



Tax in a Dot Hot and fresh!

Dear Valued Clients and Friends,

The Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) No. 2-2014 dated on January 24, 2014 prescribing the new BIR Forms that will be used for income tax returns (ITRs) filing covering and starting with the taxable year ended December 31, 2013.

The new ITR forms are as follows:

1. BIR Form No. 1700 version June 2013 (Annual Income Tax Return for Individuals Earning Purely Compensation Income);
2. BIR Form No. 1701 version June 2013 (Annual Income Tax Return for Self-Employed Individuals, Estates and Trusts);
3. BIR Form No. 1702-RT version June 2013 (Annual Income Tax Returns for Corporations, Partnerships and Other Non-Individual Taxpayers subject only to REGULAR income tax rate);
4. BIR Form No. 1702-EX version June 2013 (Annual Income Tax Returns for use only by Corporations, Partnerships and Other Non-Individual Taxpayers EXEMPT under the Tax Code [Sec. 30 and those exempted in Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income); and
5. BIR Form No. 1702-MX version June 2013 (Annual Income Tax Returns for Corporations, Partnerships and Other Non-Individuals with Mixed Income Subject to Multiple Income Tax Rates or with Income Subject to Special/Preferential Rate).

RR No. 2-2014 provides that the amounts to be reported in the ITR should be rounded off to the nearest peso. The figures should be rounded down to the nearest peso if the centavo is 49 or less, and should be rounded up to the nearest peso in case the centavo is at least 50.

It is further provided that the following corporations, partnerships and other non-individuals may not avail of the optional standard deductions and are mandated to use the itemized deductions:

1. Those exempt under the Tax Code and other special laws, with no other taxable income;
2. Those with income subject to special/preferential tax rates; and
3. Those with income subject to regular income tax rate and to special /preferential tax rates.

Taxpayers who have already filed using the old Forms for their 2013 ITRs (manual and/or electronic) are required to re-file using the new ITR Forms upon availability.

Revenue Regulations No. 1-2014

RR No. 1-2014 issued on December 17, 2013 provides new requirements on the submission of alphabetical list of employees/payees subject to creditable and final withholding taxes which are required to be attached as integral part of the Annual Information Returns (BIR Form No. 1604CF/1604E) and Monthly Remittance Returns (BIR Form No. 1601C, etc.).

All withholding agents shall, regardless of the number of employees and payees and whether the employees/payees are exempt or not, submit an alphabetical list of employees and list of payees

on income payments under the following modes:

1. As attachment in the Electronic Filing and Payment System (eFPS);
2. Through Electronic Submission using the BIR's website address at esubmission@bir.gov.ph; and
3. Through Electronic Mail (email) at dedicated BIR addresses using the prescribed CSV data file format, the details of which shall be issued in a separate revenue issuance.

In cases where the withholding agent does not have its own internet connection, the alphalist may be electronically mailed (e-mail) thru the e-lounge facility of the nearest revenue district office or revenue region of the BIR.

Submission of the alphalist where the income payments and taxes withheld are lumped into one single amount (e.g. "Various employees", "Various payees", "PCD nominees", "Others", etc.) shall not be allowed. Moreover, the submission thereof that does not conform with the prescribed format resulting to the unsuccessful uploading into the BIR system shall be deemed as not received and shall not qualify as a deductible expense for income tax purposes.

Accordingly, the manual submission of the alphabetical lists containing less than ten (10) employees/payees by withholding agents under Annual Information Returns BIR Form No. 1604CF and BIR No. 1604E shall be immediately discontinued beginning January 31, 2014 and March 1, 2014, respectively, and every year thereafter.

Revenue Memorandum Circular No. 5-2014

Revenue Memorandum Circular (RMC) No. 5-2014 issued on January 29, 2014 clarifies, through Questions and Answers (Q & A), the provisions of Revenue Regulations (RR) No. 1-2014.

Q & A of RMC No. 5-2014 clarifies that Monthly Alphalist of Payees (MAP) and the Summary Alphalist of Withholding Taxes (SAWT) are also covered by the different modes of submission as prescribed by RR No. 1-2014.). It does not cover the monthly remittance return for compensation (BIR Form 1601C) where the monthly list of recipients of compensation is not required to be attached to the return.

Q & A No. 13 provides that the taxpayer is liable to certain penalties such as the criminal penalty of fine of not less than Php10,000 in case where an alphalist is not successfully uploaded and considered not received by the BIR pursuant to the provisions of RR No. 1-2014.

Further, Q & A No. 15 specifies that the taxpayer cannot claim the expenses for income tax purposes due to its failure to file the prescribed alphalist or for its failure to re-submit the complete and corrected alphalist after the validation process conducted by the BIR.

Supreme Court First Division Resolution

The First Division of the Supreme Court issued a Resolution dated October 23, 2013 providing for the denial with finality of the motion for reconsideration filed in relation to G.R. No. 188550 (Deutsche Bank AG Manila Branch vs. Commissioner of Internal Revenue), and finds that there was no substantial argument to warrant a modification of the Court's decision.

http://www.bir.gov.ph/images/bir_files/old_files/pdf/80937RR%201-2014.pdf

http://www.bir.gov.ph/images/bir_files/old_files/pdf/82202RR%20No%20%202-2014.pdf

http://www.bir.gov.ph/images/bir_files/old_files/pdf/81938RMC%20No%205-2014.pdf

Please contact the following for any questions:

Fredieric B. Landicho

Tax Partner

flandicho@deloitte.com

+63 2 581 9043

Richard R. Lapres

Tax Partner

rlapres@deloitte.com

+63 2 581 9044

Walter L. Abela, Jr.

Tax Partner

wabela@deloitte.com

+63 2 581 9034

[Member of Deloitte Touche Tohmatsu Limited](#)

19th Floor Net Lima Plaza
5th Avenue corner 26th Street
Bonifacio Global City, Taguig
Philippines 1634

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