REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

April 29, 2013

REVENUE REGULATIONS NO. 7-2013

SUBJECT: Providing for Policies and Guidelines for the Abatement of Surcharges, Interests and Compromise Penalties in Relation to the Filing of 2012 Tax Returns of Philippine Nationals and Alien Individuals Employed by Foreign Governments/Embassies/ Diplomatic Missions and International Organizations Situated in the Philippines

TO : All Internal Revenue Officers and Others Concerned

SECTION 1. Background. — Under Revenue Memorandum Circular (RMC) No. 31-2013 dated April 12, 2013, the Bureau of Internal Revenue (BIR) clarified the tax liabilities of Filipino and alien employees employed by Foreign Governments/Embassies/Diplomatic Missions and International Organizations situated in the Philippines. As therein stated, any exemption from Philippine income tax must be granted under duly recognized international agreements or particular provisions of existing law. Affected individuals who were not granted such exemption must file their income tax returns and pay the tax due thereon on or before the 15th day of April following the close of the taxable year.

Upon the issuance of RMC 31-2013, the BIR has received numerous requests from embassies and international organizations for the abatement of surcharges, interests and compromise penalties which will be imposed on the taxes due from their employees who have yet to file their 2012 tax returns or those who ought to amend their tax returns to cover tax deficiencies.

In the exercise of the power of the Commissioner of Internal Revenue to abate the payment of tax liabilities under Section 204(B) of the National Internal Revenue Code (Tax Code), as amended, these Regulations are being issued to provide guidelines on the filing of original or amended tax returns, as the case may be, and paying the correct taxes due thereon for the calendar year 2012 by the concerned employees of Foreign Governments/Embassies/ Diplomatic Missions and International Organizations.

SECTION 2. Mandatory Requirement. — The Foreign Governments/ Embassies/Diplomatic Missions and International Organizations, as employers of the concerned individuals, shall submit to the Office of the Commissioner of Internal Revenue (OCIR), located at the 5th Floor, BIR National Office Building, BIR Road, Quezon City, a

Summary List of Employees as of December 31, 2012 in the format prescribed in ANNEX A hereto.

International organizations whose non-Filipino employees enjoy immunity from taxation in accordance with the provisions of related international agreements or domestic laws need not submit information on their non-Filipino employees.

The Summary List of Employees as of December 31, 2012 shall be submitted to the Office of the Commissioner on or before the **May 10, 2013**. Only those employees who are included in the said list may avail of abatement of surcharges, interests and compromise penalties under these Regulations.

SECTION 3. Scope of Abatement of Surcharges, Interests and Compromise Penalties. — Employees-taxpayers covered by RMC 31-2013 who failed to file their returns and/or declare the correct amount of income on his/her original returns covering taxable year 2012 may file their original or amended returns, as the case may be, and pay the tax due thereon on or before **May 15, 2013**. No surcharges and interests, as mandated under Sections 248 and 249 of the Tax Code shall be imposed. Further, no compromise penalty prescribed under Revenue Memorandum Order (RMO) No. 19-2007 shall be assessed upon filing thereof. The abatement of surcharges, interests and compromise penalties as herein provided are subject to the following conditions:

i. The taxpayer must have duly registered with the BIR under the procedures prescribed in pertinent issuances;

ii. The taxpayer is included in the Summary List of Employees as of December 31, 2012 submitted by Foreign Governments/ Embassies/Diplomatic Missions and International Organizations as specified in Section 2 hereof;

iii. The return must be filed and the basic tax due thereon must be fully paid not later than **May 15, 2013**.

In lieu of full payment, the taxpayer has the option to pay the tax due on installment basis under the following provision the Tax Code:

"SEC. 56. Payment and Assessment of Income Tax for Individuals and Corporations. -

(A) Payment of Tax. —

xxx

(2) Installment Payment. — When the tax due is in excess of Two thousand pesos (P2,000), the taxpayer other than a corporation may elect to pay the tax in two (2) equal installments in which case, the first installment shall be paid at the time the return is filed and the second

installment, on or before July 15 following the close of the calendar year. If any installment is not paid on or before the date fixed for its payment, the whole amount of the tax unpaid becomes due and payable, together with the delinquency penalties." Underscoring supplied

iv. On or before **May 15, 2013**, the taxpayer shall file a Declaration of Availment of Abatement ("Declaration") under these Regulations (ANNEX B) with the following attachments:

a) Photocopy of the return filed together with attachments required under pertinent revenue issuances;
b) Proof of full payment of taxes or, in the case of payment by installment under Section 3(iii) above, proof of partial payment of taxes; and
c) Notarized certificate issued by taxpayer's employer and duly confirmed by the employee containing the monthly breakdown of salaries, emoluments and monetary benefits received by the taxpayer during the 2012 calendar year.

The Declaration shall be accomplished in triplicate (3) copies as follows:

Original and duplicate — BIR

Triplicate — Taxpayer

v. No Letter of Authority (LA), Tax Verification Notice (TVN), Audit Notice (AN), Letter Notice (LN), or discrepancy notices of whatever nature has/have been served on the taxpayer concerned covering the 2012 calendar year pursuant to Section 6(A) of the Tax Code; and

vi. The taxpayer is not the subject of any pending criminal case for tax evasion and other criminal offenses under the Tax Code covering the 2012 calendar year, whether filed in court or in the Department of Justice (DOJ) or subject of final and executory judgment by court.

SECTION 4. Limitations. — The filing of original returns or amended returns, as the case may be, and the payment of deficiency taxes made pursuant to these Regulations presupposes full and accurate disclosure by the concerned employees. It shall not preclude the BIR from investigating the correctness of such returns or sufficiency of the attachments, and/or availing the remedies provided for under the Tax Code.

SECTION 5. Procedure. — Prior to the payment of the taxes due, the original return or amended return, attachments, and Declaration of Availment of Abatement ("Declaration"), shall be presented to the "Officer-of-the-Day" of the revenue district where the taxpayer is registered or is required to register.

In view of the deadline set herein, the "Officer-of-the-Day" shall immediately process and verify the tax returns, attachments, and Declarations (e.g., ascertain sufficiency of documentary requirements, check mathematical computations, check if properly filled-up) within one (1) hour after they are presented to him/her.

If there is no issue or if the tax returns, attachments, and Declarations are in order, the "Officer-of-the-Day" shall, within the same one-hour period, forward them to the concerned Revenue District Officer (RDO) or, in the absence of the latter, to the Assistant Revenue District Officer (ARDO), for appropriate review and approval.

If there is any issue or if the tax returns, attachments, or Declarations are not in order, the concerned "Officer-of-the-Day" shall, within the same one-hour period, issue an evaluation sheet duly signed by him/her to the taxpayer, indicating therein his/her findings and/or recomputation of the proper basic taxes due. If the findings involve recomputation(s) or if the tax return or Declaration is not properly filled-up, the taxpayer shall be required to revise the tax return and/or form. If the findings involve lacking or insufficient documentary requirements, the taxpayer shall be required to submit them.

The "Officer-of-the-Day", upon compliance by the taxpayers on his/her findings, shall, within one (1) hour from receipt of the tax returns, attachments, and Declarations, forward them to the concerned RDO or, in the absence of the latter, to the ARDO for appropriate review and approval.

The RDO or ARDO, as the case may be, shall, within one (1) hour from receipt of the tax returns, attachments, and Declarations from the "Officer-of-the-Day", either: (a) approve the availment by signing and stamping the words "LATE-FILING – ABATEMENT UNDER RR 7-2013" on the face of the tax return, and immediately give the same back to the taxpayer together with the attachments and Declaration; or (b) revert the tax return, attachments, and Declaration to the "Officer-of-the-Day" with instructions for the latter to prepare an evaluation sheet indicating the RDO/ARDOs findings, to be issued to the taxpayer. The same procedure in the preceding paragraphs shall be observed upon compliance by the taxpayers with the findings.

Upon receipt of the tax return duly signed by the RDO/ARDO with the words "LATE-FILING – ABATEMENT UNDER RR 7-2013" stamped therein together with the attachments and Declaration, the taxpayer shall file the return with attachments and pay the tax due with the Authorized Agent Bank (AAB) or Revenue Collection Officer (RCO) within the revenue district where he or she is registered or is required to register. Thereafter, the taxpayer shall submit three (3) copies of his/her Declaration, together with the attachments prescribed in Section 3(iv) hereof, with the "Officer-of-the-Day" of the same revenue district.

In all cases, the RDOs shall, on or before **May 31, 2013**, transmit to the Office of the Commissioner the following:

i) Two (2) copies of the Declaration of Availment of Abatement (with complete attachments) of each taxpayer who availed of the provisions of these Regulations under their jurisdiction; and
ii) Summary Report in the format prescribed in ANNEX C hereto.

Taxpayers seeking to avail of the abatement provided in these Revenue Regulations are hereby advised to file their returns the soonest possible time with complete attachments to avoid the deadline rush and have ample time to complete the process.

SECTION 6. Technical Working Committee. — The Commissioner shall constitute a Technical Working Committee (TWC) for the review of all Declaration of Availment of Abatement filed by availing taxpayers.

The TWC shall send a notification to the concerned taxpayer that the availment of abatement under these Regulations was approved/disapproved by the Commissioner. In case of approval or disapproval, the TWC shall issue a certification of the acceptance and approval or a notice of disapproval thereof in three (3) copies and in the format prescribed in ANNEX D or ANNEX D-1 hereto. The original copy of the certificate of acceptance and approval or notice of disapproval shall be communicated to the taxpayer concerned, while the other two (2) copies shall be attached to the dockets containing the original and duplicate Declaration of Availment of Abatement. The docket of the original Declaration of Availment of Abatement shall be forwarded to the revenue district for proper disposition. The TWC shall retain the other docket containing the duplicate Declaration of Availment of Abatement.

After the implementation of these Regulations, the TWC shall prepare a consolidated report to the Commissioner on approved and denied availments of abatements in the format prescribed in ANNEX E hereto.

SECTION 7. Effectivity. — These Regulations shall take effect immediately after publication in two (2) leading newspapers of general circulation.

Approved by:

(Original Signed)
CESAR V. PURISIMA
Secretary of Finance

Recommending Approval:

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