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

June 08, 2018

REVENUE MEMORANDUM CIRCULAR NO. 51-2018

SUBJECT : **Amending Revenue Memorandum Circular No. 69-2017 re: Registration and Compliance Requirements of Individuals under a Job Order or Service Contract Agreement with the Departments and Agencies of the Government, Instrumentalities, Local Government Units (LGUs), State Colleges and Universities, including Government-Owned and/or –Controlled Corporations (GOCCs) and Government Financial Institutions (GFIs)**

TO : All Internal Revenue Officials, Employees and Others Concerned

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In line with Republic Act No. 10963, otherwise known as "Tax Reform for Acceleration and Inclusion (TRAIN) Act", as implemented by Revenue Regulations (RR) No. 8 – 2018 and RR No. 11-2018, this Circular is being issued to amend Revenue Memorandum Circular No. 69 - 2017 dated August 17, 2017 re: registration and tax compliance requirements of individuals under a Job Order or Service Contract Agreement with the Departments and Agencies of the Government, Instrumentalities, LGUs, State Colleges and Universities, including GOCCs and GFIs.

The following terms shall be defined as follows:

1. **Professional** - refers to those individuals enumerated under Section 2.57.2 (A)(1) of Revenue Regulations (RR) No. 2-98, as amended and as defined under Section 2 (n) of RR No. 8-2018.
2. **Other Service Providers or Supplier of Services** - shall refer to those individuals who are not identified under Section 2.57.2 (A)(1) of RR No. 2-98 and who render services or labor-only for a fee or under a contract for service.

The following registration and compliance requirements are applicable only to individuals under a Job Order or Service Contract Agreement with the Departments and Agencies of the Government, Instrumentalities, LGUs, State Colleges and Universities, including GOCCs and GFIs. Otherwise, policies pursuant to Revenue Regulations No. 11-2018 shall be applicable:

A. Professionals and Other Supplier of Services Hired under a Contract for Service or Job Order deriving gross receipts <u>of P250,000 and below</u> in any 12-month period from a LONE PAYOR and with no other source of income

Registration Requirements

1. Registration with the Bureau using BIR Form No. 1901 for Taxpayer Identification Number (TIN) issuance with taxpayer type of 'Professional' or 'Professional – In General' with the following documentary requirements:
   a. Copy of service contract showing the amount of income payment;
   b. Any identification issued by an authorized government body (e.g. Birth Certificate, passport, driver's license, Community Tax Certificate, etc.) that shows the name, address and birthdate of the applicant; and

   The Registration Officer shall add the words " - Job Order" in the business name field, e.g. "Juan Dela Cruz – Job Order".

2. **Payment of Annual Registration Fee (ARF)**;

3. Tax Type: Income Tax; Percentage Tax; Registration Fee (RF);

4. Exemption from the issuance of Certificate of Registration (COR);

Bookkeeping and Invoicing Requirements

5. Exemption from compliance with the issuance of registered receipts/invoices;

6. Exemption from the requirement of maintenance of Books of Accounts;

Tax Compliance Requirements

7. Filing of Annual Income Tax Return (BIR Form No. 1701);

8. Exemption from filing of Quarterly Income Tax Return (BIR Form No. 1701Q);

9. Not subject to creditable withholding tax rates; and

10. Filing and payment of Percentage Tax using Quarterly Percentage Tax Return (BIR Form No. 2551Q):
    a. **If opted to avail of the Graduated Income Tax Rates under Section 24(A)(2)(a) of the Tax Code, as amended - Subject to withholding of three percent (3%) percentage tax under Section 5.116(A)(1) of Revenue Regulations (RR) No. 2-98, as amended;**

    b. **Exempted from filing and payment of percentage tax and/or withholding of percentage tax if qualified and opted to avail of the 8% income tax rate and submits an Income Payee's Sworn Declaration of his/her gross receipts/sales (Annex "A1") to the lone income payor/withholding agent, <u>together with a copy of duly received BIR Form No. 1901 or copy of BIR Form No. 0605 - Annual Registration Fee payment, in lieu of the COR (not required to attach COR)</u>.**

Availment of the Eight Percent (8%) Income Tax Rate Option

Professionals and Other Supplier of Services hired under a Contract for Service or Job Order deriving gross receipts <u>of P250,000 and below</u> in any 12-month period from lone payor and with no other source of income, shall signify the intention to elect the 8% income tax rate in filing of BIR Form No. 1905 (Application for Registration Information Update) or filing of 1st Quarterly Percentage Tax Return.

B. Professionals and Other Supplier of Services Hired under a Contract for Service or Job Order deriving gross receipts <u>ABOVE P250,000 and NOT EXCEEDING P3,000,000</u> in any 12-month period from LONE PAYOR and with no other source of income

Registration Requirements

1. Registration with the Bureau using BIR Form No. 1901 for issuance of TIN **<u>and Certificate of Registration (COR)</u>** specifying a taxpayer type of 'Professional' or 'Professional – In General' with the following documentary requirements:
    a. Copy of service contract showing the amount of income payment;
    b. Any identification issued by an authorized government body (e.g. Birth Certificate, passport, driver's license, Community Tax Certificate, etc.) that shows the name, address and birthdate of the applicant; and

    The Registration Officer shall add the words "- Job Order" in the business name field, e.g. "Juan Dela Cruz – Job Order".

2. Payment of Annual Registration Fee (RF);

3. Tax Types: RF, Income Tax (IT – 1701), VAT or Percentage Tax
    a. For VAT taxpayers:
    - **End date the <u>Form Type 2550M/2550Q</u> if taxpayer will avail of substituted VAT return.**

b. For Non-VAT Taxpayer

- **End date the Form Type 2551Q if taxpayer will avail of substituted percentage tax return or the eight percent (8%) income tax rate.**

Bookkeeping and Invoicing Requirements

4. Approval of Authority to Print (ATP) for the issuance of registered principal receipts/invoices (*except if qualified under the substituted receipts*[1]);

5. Registration and maintenance of Books of Accounts;

Tax Compliance Requirements

6. Filing and Payment of Annual Income Tax Return using BIR Form No. 1701;

7. **Filing and payment** of Quarterly Income Tax Return (BIR Form No. 1701Q);

8. Attaching Financial Statements to the filed Income Tax Return, if applicable, **except, if qualified and availed of the option to be taxed at 8% income tax rate**;

9. Subject to creditable withholding tax rates of:
   a. For Professional –
      Five percent (5%) - if the payee submits an Income Payee's Sworn Declaration of his/her gross receipts/sales to the lone income payor/withholding agent with a copy of COR;
      Ten percent (10%) - if the payee failed to provide the lone income payor/withholding agent of Income Payee's Sworn Declaration of his/her gross receipts/sales; or if the payee is VAT-registered regardless of amount of gross receipts/sales;

   b. For Other Supplier of Services–
      Two percent (2%) expanded withholding tax **- if the payee submits an Income Payee's Sworn Declaration of his/her gross receipts/sales to the lone income payor/withholding agent with a copy of COR;**
      Ten percent (10%) - if the payee failed to provide the lone income payor/withholding agent of Income Payee's Sworn Declaration of his/her gross receipts/sales; or if the payee is VAT-registered regardless of amount of gross receipts/sales;

10. Subject to withholding of Percentage Tax or VAT
    - The government agency – payor is required to withhold:
      a. three percent (3%) percentage tax under Section 5.116(A)(1) of RR No. 2-98, as amended; or five percent (5%) final VAT withholding rate under Section 4.114-2 of RR No. 16-2005, as amended; or
      b. twelve percent (12%) VAT under Section 9.245(A) of RR No. 2-98, as amended, if the payee will avail of the substituted filing of VAT return under RR No. 14-2003;
      c. **no withholding of Percentage Tax if the payee is qualified and availed of the option to be taxed at 8% income tax rate;**

11. Filing and Payment of quarterly VAT, **except if the payee availed of the substituted VAT return;** or Percentage Tax Returns, **except if qualified and availed of the option to be taxed at 8% income tax rate, or availed of the substituted percentage tax return**.

Substituted Percentage Tax/VAT Return and Substituted Official Receipt (for those who are under the graduated income tax rate and are therefore subject to business tax)

Professionals and Other Supplier of Services Hired under Contract for Services or Job Order who are receiving income **and opted to be taxed at Graduated Income Tax Rates under Section 24(A)(2)(a) of the Tax Code, as amended, based on the net taxable income, and** with only one payor for the calendar year, may opt to avail of the substituted filing of Percentage/VAT return instead of filing quarterly returns (**with duly end-dated form types**); and substituted issuance of official receipts:

[1] See Section B(13) of this circular.

12. **Substituted Percentage Tax/VAT Return**

Pursuant to Revenue Regulations No. 14-2003, Taxpayer-payee hired under contract of services or job order with only one payor may opt to remit his percentage tax/VAT through the withholding and remittance of the same by the withholding agent-payor which option is manifested by filing the "**Waiver of the Privilege to Claim Input Tax Credits**" (***Annex D***) (for VAT taxpayer only), "**Notice of Availment on the Option to Pay the Tax through the Withholding Process**" (***Annex F***) and "**Notice of Availment on the Substituted Filing of Percentage Tax/VAT Return**" (***Annex B/C***), which waiver and notice are copy-furnished the withholding agent-payor and the Revenue District Offices of both the payor and payee. The lone payor, upon receipt of the notice, shall mandatorily withhold the 3% percentage tax or applicable VAT rate on income payment to the payee and shall remit the same to the appropriate collection agents of the Bureau.

The Taxpayer-payee whose gross receipts have already been subjected to the withholding of 3% percentage tax or 12% VAT by the lone payor, shall no longer be required to file the **quarterly** percentage tax return (BIR Form No. **2551Q**) or the monthly VAT declarations (BIR Form No. 2550M) and quarterly VAT returns (BIR Form No. 2550Q). The *BIR Form No. 1600* duly filed by the payor serves as the *substituted percentage tax/VAT return* of the payee with lone payor provided that BIR Form No. 2306 (Certificate of Final Tax Withheld at Source) duly executed and signed by both the payor and the payee is attached to the filed BIR Form No. 1600. The duly filed or stamped "Received" BIR Form 2306 shall serve the same purpose as the percentage tax/VAT return (BIR Form **2551Q**//2550M/2550Q) of the payee.

If the taxpayer-payee shall have additional clients or customers within the taxable year, the taxpayer-payee shall immediately file the "**Notice of Cancellation on the Availment of the Substituted filing of Returns**" (***Annex E***).

13. **Substituted Official Receipt**

Taxpayer/Professional (seller of service) hired under contract of services or job order, whose gross receipts have been subjected to the withholding of 3% percentage tax or applicable final VAT rate, shall be exempted from the obligation of issuing duly registered principal receipt for payments of services rendered. In lieu thereof, the issued BIR Form No. 2306 (*Certificate of Final Tax Withheld at Source*) for the payee with just one payor shall be constituted and treated as the *substituted official receipt* pursuant to the provisions of Section 237 of NIRC, as amended.

In case of layoff during a taxable year, Professional and Other Supplier of Services hired under the Contract of Services or Job Order shall duly inform his home RDO by updating his registration information using BIR Form No. 1905 and immediately file the "**Notice of Cancellation on the Availment of the Substituted filing of Returns**" (***Annex E***) within ten (10) calendar days from the effectivity of separation from service. Existing policies and procedures in the closure of business shall be followed if the taxpayer shall not be engaged in business activities or practice of his profession, to facilitate the end-dating of applicable tax types/form types.

Availment of the Eight Percent (8%) Income Tax Rate Option

Professionals and Other Supplier of Services hired under a Contract for Service or Job Order, deriving gross receipts above P250,000 and not exceedingP3,000,000 in any 12-month period from lone payor and with no other source of income, shall signify the intention to elect the 8% income tax rate in the filing of any of the following:

a. **BIR Form No. 1905 (Application for Registration Information Update) and 1st Quarterly Income Tax Return; or**
b. **1st Quarterly Percentage Tax Return and 1st Quarterly Income Tax Return; or**
c. **1st Quarterly Income Tax Return only.**

C. Professionals and Other Supplier of Services Hired under a Contract for Service or Job Order deriving gross receipts <u>ABOVE P3,000,000</u> in any 12-month period from LONE PAYOR and with no other source of income

Registration Requirements

1. Registration with the Bureau using BIR Form No. 1901 for issuance of TIN **<u>and Certificate of Registration (COR)</u>** specifying a taxpayer type of 'Professional' or 'Professional – In General' with the following documentary requirements:
   a. Copy of service contract showing the amount of income payment;

   b. Any identification issued by an authorized government body (e.g. Birth Certificate, passport, driver's license, Community Tax Certificate) that shows the name, address and birthdate of the applicant; and

   The Registration Officer shall add the words "- Job Order" in business name field, e.g. "Juan Dela Cruz – Job Order".

2. Payment of Annual Registration Fee (RF);

3. Tax Types: RF, Income Tax (IT – 1701), VAT (end date the **<u>Form Type 2550M/2550Q</u>** if taxpayer will avail of substituted VAT return);

Bookkeeping and Invoicing Requirements

4. Approval of Authority to Print (ATP) for the issuance of registered principal receipts/invoices (*except if qualified under the substituted receipts*[2]);

5. Registration and maintenance of Books of Accounts;

Tax Compliance Requirements

6. **<u>Filing and payment</u>** of Quarterly Income Tax Return (BIR Form No. 1701Q);

7. Filing and Payment of Annual Income Tax Return using BIR Form No. 1701;

8. Attaching Audited Financial Statements to the filed Income Tax Return;

9. Subject to creditable withholding tax rates of **<u>Ten percent (10%);</u>**

10. Subject to withholding of VAT
    - The government agency – payor is required to withhold:
      a. five percent (5%) final VAT withholding rate under Section 4.114-2 of RR No. 16-2005, as amended; or
      b. twelve percent (12%) VAT under Section 9.245(A) of RR No. 2-98, as amended, if the payee will avail of the substituted filing of VAT return under RR No. 14-2003; and

11. Filing and Payment of quarterly VAT, **<u>except if the payee availed the substituted VAT return</u>**.

D. <u>Professionals and Other Supplier of Services Hired under Contract for Services or Job Order with MULTIPLE PAYOR and/or other source of income</u>

Registration Requirements

1. Registration with the Bureau using BIR Form No. 1901 for the issuance of TIN and Certificate of Registration (COR) specifying a taxpayer type of 'Professional' or 'Professional – In General' with the following documentary requirements:
   a. Checklist of requirements under Annex A1 of RMC No. 30-2018;
   b. Additional requirement: Copy of service contract showing the amount of income payment;

2. Payment of Annual Registration Fee (ARF);

3. Tax Types: RF, Income Tax (IT – 1701/1701Q), VAT or Percentage Tax,

[2] See Section B(13) of this circular.

Bookkeeping and Invoicing Requirements

4. Registration and maintenance of Books of Accounts;

5. Approval of Authority to Print (ATP) for the issuance of registered principal receipts/invoices;

Tax Compliance Requirements

6. Filing and payment of Quarterly Income Tax Return (BIR Form No. 1701Q) and Annual Income Tax Return (BIR Form No. 1701);

7. Attaching Financial Statements (FS) to the filed Income Tax Return, if applicable, except if qualified and availed of the option to be taxed at 8% income tax rate or Audited FS, if the gross sales/receipts and other non-operating income of more than the VAT threshold;

8. Subject to creditable withholding tax rates of:
   a. For Professional –
      Five percent (5%) - if the payee's gross income shall not exceed P3,000,000 and submits an Income Payee's Sworn Declaration of his/her gross receipts/sales (Annex "A2") to the income payor/withholding agent with a copy of COR;
      Ten percent (10%) - if the payee's gross income shall exceed P3,000,000 or VAT-registered regardless of the amount; or if the payee failed to provide the income payor/withholding agent of Income Payee's Sworn Declaration of his/her gross receipts/sales;

   b. For Other Supplier of Services–
      Two percent (2%) expanded withholding tax **- if the payee's submits an Income Payee's Sworn Declaration of his/her gross receipts/sales (Annex "A2") to the income payor/withholding agent with a copy of COR;**
      Ten percent (10%) - if the payee's gross income shall exceed P3,000,000 or VAT-registered regardless of the amount;

9. Subject to creditable withholding of Percentage Tax or VAT;
   - The government agency – payor is required to withhold three percent (3%) percentage tax under Section 5.116(A)(1) of Revenue Regulations (RR) No. 2-98, as amended, **except if the payee is qualified and availed the option to be taxed at 8% income tax rate**; or five percent (5%) final VAT withholding rate under Section 4.114-2 of RR No. 16-2005, as amended;

10. Filing and Payment of the quarterly VAT; or Percentage Tax Returns, except if qualified and availed of the option to be taxed at 8% income tax rate;

11. Quarterly submission of the Summary List of Sales and Summary List of Domestic Purchases for VAT taxpayers.

Availment of the Eight Percent (8%) Income Tax Rate Option

Professionals and Other Supplier of Services hired under a Contract for Service or Job Order deriving gross receipts above P250,000 and not exceeding P3,000,000 in any 12-month period with multiple payors and/or other source of income shall signify the intention to elect the 8% income tax rate in the filing of any of the following:

a. BIR Form No. 1905 (Application for Registration Information Update) and 1st Quarterly Income Tax Return; or
b. 1st Quarterly Percentage Tax Return and 1st Quarterly Income Tax Return; or
c. 1st Quarterly Income Tax Return only.

E. Summary

Table below clearly described the details on the registration, filing and payment requirements for each type of taxpayers previously defined.

Individuals under a Job Order or Service Contract Agreement with the Departments and Agencies of the Government Instrumentalities, LGUs, State Colleges and Universities, including the GOCCs and GFI	Registration Fee (RF) /Annual RF	COR	Percentage / VAT	Bookkeeping	Invoicing	1701 ITR	1701Q	2551Q/2550M/ 2550Q	Expanded Withholding Tax		Business Tax	
									Gross Income < 3,000,000	Gross Income > 3,000,000	Percentage Tax	VAT
Professionals and Other Supplier of Services deriving gross receipts of P250,000 and below in any 12-month period from ***lone payor***	✓	x	✓*	x	x	✓	x	✓	x	x	3%	x
Other Supplier of Services deriving gross receipts above P250,000 in any 12-month from ***lone payor***	✓	✓	✓*	✓	✓*	✓	✓	✓*	2% or 10%**	10%	3%	5% or 12%
Professionals deriving gross receipts above P250,000 in any 12-month period from ***lone payor***	✓	✓	✓*	✓	✓*	✓	✓	✓*	5% or 10%**	10%	3%	5% or 12%
Other Supplier of Services receiving income from ***multiple payor*** and/or other source of income	✓	✓	✓	✓	✓	✓	✓	✓	2% or 10%**	10%	3%	5%
Professionals receiving income from ***multiple payor*** and/or other source of income	✓	✓	✓	✓	✓	✓	✓	✓	5% or 10%**	10%	3%	5%

*May avail of the substituted filing on Percentage Tax/VAT return and substituted official receipts.

**10% creditable withholding tax rate shall be withheld, if the payee failed to submits sworn declaration; or if the payee is VAT-registered regardless of amount of gross receipts/sales.

Note: No creditable withholding of percentage tax, and the taxpayer is also not required to file quarterly percentage tax return if he opted to avail of the 8% income tax rate.

All other issuances inconsistent herewith are hereby repealed or modified accordingly. 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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