REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

April 4, 2004

REVENUE MEMORANDUM ORDER NO. 18-2004

SUBJECT : Additional Supplement and Clarification of Revenue Memorandum Order Nos. 7-2004 and 14-2004 on the Centennial Taxpayers Recognition Program (CTRP)

TO : All Taxpayers and Revenue Officers, Employees and Others Concerned.

I. BACKGROUND.

On the occasion of the Centennial Year of the Bureau of Internal Revenue (the Bureau), the Centennial Taxpayers Recognition Program (CTRP) was launched on February 27, 2004 through the issuance of Revenue Memorandum Order (RMO) No. 7-2004. After initially covering individual and corporate business income who follows the calendar year of reporting, this was further expanded to cover corporations who follows the fiscal year of reporting whose 2003 fiscal year begins and ends on the date specifically mentioned in RMO No. 14-2004. This RMO is being issued to further expand the coverage of the aforementioned RMO, and provides the guidelines which will allow corporate and individual business income earner who would otherwise be disqualified by reason of not reporting and paying any regular income tax liabilities for the taxable year 2002 and/or 2003. This RMO also provides clarification on various provisions of RMO 7-2004 and 14-2004.

II. QUALITIES OF AN ELIGIBLE TAXPAYER TO BE CONSIDERED IN THE CENTENNIAL AWARD SELECTION PROCESS.

For an eligible taxpayer to be considered in the centennial award selection process, said taxpayer must fulfill, in the minimum, all the following conditions:

1. ***Growth rate of income tax payment for tax year 2003 over tax year 2002 must be at least 20%;***

   The "*actual income tax payment"* for tax year 2003 must at least be 20% or greater than the "*tax due of the taxpayer"* for taxable year 2002, in order for a taxpayer to be qualified under this condition. The term "*actual income tax payment*" as used in the CTRP shall mean the tax payments paid for in cash and the creditable tax actually withheld for the period. Other than the foregoing, no other type of payments, such as prior years excess creditable withholding tax carried over, excess Minimum Corporate Income Tax (MCIT), and Tax Credit Certificates (TCC)/Tax Debit Memos (TDM) shall be allowed.

   The term "*tax due of the taxpayer"* as used in the CTRP shall mean aggregate of tax due as reported on the taxpayer's annual income tax return, tax due in the taxpayer's VAAP return, when applicable, and/or deficiency tax assessed against and paid by the taxpayer whether the same is a result of the a Letter of Authority or a Letter Notice.

2. ***Growth rate of income tax payment for the fourth (4th) quarter 2003 over the fourth (4th) quarter 2002 must be at least 25%*** .

   The "*actual income tax payment"* for the fourth quarter of tax year 2003 must at least be 25% or greater than the "*tax due of the taxpayer"* for the fourth quarter of tax year 2002. *Actual income tax payment* for the fourth quarter of tax year 2003 shall refer to the *actual income tax payment* for tax year 2003 less the aggregate of the *actual income tax payment* for the first three quarters of tax year 2003. And *tax due of the taxpayer* for the fourth quarter of tax year 2002 shall refer to the *tax due of the taxpayer* for tax year 2002 less the aggregate of the *tax due of the taxpayer* for the first three quarter of tax year 2002.

3. ***Growth rate of income tax payment for the first (1st) quarter 2004 is at least 25% more than first (1st) quarter 2003.***

   The *"actual income tax payment"* for the first quarter of tax year 2004 must at least be 25% or greater than the "*tax due of the taxpayer"* for the first quarter of tax year 2003. Provided, further that the "*tax due of the taxpayer*" for the first quarter of tax year 2003 of any taxpayer which shall be used as the based for computing the growth rate shall not be less than 25% of the tax due of the taxpayer for tax year 2003.

4. ***The ratio of income tax payment to Gross Sales in year 2003 must be at least equal to the year 2002 ratio. In addition, the ratio of income tax payment to Gross Sales for the first (1st) quarter of 2004 must be at least equal to the first (1st) quarter 2003.***

5. ***For those subject to value added tax, the effective VAT rate (ratio of actual VAT paid to total sales/receipts) for taxable year 2003 shall be equal to or greater than the higher of (a) three percent (3%) of their total sale/receipt of 2003, or (b) effective VAT rate for the taxable year 2002. For those subject to percentage tax, the ratio of percentage tax actually paid to gross sales/receipt for taxable year 2003 should not be less than the ratio of the percentage tax actually paid to gross sales/receipt for taxable year 2002.***

   For purposes of this condition, taxpayers who have mixed transactions, i.e., transactions which are subject to VAT, and others not subject to VAT for the same taxable period, said taxpayer shall segregate their sales/receipt into VATable transactions and non-vatable transaction before computing for their effective VAT rate.

   Taxpayers whose effective VAT rate for tax year 2003 is equal to or greater than his/her/its effective VAT rate for tax year 2002, but is less than three percent (3%), may still qualify for the CTRP, as may be determined by the CTRP Participation committee to be constituted by the Commissioner. The Participation Form of said taxpayer shall be properly identified and forwarded by the Revenue District Officer (RDO)/Regional Director (RD) to the National Office attention the CTRP Participation committee, without need for any recommendation or endorsement from the former.

   Taxpayers whose effective VAT rate for tax year 2003 is less than his/her/its effective VAT rate for tax year 2002, may still qualify for the CTRP upon the recommendation of the Revenue District Officer (RDO)/Regional Director (RD) having jurisdiction over said taxpayer where the deterioration was caused by (i) acquisition of large input VAT or (ii) shift in sales mix resulting in more non-VAT transactions. The RDO/RD shall attach his/her recommendation and the justification for the deterioration to the Participation Form of the said taxpayer, and forward the duly accomplished Participation Form with all its attachment to the Commissioner, who shall make the final determination.

III. INDIVIDUAL TAXPAYER WHO REPORTED A NET LOSS FOR TAX YEAR 2002 MAY QUALIFY FOR THE CENTENNIAL TAXPAYER AWARD.

Individual business income taxpayer who reported a net loss for tax year 2003 may qualify for the CTRP by fulfilling, in the minimum, the fourth and the fifth conditions required of all other taxpayer and all of the following conditions:

1. Made an *"actual tax payment"* for tax year 2003 equal to or greater than twenty five percent (25%) of the amount equivalent to the Minimum Corporate Income Tax (MCIT) said taxpayer would have paid in tax year 2002 if he/she was a corporation.

2. Made an *"actual tax payment"* for the first quarter of tax year 2004 equal to or greater than twenty five percent (25%) of the *"tax due of the taxpayer"* for the first quarter of tax year 2003. Provided, the "*tax due of the taxpayer"* for the first quarter of 2003 shall not be less than twenty five percent (25%) of the aggregate of the tax payment for tax year 2003 determined under the preceding condition and any current creditable withholding tax included in computing the actual tax payment made by the taxpayer for tax year 2003.

IV. APPLICABILITY OF RMO NO. 7-2004 AND 14-2004.

Rules and policies laid down in RMO No. 7-2004 and RMO No. 14-2004 not otherwise inconsistent with this RMO shall likewise apply.

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue