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

June 30, 2008

REVENUE MEMORANDUM ORDER NO. 29-2008

TO : Deputy Commissioner for Operations, Assistant Commissioners, Head Revenue Executive Assistants, Regional Directors, Revenue District Officers, Division Chiefs and Other Officers Concerned

SUBJECT : Further Amending Revenue Memorandum Order No. 17-2008, as Amended by Revenue Memorandum Order No. 26-2008, Due to Adjustments in the Allocation of the CY 2008 BIR Collection Goal By Implementing Office Affected by Delisting/Enlisting of Taxpayers, and By Period Affected by Non-realization of Programmed GDP-real Growth Rate and Implementation of Republic Act No. 9504, Among Others

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I. Objective

The purpose of this Memorandum is to adjust the collection goals by period and by implementing office affected by the following:

A.) Change in the office accountability for delisted/enlisted taxpayers effective May 2008;

B.) Updates in collection data from delisted mining companies;

C.) Non-realization of the Programmed GDP-real Growth Rate of 6.1% where the actual GDP-real Growth Rate for first semester of 2008 is only 4.6%, thus, producing adjustment in the target for second and third quarters where portion of target for the second quarter was transferred to the third quarter; and

D.) The effectivity of R. A. No. 9504 (Law increasing the amount of personal and additional exemptions for individuals and their dependents; completely exempting from Income Tax minimum wage earners, including tax exemption of selected supplemental compensation of minimum wage earners; and providing for 40% Optional Standard Deduction to corporate and individual business taxpayers in lieu of itemized deductions) which was approved by the President on June 17, 2008. Implementation of this Law started in July of 2008 in the form of reduced remittance of Withholding Tax on Wages. Portion of original target for third quarter was transferred to the fourth quarter because of DOF's projection that the reduction in collection of monthly Withholding Tax on Wages due to passage of R.A. No. 9504 would be offset by increase in the quarterly Income Tax collection due to taxpayers' availment of the Optional Standard Deduction starting third quarter of 2008 where the Income Tax Due is supposed to be paid in the month of November, 2008, and for the fourth quarter net income where some taxpayers may opt to make early tax payment in December, 2008, although the Income Tax thereon is due still in April, 2009.

It is to be noted that among the four calendar quarters of the taxable year, it is the first quarter that has no Income Tax deadline. The amount reflected as Income Tax target represents Withholding Tax on Wages of employees. Moreover, it is clarified that the goal or target of ₱ 844.950 B for

Calendar Year 2008 was set in the third quarter of Calendar Year 2007. The total 2008 target of P 844.950 B is composed of target on Operation of P 810.306 B and on Non-operation of P 34.644 B. Comparing this target to the Calendar Year 2007 collection of P 713.596 B which is composed of collection on Operation of P 679.034 B and on Non-operation of P 34.562 B there result a required year-on-year over-all growth of 18.41% composed of 19.33% growth rate for Operation and 0.24% growth rate for Non-operation. Collection from Non-operation is collection of taxes on issuance of Treasury Bills and Treasury Bonds by the Bureau of Treasury as well as collection of travel taxes.

Further, it is to be stressed that 2008 VAT target assigned to the BIR of P 204.879 B is 41.27% higher than the actual VAT collection of P145.029 B in Calendar Year 2007. Analysis of the average growth rate on collection of VAT for the last four (4) years, or starting Calendar Year 2004, reveals that the average growth rate is 16.02%.

With the presumption that the programmed macro-economic indicators would be realized and that there will be no new tax laws that will be issued within the year 2008, the quarterly and semestral allocation of target originally reflected in Revenue Memorandum Order (RMO) No. 17-2008, as amended by RMO No. 26-2008, took into consideration the collection trend in 2007.

The quarterly and semestral breakdown of 2007 collection from both Operations and Non-operation which influenced the allocation of quarterly and semestral targets for year 2008 as reflected in RMO No. 17-2008, as amended by RMO No. 26-2008, is as follows:

First quarter	143.104 B	
Second quarter	191.607 B	
FIRST SEMESTER		334.711 B
Third quarter	187.200 B	
Fourth quarter	191.685 B	
SECOND SEMESTER		378.885 B
TOTAL		713.596 B

Nonetheless, at the middle of year 2008, it was determined that outcome and events differ from what were envisioned prior to the start of the year, thus, the need to review and revise goal allocation by period and by office.

II. Data Used

The following data were used in the adjustments of the goal allocation:

A.) January to April 2007 collection data of delisted/enlisted taxpayers;

B.) Additional collection data of mining corporations enlisted to Large Taxpayers Service - Excise Group with supporting documents (i.e. photocopy of returns and official receipts) received from concerned implementing offices.

C.) NEDA figure that the actual GDP-real growth rate for the first semester is 4.6% and not the programmed 6.1%.

D.) NEDA figure of negative growth in Govt Spending/Consumption and Public Construction for the first semester of 2008 compared to the same period in 2007 which could affect VAT and Income Tax collection in the second and third quarters of 2008 considering that impact in collection is months or a quarter delayed. (Note: Inflation on oil and agricultural products has not much impact on tax collection whereas inflation on other products would have an impact on tax collection at a much later

or delayed stage considering that there is lag time between production/purchases and sales because goods would pass through inventory stage first before they are sold; thus resulting to earlier claim of input tax on all purchases and cost of production but later reporting of output tax on sales.)

E.) Number of employees and the wage bracket as well as tax bracket where they belong.

III. Adjustments in the Goal Allocation Methodology

A.) General Methodology

1. The January to April 2007 collection data of delisted large taxpayers (TPs) were shifted from the affected regions to the Large Taxpayers Service (LTS). Same process was applied to selected mining companies delisted in the regions and enlisted to LTS–Excise Group;

2. A revised national growth rate of 25.74% was arrived at as a result of adjustments in the non-recurring collections of LTS delisted taxpayers and large taxpayers with suspended operations, and other corrections in the data source;

3. The May to December 2007 additional non-excise collections update from mining companies delisted from regions and enlisted to LTS was grown by 25.74%;

4. Goal on mining taxes for CY 2008 was allocated by region/implementing office based on the ratio and proportion of their collections in 2007;

5. The corresponding goal for Administrative Measures of the Delisted/Enlisted TPs was computed using the following formula:

$$\text{CY Admin Measures of Delisted/Enlisted TPs By RR} = \frac{\text{CY 2007 Coll of Delisted/Enlisted TPs (net of Suspended Operations/Non-recurring/excise tax)}}{\text{CY 2007 Collection (net of Suspended Operations/Non-recurring/excise tax)}} \times \text{Total Admin Measures by RR}$$

6. On the imputed CY administrative measures of delisted/enlisted TPs for each RR, a 20:26 percent share of the administrative measures for the first and second quarters, respectively, was arrived at using the 2008 goal sharing by quarter. The April goal on administrative measures was computed using ratio and proportion method based on the refined second quarter 2007 collection of the delisted/enlisted TPs.

   The first quarter and April goal on administrative measures were then deducted from each of the affected revenue regions, the total of which were added back to the LTS.

7. Revised quarterly goals for all implementing groups (Large Taxpayers Group and Regions) were based on the January to December 2007 refined collection and Commissioner's review of potential and assessment due to passage of RA 9504 and realization/non-realization of macro-economic indicators used in Revenue Forecasting.

B.) Goal Allocation By Revenue District Office/Implementing Unit

All Revenue Regions/implementing offices shall prepare the adjusted breakdown by revenue district office/implementing unit (RDOs/IUs), by period and by tax type following the goal allocation in Annexes D1-D7, in consultation with the collecting offices (RDOs/IUs), the result of which shall be subject to review and approval by the Commissioner.

Goal on Administrative Measures must, likewise, be allocated to all the district offices/implementing units of the region/office depending upon the implementing offices' assessment of potential.

This breakdown shall be submitted in hard copy to *The Assistant Commissioner, Policy and Planning Service, Attention: Chief, Statistics Division* for consolidation. An electronic copy of the

breakdown by RDO/implementing unit which matches the hard copy submitted shall be forwarded to either of the following:

ferdelita.aquino@bir.gov.ph **or** cynthia.santos@bir.gov.ph

Deadline for submission of goal allocation by revenue district office/implementing unit is **September 25, 2008.**

IV. Reporting of Collections for the Delisted/Enlisted Taxpayers

The 2008 Collections from the Delisted/Enlisted Taxpayers (including suspended/ceased operations) shall be reported separately from the collection from regular TPs in the implementing offices.

V. List of Tables

Table 1	Revised CY 2007 Collection Refinements for CY 2008 Goal Allocation by Implementing Office
Table 2	Revised Collection Goal Allocation By Implementing Office, CY 2008
Table 3	Revised Computation of the Internal Revenue National Growth Rate
Annex D-1	Revised Total Collection Goal Allocation By Implementing Office and Major Tax Type, CY 2008
Annex D-2	Revised Quarterly Total Collection Goal Allocation By Implementing Office, CY 2008
Annex D-3	Revised Quarterly Collection Goal Allocation For Income Taxes By Implementing Office, CY 2008
Annex D-4	Revised Quarterly Collection Goal Allocation For Excise Taxes By Implementing Office, CY 2008
Annex D-5	Revised Quarterly Collection Goal Allocation For Value-Added Tax By Implementing Office, CY 2008
Annex D-6	Revised Quarterly Collection Goal Allocation For Percentage Taxes By Implementing Office, CY 2008
Annex D-7	Revised Quarterly Collection Goal Allocation For Other Taxes By Implementing Office, CY 2008

VI. Effectivity

This Order takes effect immediately.

(Original Signed)
LILIAN B. HEFTI
Commissioner of Internal Revenue

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