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REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

August 17, 2017

REVENUE MEMORANDUM CIRCULAR NO. 69-2017

SUBJECT : **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 the 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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This Circular is being issued to supplement Revenue Memorandum Circular No. 130-2016 dated December 08, 2016 and clarify the 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 the GOCCs and GFIs.

The following terms shall be defined as follows:

1. **Professional** - can either be Licensed Professional or Non-Licensed Professional.
2. **Licensed Professional** - refers to those individuals engaged in the practice of professions or callings, who render services for a fee, such as those enumerated under Section 2.57.2 (A)(1) of Revenue Regulations (RR) No. 2-98, as amended.
3. **Non-Licensed Professional** - otherwise known as Non-Professional, shall refer to those individuals who are not identified under Section 2.57.2 (A)(1) of RR No. 2-98 and who are not registered with and regulated by the Professional Regulations Commission, Supreme Court, Integrated Bar of the Philippines, etc., who render services or labor-only for a fee or under a contract of 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 the GOCCs and GFI:

A. Professionals (Licensed/Non-Licensed) Hired under a Contract for Service or Job Order deriving gross receipts of P100,000 and below in any 12-month period (Marginal Income Earner) and/or amount EQUIVALENT to Statutory Minimum Wage rates fixed by Department of Labor and Employment (DOLE) – Regional Tripartite Wage and Productivity Board (RTWPB)/National Wages and Productivity Commission (NWPC) from LONE PAYOR 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) that shows the name, address and birthdate of the applicant;

   The Registration Officer shall add the words " - Job Order" in business name field, e.g. "Juan Dela Cruz – Job Order".
2. Exemption from the payment of Annual Registration Fee (ARF);
3. Tax Type: Income Tax;
4. Exemption from the issuance of Certificate of Registration (COR);

Bookkeeping and Invoicing Requirements

4. Exemption from compliance with the issuance of registered receipts/invoices;
5. Exemption from the requirement of maintenance of Books of Accounts;

Tax Compliance Requirements

6. Filing of Annual Income Tax Return (BIR Form No. 1701) and payment, if applicable;
7. Exemption from filing of Quarterly Income Tax Return (BIR Form No. 1701Q);
8. Not subject to creditable withholding tax rates; and
9. Exemption from payment of business taxes (i.e. VAT or any Percentage Tax).

B. ***Professionals (Licensed/Non-Licensed) Hired under a Contract for Service or Job Order deriving gross receipts ABOVE P100,000 in any 12-month period and/or Statutory Minimum Wage rates fixed by DOLE - RTWPB/NWPC from LONE PAYOR with no other source of income***

Registration Requirements

1. Registration with the Bureau using BIR Form No. 1901 for issuance of TIN 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;

   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 or Percentage Tax (*end-dated if the taxpayer will avail of substituted percentage tax/VAT return*);
4. Exemption from the issuance of COR;

Bookkeeping and Invoicing Requirements

5. Approval of Authority to Print (ATP) for the issuance of registered principal receipts/invoices (*except if qualified under the substituted receipts*[1]);
6. Registration and maintenance of Books of Accounts (*except if qualified under the substituted receipts*);

Tax Compliance Requirements

7. Filing and Payment of Annual Income Tax Return using BIR Form No. 1701;
8. Exemption from filing of Quarterly Income Tax Return (BIR Form No. 1701Q), thus the Registration Officer shall end-date the 1701Q Form Type;
9. Exemption from attaching Financial Statements or Account Information Form to the filed Income Tax Return;
10. Subject to creditable withholding tax rates of ten percent (10%)/fifteen percent (15%) for licensed professionals, whichever is applicable or two percent (2%) expanded withholding tax, for non-licensed professionals under Revenue Regulations (RR) No. 2-98, as amended ;
11. Subject to 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 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 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/or
12. Filing and Payment of monthly and quarterly VAT or monthly Percentage Tax Returns.

Substituted Percentage Tax/VAT Return and Substituted Official Receipt

Professionals ***(Licensed/Non-Licensed)*** Hired under Contract for Services or Job Order who are receiving income above the Statutory Minimum Wage rates per region/area of DOLE - NWPC, **with only one payor for the calendar year, may opt to avail of** the substituted filing of Percentage/VAT return instead of filing monthly and quarterly returns (No tax types of Percentage Tax or VAT); and substituted issuance of official receipts:

[1] See Section B(14) of this circular.

13. **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 C***) (for VAT taxpayer only), "**Notice of Availment on the Option to Pay the Tax through the Withholding Process**" (***Annex E***) and "**Notice of Availment on the Substituted Filing of Percentage Tax/VAT Return**" (***Annex A/B***), 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 monthly percentage tax return (BIR Form No. 2551M) 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 2551M//2550M/2550Q) of the payee.

If within the taxable year, an additional client or customer comes in, the taxpayer-payee shall immediately file the "**Notice of Cancellation on the Availment of the Substituted filing of Returns**" (***Annex D***).

14. **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 (Licensed/Non-Licensed) 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 D***) 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.

C. ***Professionals (Licensed/Non-Licensed) Hired under Contract for Services or Job Order with MULTIPLE PAYOR and/or other source of income***

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 – Licensed' with the following documentary requirements:
   a. Checklist of requirements under Annex A1 of RMC No. 137-2016;
   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.

Bookkeeping and Invoicing Requirements

4. Registration and maintenance of Books of Accounts;
5. Approval of Authority to Print;
6. Issuance of registered principal receipts/invoices;

Tax Compliance Requirements

7. Filing and Payment of Quarterly Income Tax Return (BIR Form No. 1701Q) and Annual Income Tax Return (BIR Form No. 1701);
8. Subject to creditable withholding tax rates of 10% or 15% for licensed professionals, whichever is applicable or two percent (2%) expanded withholding tax, for non-licensed professionals under RR No. 2-98, as amended ;
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; or five percent (5%) final VAT withholding rate under Section 4.114-2 of RR No. 16-2005, as amended; and/or
10. Filing and Payment of the monthly and quarterly VAT or monthly Percentage Tax Returns;
11. Quarterly submission of the Summary List of Sales and Summary List of Domestic Purchases for VAT taxpayers.

D. 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	Percentage / VAT	Bookkeeping	Invoicing	1701 ITR	1701Q	2551M/ 2550M/ 2550Q	Expanded Withholding Tax		Business Tax	
								Gross Income < 720,000	Gross Income > 720,000	Percentage Tax	VAT
Professionals deriving gross receipts of P100,000 and below in any 12-month period and/or SMW rates from lone payor	X	X	X	X	✓	X	X	X	X	X	X
Non-Licensed Professionals deriving gross receipts above P100,000 in any 12-month period and/or SMW rates from lone payor	✓	✓*	✓*	✓*	✓	X	✓*	2%	2%	3%	5% or 12%
Licensed Professionals deriving gross receipts above P100,000 in any 12-month period and/or SMW rates from lone payor	✓	✓*	✓*	✓*	✓	X	✓*	10%	15%	3%	5% or 12%
Professionals receiving income from multiple payor and/or other source of income	✓	✓	✓	✓	✓	✓	✓	10%	15%	3%	5%

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

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.

CAESAR R. DULAY
Commissioner of Internal Revenue

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