least in duplicate copies thru Application for an Authority to Print (ATP) using BIR Form 1906 to the concerned RDO. These Non- VAT ORs shall be issued for every contribution received, whether in cash or kind. Contribution received in kind shall be valued at their cash equivalent or fair market value. The original copies of such ORs shall be issued to the contributors/donors while the duplicate shall be retained by issuing political parties/party-lists and candidates.

V. WITHHOLDING OF TAXES

Income payments made by political candidates and political parties/party-list groups on 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 five percent (5%) creditable withholding tax pursuant to RR No. 11-2018. The following are considered among those covered by expanded withholding tax, but not limited to payments for: (a) media services, (b) printing jobs, (c) talent/entertainment fees, (d) rentals of both real and personal property/ies. Likewise, BIR Form No. 2307 (Certificate of Creditable Tax Withheld at Source) shall be issued upon demand.

Expenses incurred by the candidates which were given free of charge, such as use, rental or hire of land, water or aircraft, equipment, facilities, apparatus and paraphernalia used in the campaign shall be assessed by the candidate and declare the amount commensurate with the expenses for the use thereof, based on the prevailing rate in the locality and shall be included in the total expenses incurred by the candidate.

Deadline – the five (5%) percent Creditable Withholding Tax (CWT) shall be filed and remitted not later than the last day of the month following the close of the quarter during which the withholding was made, using BIR Form No. 1601-EQ through Electronic Filing and Payment System (eFPS)/eBIRForms Package or AABs or RCOs under the jurisdiction of the BIR Office where the withholding agent is registered. As withholding agents, they are also required to submit the Quarterly Alphalist of Payees (QAP) (available for download in the "downloadable" section in the BIR website) through the eSubmission facility of the BIR.

The payor/withholding agent, who may be an individual candidate, a political party/party list group, or any juridical entity, is further required to file the Annual Information Return of Creditable Taxes Withheld (Expanded)/Income Payments Exempt from Withholding Tax (BIR Form No. 1604-E) as well as the Statement of Contributions and Expenditures duly stamped "Received" by the COMELEC on or before March 1 following the year of election.

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.

VI. DONOR'S TAX

Both Section 94(a) of Batas Pambansa Bilang 881, otherwise known as the Omnibus Election Code of the Philippines, and the final paragraph of Section 13 of Republic Act No. 7166 provide that contributions in cash or in kind to any candidates, political parties or party list groups, duly reported to COMELEC, are exempt from the imposition of Donor's 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)[1] 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.

VII. INCOME TAX

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 the income tax, these campaign contributions must have been utilized to cover a candidate's expenditures for his/her electoral campaign.

Unutilized/excess campaign funds, net of the candidate's or political party's/party list's campaign expenditures, shall be considered as subject to income tax and as such, must be included in their/his taxable income as stated in their/his Income Tax Return (ITR) pursuant to RR No. 7-2011, to wit:

1. Individual Candidates

   a. In case of those registered as professional or those previously registered as self-employed individual who branched-out for the purpose of election period following the guidelines above, unutilized/excess campaign funds shall be declared for the quarter ending June 30 using BIR Form No. 1701Q and shall be filed on or before August 15 of the taxable year.

   b. In case of a candidate who is purely compensation income earner within the taxable year, he/she shall file BIR Form No. 1700 to include such unutilized/excess funds on or before April 15 of the following taxable year.

   c. In case of a candidate who is neither a self-employed nor a compensation income earner as of the date of election, he/she shall declare such unutilized/excess campaign funds by filing a short-period return for the period-covering January 1 up to the date of election (2nd Monday of May) using BIR Form No. 1700 on or before August 15 of the taxable year.

2. Political Parties/Party list Groups

   The unutilized/excess campaign funds shall be reported in the manner by which domestic corporations are required to file their returns and pay taxes.

It should be noted that no further deduction, either itemized or optional, shall be made against the said taxable income. Further, any candidate or political party/party list group, whether winning or losing, who fails to file with COMELEC the Statement of Contributions and Expenditures required under Omnibus Election Code shall be automatically precluded from claiming such expenditures as deductions from the campaign contributions making the entire amount directly subject to income tax.

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[1] 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. To make reasonable donations, including those for the public welfare or for hospital, charitable, cultural, scientific, civic, or similar purposes: 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;"

VIII. PRESERVATION OF ACCOUNTING RECORDS

All political parties/party list groups and candidates shall be responsible for the preservation of records and contributions and expenditures, together with all pertinent documents, for a period of at least three (3) years from the close of the taxable year during which the election was held.

IX. PENALTIES

All candidates, political parties and party list groups who failed to register and comply with the requirements of the BIR will be subjected to penalties under the Revised Consolidated Schedule of Compromise Penalties for Violations of the National Internal Revenue Code (NIRC) of 1997, as amended (RMO No. 7-2015).

All internal revenue officers and employees are hereby enjoined to give this Circular a wide publicity as possible.

(Original Signed)
CAESAR R. DULAY
Commissioner of Internal Revenue

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