Republic of the Philippines
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

March 1, 2011

REVENUE REGULATIONS NO. 2-2011

SUBJECT : Filing of Income Tax Return and/or Annual Information Return by Individuals, Including Estates and Trusts

TO : All Internal Revenue Officers, Employees and Others Concerned

SECTION 1. Background. – These Regulations are issued in order to prescribe the returns to be filed by taxpayers in compliance with their duty to report income under the law.

SEC. 2. Scope. – Pursuant to Section 244 in relation to Sections 6(H), 51(A)(1), 51(A)(2), 51(A)(3) and 65 of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are hereby promulgated to prescribe the filing of Income Tax Return (ITR) and/or Annual Information Return (AIR) by certain individual citizens (including estates and trusts), resident aliens, and non-resident aliens engaged in trade or business in the Philippines.

SEC. 3. Filing of ITR with AIR. – Starting with taxable year 2010, individuals, estates and trusts required under the law and existing issuances to file an ITR should file said ITR together with the AIR (BIR Form No. 1705 – Annex "A"). Said individuals, estate and trusts shall include in the AIR such income subject to final withholding tax and those exclusions from gross income under Section 32(B) of the Tax Code, as amended.

Individuals not required to file income tax returns or those qualified for substituted filing, may file an ITR for purposes of loans, foreign travel requirements, etc. However, if they file an ITR, they should likewise attach a duly accomplished AIR.

SEC. 4. Filing of AIR only. – The following are now required to file the AIR which shall include such income subject to final withholding tax and those exclusions from gross income:

(a) An individual with respect to pure compensation income, as defined in Section 32(A)(1), derived from sources within the Philippines, the income tax on which has been correctly withheld under the provisions of Section 79 of the Tax Code, as amended, whose annual taxable income exceeds Five Hundred Thousand Pesos (Php 500,000.00): Provided, That an individual deriving compensation concurrently from two or more employers at any time during the taxable year shall file an income tax return;

(b) Individuals, estates and trusts whose sole income has been subjected to final withholding tax under Section 57 (A) of the Tax Code, as amended, with aggregate final tax withheld exceeding One Hundred Twenty Five Thousand Pesos (Php 125,000.00) annually, whether or not remitted to the BIR; and

(c) Individuals whose sole income is exempt from income tax and whose total annual income (exempt) exceeds Five Hundred Thousand Pesos (Php 500,000.00).

For purposes of this Section, "fair market value" as determined in accordance with Section 6(E) of the Tax Code, as amended, shall be used in reporting the non-cash income and receipts in the AIR.

The term "individual whose compensation income has been subjected to final withholding tax" shall include aliens or Filipino citizens occupying the same positions as the alien employees, as the case may be, who are employed by regional operating headquarters, regional or area headquarters, offshore banking units, petroleum service contractors and sub-contractors, pursuant to pertinent provisions of Sections 25 (C), (D), (E), and 57 (A), including those subject to Fringe Benefit Tax (FBT) under Section 33 of the Tax Code, as amended, Republic Act No. 8756, Presidential Decree No. 1354, and other pertinent laws.

SEC. 5. Filing of Return and Attachments. – The filing of ITR (BIR Form Nos. 1700 or 1701) and/or AIR (BIR Form No. 1705), shall be filed in triplicate copies with the Revenue District Office (RDO) where the individual, including estates and trusts, is required to register or where the individual has his legal residence or place of business on or before the fifteenth (15th) day of April of each year covering income for the preceding taxable year.

The filing of AIR only (BIR Form No. 1705) under Section 4 hereof, shall be filed in triplicate copies with the Revenue District Office (RDO) where the individual, including estates and trusts, is required to register or where the individual has his legal residence or place of business on or before the fifteenth (15th) day of May of each year covering income for the preceding taxable year.

The individuals, including estates and trusts, required to file the AIR under these Regulations shall attach the same to the ITR (BIR Form No. 1700 or 1701) which shall be accomplished and submitted manually in hard copy until such time that electronic filing thereof is available in the Electronic Filing and Payment System (*e*FPS). However, for individuals already availing of the *e*FPS services, and who have been required under these Regulations to attach an AIR, they shall continue filing electronically their ITR but shall submit the hard copy of the e-filed return together with the hard copy of the AIR to the concerned RDO within ten (10) days from the filing of their electronic return.

SEC. 6. Transitory Provisions. – The procedure of attaching the AIR with the ITR shall cover income earned for taxable year 2010 or until such time that its details are integrated in the enhanced version of the ITR (BIR Form No. 1700 or 1701).

SEC. 7. Repealing Clause. – All existing regulations and other issuances or portions thereof which are inconsistent with the provisions of these Regulations are hereby repealed, amended or modified accordingly.

SEC. 8. Effectivity. – These Regulations shall take effect covering income earned for taxable year 2010.

(Original Signed)
CESAR V. PURISIMA
Secretary of Finance

Recommending Approval:

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue