REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS

Quezon City

March 19, 2007

REVENUE MEMORANDUM ORDER NO. 2-2007

SUBJECT: Updated Policies and Procedures for Processing and Monitoring of Withholding Tax Payments from National Government Agencies.

TO : All Revenue Officials and Employees and Others Concerned.

I. BACKGROUND

Under DOF-DBM-COA Joint Circular No. 1-2000, as amended by Joint Circular No. 1-2000A dated July 31, 2001, the collection of withholding taxes from National Government Agencies (NGAs) must be made through Tax Remittance Advice (TRA). Thus, the concerned Revenue District Offices (RDOs), upon their receipt of withholding tax returns (WTRs) with TRAs filed by NGAs, must immediately transmit the same to the Bureau of Treasury – Regional Office (BTr-RO) for individual stamping before the RDOs can report the same as collection. Thereafter, the separate reports by the concerned offices of the Bureau of Internal Revenue (BIR) and BTr are reconciled by their respective Head Offices. This entails a tedious process of reconciliation of collection data per report of the BIR vis-à-vis the report of the BTr, and more often than not, discrepancies arise therefrom. In addition, the distance between the concerned RDOs and the BTr-RO contributes to the delays on the process. Hence, it is necessary to provide for the enhanced procedures in the handling of withholding tax payments from NGAs.

II. OBJECTIVES

This Order is issued to:

A. Simplify and enhance the existing policies and procedures for monitoring the collection of withholding tax payments through TRA from the NGAs;

B. Establish procedures that would facilitate the reconciliation of collection data between the BIR and the BTr, by mandating the use of data from one source, using common report/s, encoding the basic details only in the RDOs, and pre-numbering of reports;

C. Establish proper controls in the remittance of withholding tax payments through TRAs as a mode of payment, by monitoring the serially numbered TRAs;

D. Discontinue the requirement pertaining to the preparation of the Summary Listing of TRAs by the Finance Division (FD); and

E. Require the submission of reports on a weekly basis at the nearest BTr Provincial Offices (POs)/Regional Offices (ROs) for RDOs in Metro Manila or BTr-Provincial Offices (POs) for RDOs outside Metro Manila, to facilitate the timely monitoring of withholding tax payments by NGAs.

III. POLICIES

A. The General Services Division (GSD) shall be responsible for the printing of blank TRA forms.

B. The Withholding Tax Division (WTD) shall be responsible for the issuance of blank TRA forms to the Administrative Division (AD) of each Revenue Region (RR) for distribution to the RDOs under their jurisdiction, and shall strictly monitor the usage of the said TRA forms.

C. The concerned RDOs having jurisdiction over the NGAs shall be responsible for the issuance/distribution of TRA forms to the NGAs. They shall issue blank TRAs to NGAs under their respective jurisdictions and must ensure that all NGAs are registered with the BIR and are strictly complying with the rules and regulations on withholding taxes.

D. The NGAs shall requisition blank TRA forms from the concerned RDOs where they are registered. The NGAs shall prepare separate TRAs for each WTR that they will be filing.

E. Only WTRs from NGAs duly supported by TRAs with Weekly Compliance and Alphalist of NGAs (Annex "E") serially numbered shall be accepted by the RDOs.

F. All amounts reflected in the TRAs duly stamped "Received" by the BTr-PO/RO shall be taken up as collections by the FD. The FD shall record tax collections based on such TRAs duly stamped "Received" by the BTr (PO/RO) with Weekly Compliance and Alphalist of NGAs (Annex "E") serially numbered.

G. All WTRs filed by the NGAs shall still be subject to the regular verification and audit.

IV. DEFINITION OF TERMS

For purposes of this Order, the terms below shall be construed to mean as follows:

A. **Tax Remittance Advice** – a serially numbered document to be distributed by the BIR to NGAs, the sample format of which is shown in Annex "A" hereof. It shall be accomplished by the NGAs and attached to every WTR filed for payment of taxes withheld, duly certified by the Chief Accountant and approved by the Head of the concerned NGA or his duly authorized representative. This shall be the basis for the BIR and BTr to record the collection in their respective books of accounts.

B. **Report on Tax Remittance Advice Used/Cancelled/Lost** – a report prepared by the NGAs as an attachment to Requisition and Issue Voucher (RIV) for their subsequent requisition of blank TRAs from the concerned RDOs.

C. **Withholding Tax Returns** – are tax returns required to be filed within a prescribed period, containing among others, information on the amount of taxes withheld and due to be remitted by the tax filer-payor of income (i.e., 1601-C, 1601-E, 1601-F, 1600 and 1603).

V. PROCEDURES

A. THE REVENUE DISTRICT OFFICE thru:

A.1 The Administrative Section shall:

a. Request from AD the initial blank TRA forms based on the number of NGAs registered within their jurisdiction; however, for the subsequent requisition, the following documents shall be attached to the RIV:

1. Report on Tax Remittance Advice Used/Cancelled/Lost received from NGAs using the format in Annex "C" hereof, copy furnish the WTD;

2. Summary of Blank TRAs Issued to NGAs submitted in hard and soft (i.e., CD or diskette) copies indicating therein the required details in Annex "B" hereof, based on the Report on Tax Remittance Advice Used / Cancelled / Lost received from NGAs. The three (3) copies of the TRA forms shall be used as follows:

Original - AD's copy
Duplicate - WTD's copy
Triplicate - RDO's file copy

3. Copy of RIV by NGAs;

b. Upon receipt of blank TRA forms from AD, indicate therein the RDO number for the proper venue in the filing of NGAs' WTRs with the corresponding TRAs;

c. Provide BTr-PO/RO with the listing of the serial numbers of all blank TRA forms received before their issuance to NGAs;

d. Provide BTr, FD, Revenue Accounting Division (RAD) and WTD with the lists of the serial numbers of the blank TRA forms issued to NGAs within ten (10) days following the date of issuance to the NGAs; and

e. Maintain a log book of blank TRA forms with the following column headings: (i) the serial number, (ii) name of the NGAs to which the TRAs were issued.

A.2 Collection Section

A.2.1 For Computerized RDO

A.2.1.a. The Receipt and Control Unit shall:

1. Receive from the WTD the list of BTr-PO/RO where the RDOs shall transmit the original TRAs received from NGAs in accordance with the details indicated in Annex "D" hereof;

2. Receive from the NGAs the WTRs with TRAs;

3. Batch the WTRs with TRAs in 50s;

4. Prepare BCS-A in triplicate copies exclusively for the TRAs received from NGAs under the system according to date of receipt thereof, and indicating the RCO Code of the Collection Section of the concerned RDO;

5. Forward the triplicate copies of BCS-As to the AD;

6. Write the TRA number on the validation portion of each of the WTR;

7. Prepare the Weekly Compliance and Alphalist of NGAs (Annex "E") in hard (5 copies) and soft copy (CD or diskette in excel format), summarizing the TRAs received by listing the same chronologically by date of receipt by the RDO to ensure that the amounts posted therein match with the serially numbered TRAs. The reports shall be numbered, as follows:

first 2 digits	- RR number
next three digits	- RDO Code
next 4 digits	- Year (year the TRA was stamped "Received" by BTr)
next 3 digits	- serial number

Example: 01-003-2005-001
rr - rdo - year - serial #

The hard copies shall be distributed as follows:

Original	- BTr
Duplicate	- RDO
Triplicate	- FD
Quadruplicate	- RAD
Quintuplicate	- WTD

8. Transmit to the BTr-PO/RO the Weekly Compliance and Alphalist of NGAs (Annex "E", in hard and soft copies [CD or diskette]) with the original of the TRAs and have the duplicate and triplicate copies thereof duly stamped "Received" by the BTr on designated BTr box indicating therein the time and date of receipt, which should not be later than Monday following the week of receipt;

9. Transmit to FD the Weekly Compliance and Alphalist of NGAs (Annex "E"), together with the duplicate copies of the TRAs duly stamped "Received" by BTr-PO/RO after posting therein the date of receipt by the BTr (hard copy and diskette). The RDO file copy of the Weekly Compliance and Alphalist of NGAs (Annex "E"), together with the triplicate copies of the TRA, must show the stamped "Received" by both the BTr and FD;

10. Post the date of receipt by BTr, the date of receipt by FD and total amount of withholding tax remitted on the Weekly Compliance and Alphalist of NGAs (Annex "E", soft copy); and

11. After posting in the soft copy the date of receipt by BTr and date of receipt by FD, submit the Weekly Compliance and

Alphalist of NGAs [Annex "E"], in soft copy (diskette)/thru email, every Tuesday following the week of receipt thereof to the following offices:

RAD	- email (rad.tra@bir.gov.ph)
WTD	- email (wtd.tra@bir.gov.ph)

12. Forward Weekly Compliance and Alphalist of NGAs (Annex "E"), WTRs, triplicate copies of TRAs and BCS-As to CBR Pre-Processing Data Controller.

A.2.1.b. The CBR Pre-Processing Data Controller shall:

1. Receive the Weekly Compliance and Alphalist of NGAs (Annex "E"), unsegregated original and duplicate WTRs, TRAs duly received by BTr and the corresponding BCS-A from the Receipt and Control Unit;

2. Indicate the BCS number in the upper right hand corner of each of the WTRs;

3. Post the corresponding TRA Number, amount and date issued into the RDO Masterlist of NGAs. Send reminder letters to those who have failed to file their returns every 10th day of the following month;

4. Reconcile the total amount shown in the Weekly Compliance and Alphalist of NGAs (Annex "E") against the details indicated in the TRAs, and the amounts indicated in each WTR;

5. Reconcile the TRAs used on the basis of their serial numbers, with the serial numbers of the blank TRA forms issued to NGA, and detach TRA from WTR;

6. File in chronological numerical order the TRAs duly received by BTr-PO/RO for each month;

7. Provide the Assessment Section with information with respect to those NGAs which were late in filing or which failed to file their WTRs or any identified discrepancies, for the preparation of letter/ Preliminary Assessment Notice (PAN)/ issuance of Letter of Authority/ Tax Verification Notice, whichever is appropriate; and

8. Forward the duplicate WTRs and the corresponding BCS-A to CBR Data Verifier.

A.2.1.c. The CBR Data Verifier shall:

1. Receive the unsegregated original and duplicate WTRs and the corresponding BCS-A from the CBR Pre-Processing Data Controller;

2. Encode payment information using the ADD function of ITS-CBR. Forward the Payment Data Entry System (PDES) through File Transfer Protocol (FTP) or diskettes to the Revenue Data Center (RDC) for uploading into the ITS;

3. Report the amount of collection through TRAs in the Monthly Collection Report (BIR Form 1209) and Monthly Report of Registered Withholding Agents and Withholding Tax Collection (BIR Form W-7); and

4. Forward the BCS-As and WTRs to Document Processing Section (DPS).

A.2.2 For Non - Computerized RDOs

1. Receive from the NGAs the WTRs with TRAs;

2. Batch the WTRs and TRAs in 50s or less;

3. Prepare in triplicate, the BCS-A exclusively for the TRAs received from NGAs under the new system according to date of receipt thereof;

4. Forward triplicate BCS-A to the AD;

5. Write the TRA number on the validation portion of each of the WTRs;

6. Prepare the Weekly Compliance and Alphalist of NGAs (Annex "E") in hard (5 copies) and soft copy (CD or diskette in excel format), summarizing the TRAs received by listing the same chronologically by date of receipt by the RDO to ensure that the amounts posted therein match the pre-numbered TRAs. The reports shall be numbered, as follows:

first two (2) digits	- RR number
next three (3) digits	- RDO Code
next four (4) digits	- Year (year the TRA was stamped "Received" by BTr)
next three (3) digits	- serial number

   Example: 01-003-2005-001
   rr - rdo - year - serial #

The hard copies shall be distributed, as follows:

Original	- RDO
Duplicate	- BTR
Triplicate	- FD
Quadruplicate	- RAD
Quintuplicate	- WTD

7. Transmit to the BTr-PO/RO the Weekly Compliance and Alphalist of NGAs (Annex "E", in hard copy and diskette) with attached original of the TRAs, and have the duplicate and triplicate copies thereof duly stamped "Received" by the BTr on designated BTr box indicating therein the time and date of receipt, which should not be later than Monday following the week of receipt;

8. Transmit to FD the Weekly Compliance and Alphalist of NGAs (Annex "E"), together with the duplicate copies of the TRAs duly stamped "Received" by BTr-PO/RO after posting therein the date of receipt by the BTr (hard copy and diskette). The RDO file copy of the Weekly Compliance and Alphalist of NGAs (Annex "E"), together with the triplicate copies of the TRAs, must show the stamped "Received" by both the BTr and FD;

9. Post the date of receipt by BTr, the date of receipt by FD and total amount remitted on the Weekly Compliance and Alphalist of NGAs (Annex "E", soft copy); and

10. After posting in the soft copy the date of receipt by BTr and date of receipt by FD, submit the Weekly Compliance and Alphalist of NGAs (Annex "E") in soft copy (diskette)/thru email, every Tuesday following the week of receipt thereof to the following offices:

RAD	- email (rad.tra@bir.gov.ph)
WTD	- email (wtd.tra@bir.gov.ph).

11. Notify the concerned NGA of any discrepancy noted within five (5) working days from receipt of the TRAs so that timely adjustments can be made;

12. Provide the Assessment Section with information with respect to those NGAs which were late in filing or which failed to file their WTRs, together with the TRA, for the preparation of the letter/PAN or issuance of Letter of Authority/Tax Verification Notice, whichever is appropriate;

13. Indicate the BCS number in the upper right hand corner of each of the WTRs;

14. Encode payment information in the Limited Bank Data Entry System (LBDES);

15. Forward the LBDES through FTP or diskettes to the RDC for uploading into ITS;

16. Report the amount of collection through TRAs in the Monthly Collection Report (BIR Form 1209) and Monthly Report of Registered Withholding Agents and Withholding Tax Collection (BIR Form W-7); and

17. Forward the BCS-A and WTRs to DPS.

A.3 The Document Processing Section (DPS) thru the RPS Pre-Processing Data Controller shall:

1. Receive the BCS-A and WTRs from the CBR data verifier; and

2. Follow the existing procedures under Annex "A" of the Returns Processing Manual (RMO 32-2000).

B. FINANCE DIVISION shall:

a. Receive from the WTD the list of BTr offices where the RDOs shall transmit the original TRAs received from NGAs, and ensure that RDOs actually transmit the original TRAs to the appropriate BTr office as provided under Annex "D";

b. Receive from the RDO the Weekly Compliance and Alphalist of NGAs (Annex "E"), with the date of receipt by BTr, in hard and soft copy (diskette)/email, together with the duplicate copies of the TRAs duly stamped "Received" by BTr-PO/RO;

c. Record the total amount of tax remitted thru TRAs appearing in the Weekly Compliance and Alphalist of NGAs (Annex "E") with attached TRAs duly stamped "Received" by BTr-PO/RO as tax collection in the Journal of Tax Remittance by Government Agencies (JTRGA) in accordance with the prescribed accounting entries provided under Section 5.1 of DOF-DBM-COA Joint Circular 1-2000, as amended; and

d. Submit the Weekly Compliance and Alphalist of NGAs (Annex "E") in soft copy (diskette in excel format)/thru email, including the date of receipt by BTr and the date of receipt by FD, every

Monday following the week of receipt thereof to the following offices:

RAD	- email (rad.tra@bir.gov.ph)
WTD	- email (wtd.tra@bir.gov.ph).

C. ADMINISTRATIVE DIVISION shall:

a. Receive the blank TRA forms from the WTD and inspect the completeness of each pad by checking the serial numbers, and immediately report in writing to the Chief, WTD any discrepancy that may be found;

b. Distribute the blank TRAs to RDOs.

c. Receive subsequent requisition of blank TRA forms from the RDOs with the Summary of Blank TRAs Issued to NGAs (Annex "B") and the original and duplicate copy of the Report on Tax Remittance Advice Used/Cancelled/Lost (Annex "C") attached to the RIVs submitted by NGAs;

d. Transmit to the WTD the Summary of Blank TRAs Issued to NGAs (Annex "B") with the duplicate copy of the Report on Tax Remittance Advice Used/Cancelled/Lost (Annex "C") attached to the RIVs submitted by NGAs; and

e. Maintain a logbook of issued blank TRA forms with the following column headings: (i) serial number, and (ii) RDO Code.

D. REVENUE ACCOUNTING DIVISION shall:

a. Receive from WTD a list of BTr-PO/RO (Annex "D") where the RDOs shall transmit the original TRAs received from the NGAs;

b. Receive from FD and from RDO the Weekly Compliance and Alphalist of NGAs (Annex "E") in hard and soft copy (diskette)/ thru email, with the date of receipt by BTr-PO/RO and date of receipt by FD, every Monday and Tuesday, respectively, following the date of receipt thereof; and

c. Prepare a consolidated list of TRAs received during the week and transmit the same every Wednesday to the BTr-Central Office for reconciliation with the BIR-BTr data, and effect the necessary adjustment, if any.

E. INFORMATION SYSTEM DEVELOPMENT SERVICE shall:

a. Ensure that all RDOs (non-computerized) are provided and equipped with the Payment Data Entry System (PDES) and that their personnel are well trained and equipped in using the system;

b. Ensure that all RDOs (non-computerized) are able to upload or send, using FTP, their TRA data;

c. Enhance the Electronic Filing and Payment System (EFPS) and the Electronic New National Government Accounting System (eNGAS), by including as additional mode of payment the TRA by NGAs with a mechanism of ensuring that total tax required to be withheld and remitted per return shall equal the amount of TRA issued as payment and attached to the return; and

d. Develop pertinent computerized system and enhancements in the existing systems that would be necessary to implement the EFPS and electronic generation of blank TRAs for NGAs with available infrastructure that will lead to a computerized collection, and reconciliation of :

   1. Issued blank TRA forms versus TRAs used by NGAs in the remittance of taxes withheld;

   2. All payments through TRAs by NGAs for the taxable year;

   3. RAD collection data versus the data of BTr- central office;

   4. DBM estimated withholding tax per NGA, issued Notice of Cash Allocation (NCA) versus TRAs remitted per NGA; and

   5. All other reportorial requirements needed for the efficient monitoring of TRA colection.

F. INFORMATION SYSTEM OPERATIONS SERVICE (ISOS) shall:

a. Process on the application for the TIN of the branch codes of concerned NGAs upon receipt thereof from the RDOs following the procedures set forth in RMO 79-99 dated October 6, 1999.

G. WITHHOLDING TAX DIVISION shall:

a. Furnish RAD, FD and RDO with the list of BTr offices where the RDOs shall transmit the original TRAs received from NGAs;

b. Receive from GSD the serially numbered blank TRA forms printed for distribution to Administrative Division (AD) of the RR;

c. Provide the BTr-Central Office with the listing of serial numbers of all TRA forms printed;

d. Distribute blank TRAs to the RR thru the Administrative Division;

e. Receive from AD the Summary of Blank TRAs Issued to NGAs (Annex "B") with the duplicate copy of the Report on Tax Remittance Advice Used/Cancelled/Lost attached to the RIVs submitted by NGAs (Annex "C") on subsequent requisition;

f. Receive from the RDO the Weekly Compliance and Alphalist of NGAs (Annex "E") in hard and soft copy (diskette) or thru email, showing, among others, the date of receipt by BTr-PO/RO, the date of receipt by FD, and information on those which filed, and those which failed to file, their WTRs every Tuesday;

g. Conduct field verification on compliance by the RRs, RDOs and NGAs with the provisions of DOF-DBM-COA Joint Circular No. 1-2000, as amended by Joint Circular No. 1-2000A dated July 31, 2001;

h. Receive from FD the Weekly Compliance and Alphalist of NGAs (Annex "E") thru email; and

i. Prepare management reports on the collection and compliance by NGAs, on the remittance of taxes withheld through TRAs.

H. REVENUE DATA CENTER shall:

a. Receive LBDES diskettes for uploading to ITS from the non-computerized RDO; and

b. Comply with the existing procedures under Annex "A" of the Returns Processing Manual (RMO No. 32-2000).

I. HUMAN RESOURCE DEVELOPMENT SERVICE THRU TRAINING MANAGEMENT DIVISION and TRAINING DELIVERY DIVISION shall:

a. Conduct trainings for concerned RDO personnel regarding the use of LBDES and/or PDES, in coordination with ISDS.

VI. REPEALING CLAUSE

This repeals RMO 27-2001. All other issuances and/or portions thereof which are inconsistent herewith are hereby repealed and amended accordingly.

VII. EFFECTIVITY

This Order takes effect immediately.

(Original Signed)
JOSE MARIO C. BUÑAG
Commissioner of Internal Revenue

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