REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS

July 15, 2004

Revenue Memorandum Order No. 47-2004

SUBJECT : Prescribing Policies and Procedures in Monitoring, Identification for Inclusions or Deletions of Withholding Agents Classified as Top 10,000 Private Corporations (TTCs) under Section 2.57.2 (M) of Revenue Regulations No. 2-98, as amended by RR 17-2003, Standard Format in the Submission of the List of Regular Suppliers and Establishing Key Performance Indicator (KPI)

TO : All Regional Directors, Revenue District Officers, Chief of Large Taxpayer's Assistance Divisions, Head of Large Taxpayer District Offices , Head of Revenue Data Centers and Others Concerned

---

I. RATIONALE:

Revenue Regulations No. 12-94 as amended by RR 2-98, prescribes the identification and notification by the Commissioner of Internal Revenue (CIR) to Top 5000 Private Corporations, designated to withhold on income payments on their purchases of goods at one percent (1%) Expanded Withholding Tax (EWT) except on casual/single purchase below P100,000.

It was recently amended by Revenue Regulations No. 17-2003, as amended, increasing the number to Top 10,000 Private Corporations. Income payments made by them to their local/resident supplier of goods and local/resident supplier of services, including non-resident alien engaged in trade or business in the Philippines shall be subjected to one percent (1%) EWT on their purchase of goods and two (2%) percent EWT on purchase of services other than those covered by other rates of withholding tax except casual/single purchase below P10,000. Hence, it is materially important to prescribe policies and procedures in the monitoring, identification, inclusions or deletions of withholding agents classified as TTCs.

II. OBJECTIVES:

This Order is issued to:

A. Institutionalize the monitoring, inclusion or deletions as Top 10,000 Private Corporations as prescribed under Section 2.57.2 (M) of Revenue Regulations No. 2-98, as amended by RR 17-2003 (RR 17-2003);

B. Prescribe a standard format and procedure in the submission of the initial and Semestral Alphalist of Regular Suppliers.

C. Establish KPI relative to the compliance of TTCs and ensure their effective compliance with tax rules and regulations.

III. POLICIES

A. The Revenue District Office (RDO) shall recommend and submit to the Withholding Tax Division (WTD) an alphalist of withholding agents to be included as TTCs (Annex "A"), who complied with any criteria prescribed under Section 2.57.2 (M) of Revenue Regulations No. 2-98, as amended by RR 17-2003 as follows:

   a) classified and duly notified by the CIR as a Large Taxpayers (LT) under Revenue Regulations No. 1-98, as amended (automatic inclusion);
   b) any taxpayer with net VAT paid or payable for the preceding year of at least P100,000;
   c) any taxpayer with annual income tax paid or payable for the preceding year of at least P200,000;
   d) any taxpayer with percentage taxes for the preceding year of at least P100,000;
   e) any taxpayer whose gross sales for the preceding year is over P10,000,000;or
   f) any taxpayer whose gross purchases for the preceding year is over P5,000,000

   Top 5000 Corporations previously notified and classified under RR 12-94 shall continue withholding one percent (1%) on goods and two percent (2%) on services other than those covered by other withholding tax rates. Their previous notification as such duly issued by the CIR shall likewise be presented if needed.

B. The RDO/LTAD/LTDO shall ensure that newly identified TTCs and those previously identified Top 5000 Private Corporations are notified on their obligations as TTCs.

C. The RDO shall ensure that duly notified TTC within the computerized RDO are duly notified in writing to comply with RR 5-2004, requiring compliance with the EFPS following the procedures prescribed.

D. The RDO shall evaluate the taxpayer's preceding year's performance based on the criteria as mentioned in item III (A) hereof, and submit the result of evaluation with the corresponding recommendation to the WTD on or before May 31 of the following year to wit:

   a) recommended for **inclusion** as TTCs those **who complied with <u>any of the criteria</u> under RR 17-2003** (Annex "A"); or

   b) recommended for **deletion** as TTCs those **who failed to comply with <u>all the criteria</u>** under RR 17-2003 (Annex "B").

E. The LTAD/ LTDO shall provide the WTD and LTPD a List of Delisted or Newly Identified LT within ten (10) days after date of notification.

F. The RDO/LTAD/LTDO shall immediately notify the WTD using Annex "B" for taxpayers who automatically cease to be a withholding agent and therefore no prior written notice by the CIR shall be required:

a) Closure/cessation of business/dissolution (for notice of dissolution given by the taxpayer to the BIR);
b) Merger/consolidation (for dissolved or absorbed corporations);
c) Any other form of business combination wherein by operation of law a corporate taxpayer loses its juridical personality.

G. The WTD/Large Taxpayer Programs Division (LTPD) shall generate notice for inclusion (Annex "C") or deletion (Annex "C1") on the designation as TTCs under RR 17-2003 distributed as follows:
   a) Original - Taxpayer's Copy
   b) Duplicate - WTD Copy
   c) Triplicate - RDO/LTAD Copy

H. The WTD/LTPD shall transmit to the concerned RDO/LTAD/LTDO, the notice for inclusion / deletion duly signed by the CIR as TTCs with the memorandum of the ACIR. Collection on the Distribution of Notices (Annex "D").

I. The RDO/LTDO/LTAD shall require personal delivery and distribution of these notices to concerned taxpayers within fifteen (15) days from date of receipt from WTD/LTPD. Notices shall be received by an authorized representative by:
   a) signing over printed name;
   b) indicating the date received; and
   c) indicating position/designation

   Any corporation duly notified as TTC shall remain as such unless the CIR notifies it in writing that it shall cease to be one.

J. The RDO/LTDO/LTAD shall transmit the duplicate copy of notices duly received by the taxpayer to the WTD together with the report on the Result of Distribution or Notification Letters (Annex "D1").

K. The RDO shall validate all registration details in order to have a clean database. Require the filing of BIR Form No 1905 (Registration Update Form), if necessary.

L. The RDO/LTAD/LTDO shall ensure the submission by the TTCs of the Initial and Semestral Alphalist of Regular Suppliers of Goods and Services following the prescribed format (Annex "E") to be submitted in hard copy if below ten (10) payees or soft-copy (diskette) for those with ten (10) or more payees per semester for those filing returns on a manual process while electronic submission (e-submission) regardless of the number of payees for those under EFPS and issue Transmittal Slip (Annex "J") to the taxpayer as evidence of their submission;

	Alphalist of regular suppliers	**Due date of submission**
a	Initial list	15 days upon receipt of notice
b	1st semester	July 31
c	2nd semester	January 31 of the following year

The technical specification and procedures with validation module in the submission of soft-copy or e-submission shall be prescribed in a separate issuance to be issued by the BIR.

M. The RDO/LTQAD shall submit a Summary report on the submission of the Initial / Semestral List of Regular Suppliers (Annex "F") to the WTD within thirty (30) days after due date of submission.

N. The RDO/LTDO/LTAD shall initiate in coordination with the WTD the conduct of mandatory information campaign on the obligations of newly identified TTCs including the procedures under EFPS.

O. The RDO/LTS/LTDO KPI for TTCs shall be as follows:

		Measurement
I.	**Submission of Semestral Alphalist of Regular Suppliers** Number of Alphalist of Regular Suppliers / Total Number of TTCs	80%
II.	**Case Closure (non/stop filers of tax returns)** Number of cases assigned / Number of non-filer/stop filer cases created	80%

P. The RDO/LTDO/LTS shall monitor the compliance of TTCs similarly being undertaken in the Tax Account Management Program (TAMP) under RMO 4-2001 as amended for computerized RDO and RMO 14-2003 as amended for non-computerized RDO, by equitably assigning Revenue Officers to undertake monitoring and evaluation on their performance and to ensure compliance with tax rules and regulations.

TTCs not included in the TAMP shall be distributed equally to Revenue Officers, for monitoring on the filing of all required returns and ensuring compliance with the provisions of Bookkeeping Rules and Regulations.

IV. PROCEDURES:

A. Revenue Data Center (RDC) shall:

1. Generate the Registration Details of TTCs for validation by the RDO in order to have a clean registration database;

2. Identify and transmit duly identified non-filers / stop-filers to concerned RDO/LTAD/LTDO following the existing procedures for validation and necessary action;

3. Generate a monthly consolidated report based on the KPIs (Annexes "G,H,I") and rank the performance and effectiveness in the monitoring of compliance by the RDO/LTAD/LTDO. It shall be distributed to the concerned RDO/LTAD/LTDO copy furnished the following:
   a. Assistant Commissioner, Collection Service
   b. Assistant Commissioner, Large Taxpayers Group
   c. Regional Director; and
   d. Chief, Withholding Tax Division;

4. Generate annually on or before May 15, the preceding year performance based on filed returns and documents submitted and compare results against the criteria for inclusion /deletion following the format hereunder and copy furnished the following:

a. ACIR, Collection Service
b. ACIR, Large Taxpayers
c. Regional Director
d. Chief, LTAD and LTDO
e. RDO
f. Chief, Withholding Tax Division

Seq No	NAME	ADDRESS	TIN	Annual income tax paid/ payable for the preceding year (P200,000)	Net VAT paid/ payable for the preceding year (P100,000)	Percentage taxes for the preceding year P100,000)	Gross sales (P10M)	Gross Purchases (P5M)	FOR deletion/ inclusion	REMARKS

B. Regional Director shall:

1. Supervise, direct and assist the RDO in monitoring the performance of TTCs to ensure compliance with tax laws and regulations;

2. Coordinate and resolve issues raised by the RDO/RDC on problems encountered in the implementation; and

3. Monitor compliance by TTCs through reports submitted by RDO/RDC.

C. Revenue District Office shall:

1. Evaluate corporate taxpayer's preceding year performance base on filed returns and documents if they comply with the criteria set forth under Section 2.57.2(M) of Revenue Regulations No. 2-98, as amended by RR 17-2003, and submit to the WTD on or before May 31 of the following year:

a) **recommended for inclusion as TTCs who complied with any of the criteria** set forth under RR 17-2003 (Annex "A"); or

b) **recommended for deletion those who failed to comply with all the criteria** (Annex "B");

2. Notify immediately the WTD using Annex "B", taxpayers who automatically ceased to be a withholding agent, and therefore no prior written notice by the CIR shall be required:

a. Closure/cessation of business/dissolution (for notice of dissolution given by to the BIR);
b. Merger/consolidation (for dissolved or absorbed corporations);
c. Any other form of business combination wherein by operation of law a corporate taxpayer loses its juridical personality;

3. Receive and comply with the Memorandum of the ACIR, Collection Service on the Distribution of Notices to TTCs (Annex "D" and "D1") together with the notification letters duly signed by the CIR;

4. Require personal delivery and distribution of the notices for inclusion / deletion to concerned taxpayers within fifteen (15) days from receipt of memorandum with attached duly signed notices by the CIR. Notices shall be received by an authorized representative by signing over printed name, position/ designation and indicate date received in the duplicate and triplicate copy of the notices:

a. Original - Taxpayer's Copy
b. Duplicate - WTD file
c. Triplicate - RDO file;

5. Transmit a Report on the Result of Distribution of Notification Letters with the attached duplicate copy of notices duly received by the taxpayer to the WTD within 30 days after receipt of the notice (Annex "D1");

6. Validate all registration details to have a clean database. Require the filing of BIR Form No. 1905 (Registration Update Form), if necessary;

7. Ensure the submission of the Initial Alphalist of Regular Suppliers of goods and services within fifteen (15) days from receipt of the notification letter for inclusion as TTC;

8. Ensure the submission by the TTCs of the Initial and Semestral Alphalist of Regular Suppliers of Goods and Services following the prescribed format (Annex "E") to be submitted in hard copy if below ten payees or soft-copy (diskette) for those with 10 or more payees per semester for those filing returns on a manual process while electronic submission (e-submission) regardless of the number of payees for those under EFPS and issue Transmittal Slip (Annex "J") to taxpayer as evidence of their submission;

	Alphalist of regular suppliers	**Due date of submission**
a	Initial list	15 days upon receipt of notice
b	1st semester	July 31
c	2nd semester	January 31 of the following year

The technical specification and procedures with validation module in the submission of soft-copy or e-submission shall be prescribed in a separate issuance to be issued by the BIR

9. Submit to the WTD a Summary Report on the Submission of the Initial and Semestral List of Regular Suppliers (Annex "F") within thirty (30) days from due date of submission;

10. Initiate the conduct of a mandatory information campaign on the obligations of newly identified TTCs including the procedures under EFPS or coordinate for assistance with the WTD;

11. Ensure compliance with the KPI for TTCs as follows:

Measurement

a. **Submission of Alphalist of Regular Suppliers**
Number of Alphalist of Regular Suppliers Received 80%
Total Number of TTCs

b. Case Closure

Number of cases assigned _ 80%
Number of non-filer/stop filer cases created

12. Monitor compliance of TTCs similarly being done in the Tax Account Management Program (TAMP)) by equitably assigning Revenue Officers to undertake monitoring and evaluation on their performance and to ensure compliance to tax rules and regulations. TTCs not included in the TAMP shall be equally distributed to Revenue Officers for monitoring on the filing of all required returns and ensuring compliance with the provisions of Bookkeeping Rules and Regulations;

13. Keep a Masterlist of duly identified TTCs (Annex "H"); and

14. Ensure that duly notified TTC within the computerize RDO are duly notified in writing to comply with RR 5-2004, requiring compliance to the EFPS following the procedures prescribed.

D. Large Taxpayer Assistance Division/Large Taxpayer District Office shall:

1. Provide the Large Taxpayer Programs Division (LTPD) with the master List of Large Taxpayers;

2. Provide the WTD and LTPD with the Newly Identified (Annex "A") or cancelled/deleted (Annex "B") within ten (10) days after date of notification as such;

3. Require personal delivery and distribution of the notices to concerned taxpayers within fifteen (15) days from receipt of notices duly signed by the CIR. Notices shall be received by an authorized representative by signing over printed name, position/designation and indicate date received in the duplicate and triplicate copy
    a. Original - Taxpayer's Copy
    b. Duplicate - WTD Copy
    c. Triplicate - LTAD/ LTDO's file;

4. Ensure that newly identified TTCs and those previously identified Top 5000 Private Corporations are notified on their Obligations as TTCs;

5. Notify immediately the WTD for taxpayers who automatically cease to be a Large Taxpayer using Annex "B", and therefore no prior written notice by the CIR shall be required:
    a. Closure/cessation of business/dissolution (for notice of dissolution given by to the BIR);
    b. Merger/consolidation (for dissolved or absorbed corporations);
    c. Any other form of business combination wherein by operation of law a corporate taxpayer loses its juridical personality;

6. Initiate in coordination with the WTD, the conduct of a mandatory information campaign on the obligations of newly identified TTCs including the procedures under EFPS; and

7. Ensure compliance to the KPI for TTCs

	Measurement
a. **Submission of Semestral Alphalist of Regular Suppliers** Number of Alphalist of Regular Suppliers received / Total Number of TTCs	80%
b. Case Closure Number of cases assigned / Number of non-filer/stop filer cases created	80%

E. Large Taxpayer Programs Division shall:

1. Receive from LTAD/LTDO the list of newly identified or delisted large taxpayers;

2. Generate notification letters on the designation as withholding agent under RR 17-2003 (Annex "C") for those newly identified Large Taxpayers or notification letters for deletion as TTCs (Annex "C1") for Large Taxpayers to be deleted, for signature by the CIR:
   a. Original - Taxpayer Copy
   b. Duplicate - WTD Copy
   c. Triplicate - LTAD/ LTDO Copy;

4. Keep a record of all Large Taxpayers with generated notices;

5. Transmit to LTAD/LTDO the notices for distribution.

6. Require e-submission of the Initial Alphalist of Regular Suppliers of goods and services within fifteen (15) days from receipt of the notice; and

7. Ensure the submission by the TTCs of the Initial and Semestral Alphalist of Regular Suppliers of Goods and Services following the prescribed format (Annex "E") to be submitted in hard copy if below ten payees or soft-copy (diskette) for those with 10 or more payees per semester for those filing returns on a manual process while electronic submission (e-submission) regardless of the number of payees for those under EFPS and issue Transmittal Slip (Annex "J") as evidence of their submission;

	Alphalist of regular suppliers	Due date of submission
a	Initial list	15 days upon receipt of notice
b	1st semester	July 31
c	2nd semester	January 31 of the following year

F. Large Taxpayer QAD shall:

Submit to the WTD/LTAD a Summary report on the submission of the Initial / Semestral List of Regular Suppliers (Annex "E") within thirty (30) days from due date of submission.

G. Withholding Tax Division shall:

1. Receive from the RDO/LTAD/LTDO a list of taxpayers recommended to be included / deleted as TTC in accordance to the criteria under Section 2.57.2(M) of RR 2-98, as amended by RR17-2003 (Annex "A and/or B") on or before May

31 of the following year after the evaluation of taxpayer's performance of the preceding year following the above-mentioned criteria;

2. Generate notification letters on the designation as withholding agent under RR 17-2003 (Annex "C") or notification letters for deletion as TTCs (Annex "C1"), for signature by the CIR, for those taxpayers recommended by the RDO for inclusion/ deletion respectively:
   a. Original - Taxpayer Copy
   b. Duplicate - WTD Copy
   c. Triplicate - RDO Copy

   The notices should include the compliance requirement but not limited to the:
   a) rates of withholding tax
   b) date of remittance of taxes withheld
   c) submission of the initial list of regular suppliers of goods and services
   d) submission of the semestral list of regular suppliers of goods and services; and
   e) date when to start withholding as TTCs;

3. Receive from RDO/LTAD/LTDO a list of taxpayers who automatically cease to be a withholding agent using Annex "B", and therefore no prior written notice by the CIR shall be required:
   c) Closure/cessation of business/dissolution (for notice of dissolution given by to the BIR);
   d) Merger/consolidation (for dissolved or absorbed corporations);
   e) Any other form of business combination wherein by operation of law a corporate taxpayer loses its juridical personality;

4. Transmit to concerned RDO, the notification letters for inclusion / deletion duly signed by the CIR as TTCs for their personal delivery to identified taxpayers;

5. Require the RDO to personally deliver and distribute notices to the taxpayer concerned within fifteen (15) days from date of receipt of notices. Notices shall be received by an authorized representative by:
   a. signing over printed name;
   b. indicating the position/designation; and
   c. indicating the date received

   Any corporation duly notified as TTC shall remain as such unless the CIR notifies it in writing that it shall cease to be one;

6. Receive from the RDO the duplicate copy of notices duly received by the taxpayer together with a Report on the Result of Distribution or Notification Letters (Annex "D1");

7. Post/encode the date received and name of authorized representative into the masterfile of TTC (Annex "H");

8. Receive from RDO/LTAD/LTDO a Summary report on the submission of the Initial / Semestral List of Regular Suppliers (Annex "F")

	Alphalist of regular suppliers	Due date of submission	Summary Report due date
a	Initial list	15 days upon receipt of notice	30 days upon receipt
b	1st semester	July 31	August 31
c	2nd semester	January 31 of the following year	March 1 of the following year

9. Coordinate with the RDO in the conduct of a mandatory information campaign on the obligations of newly identified TTCs including the procedures under EFPS;

10. Maintain a Masterlist of TTCs (Annex "H");

11. Monitor performance of RDO and their compliance to the prescribed KPI base on reports received; and

12. Prepare and submit an Annual Summary of Statistical Report on TTC (Annex "I") based on reports received from RDO/LTS/LRDO to the Deputy Commissioner-Operations through the Assistant Commissioner, Collection Service for decision making purposes.

H. **Large Taxpayer Service / Collection Service shall:**

1. Undertake applicable courses of action relative to the implementation of Top 10, 000 Private Corporations;

2. Supervise and assist in monitoring the performance of TTCs to ensure attainment of KPI and compliance with tax laws and regulations;

8. Coordinate and resolve issues and problems encountered in the implementation and compliance of TTCs;

9. Sign memorandum/letters in monitoring the compliance by TTCs; and

10. Undertake necessary actions accordingly.

I. Information System Development Service shall:

1. Develop programs for easy monitoring on the compliance of TTCs;

2. Develop and issue technical specification and procedures with validation module in the electronic or soft-copy initial and semestral list of regular suppliers to be prescribed in a separate issuance to be prepared by the Information Systems Development Service;

3. Undertake a study for possible integration under EFPS on electronically submitted initial and semestral list of regular suppliers for data matching and third party information purposes.

V. REPEALING CLAUSE

The provisions of existing order and other issuances inconsistent herewith are hereby revoked or amended accordingly.

VI. EFFECTIVITY

This order takes effect immediately.

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

J-2
Mgalban