



## Tax News

### Interpret & Integrate

#### BIR Issuances

##### Creation of ATCs for selected excise taxes

The Bureau of Internal Revenue (BIR) created the following alphanumeric tax codes (ATCs) to facilitate the proper identification and monitoring of tax collection from selected excise taxes pursuant to the implementation of Republic Act (RA) No. 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN) Act:

ATC	Description	Tax Rate	BIR Form
<b>XP105</b>	Naphtha and pyrolysis gasoline, when used as a raw material in the production of petrochemical products or in the refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cycle power plant, in lieu of locally-extracted natural gas during the non-availability thereof, per liter of volume capacity		2200-P
	Effective 1 January 2018	P0.00/liter	
	Effective 1 January 2019	P0.00/liter	
	Effective 1 January 2020	P0.00/liter	
<b>XP085</b>	Pyrolysis gasoline, per liter of volume capacity		2200-P
	Effective 1 January 2018	P7.00/liter	
	Effective 1 January 2019	P9.00/liter	
	Effective 1 January 2020	P10.00/liter	

<b>XP165</b>	Liquefied petroleum gas when used as raw material in the production of petrochemical products, per kilogram		2200-P
	Effective 1 January 2018	P0.00/kg	
	Effective 1 January 2019	P0.00/kg	
	Effective 1 January 2020	P0.00/kg	
<b>XP200</b>	Petroleum coke, per metric ton		2200-P
	Effective 1 January 2018	P2.50/MT	
	Effective 1 January 2019	P4.50/MT	
	Effective 1 January 2020	P6.50/MT	
<b>XP210</b>	Petroleum coke when used as feedstock to any power generating facility, per metric ton		2200-P
	Effective 1 January 2018	P0.00/MT	
	Effective 1 January 2019	P0.00/MT	
	Effective 1 January 2020	P0.00/MT	
<b>XG065</b>	Hybrid vehicles (50% of applicable tax rates)		2200-AN
	Up to P600,000.00	4%	
	Over P600,000.00 to P1,000,000.00	10%	
	Over P1,000,000.00 to P4,000,000.00	20%	
	Over P4,000,000.00	50%	
<b>XG068</b>	Purely electric hybrid vehicles	Exempt	2200-AN
<b>XG055</b>	Pick-ups	Exempt	2200-AN
<b>XC010</b>	Performance of services on invasive cosmetic procedures	5%	2200-C/ 0605

*(Revenue Memorandum Order No. 29-2018, 3 July 2018)*

### **Policy on processing claims for refund of CGT or CWT**

In case of erroneous payment of capital gains tax (CGT) or creditable withholding tax (CWT), the processing of claims for refund and the issuance of corresponding electronic Letters of Authority (eLA) shall now be under the Revenue District Office (RDO) having jurisdiction over the place where the subject property is located, whether or not the claimant is its registered taxpayer.

*(Revenue Memorandum Order No. 30-2018, 10 July 2018)*

### **Creation of ATC for petroleum products**

The BIR created the following ATCs to facilitate the proper identification and monitoring of tax collection from excise tax on petroleum products pursuant to the implementation of RA 10963, otherwise known as the TRAIN Law:

<b>ATC</b>	<b>Description</b>	<b>Tax Rate</b>	<b>BIR Form</b>
<b>XP220</b>	Additives for lubricating oils and greases		2200-P
	Effective 1 January 2018	8%	
	Effective 1 January 2019	9%	
	Effective 1 January 2020	10%	

*(Revenue Memorandum Order No. 31-2018, 10 July 2018)*

## **Prescribes the audit/investigation of individual and non-individual taxpayers by the Regional Assessment Divisions**

This Revenue Memorandum Order (RMO) is issued to improve compliance of taxpayers and to generate additional revenues through an audit to be conducted by Revenue Officers (ROs) of the Office Audit Section (OAS) of the Assessment Divisions in the Regional Offices.

eLAs shall be issued to cover the audit/investigation of taxpayers for tax returns for taxable year 2017 under the jurisdiction of the Regional Office with gross sales/receipts as follows:

<b>Revenue Region Nos.</b>	<b>Gross Sales/Receipts</b>
5, 6, 7 and 8	P10,000,000.00 and below
1, 4, 9A, 9B, 11, 12, 13, 16 and 19	P5,000,000.00 and below
2, 3, 10, 14, 15, 17 and 18	P2,000,000.00 and below

One eLA shall be issued for each taxable year to include all internal revenue tax liabilities of the taxpayer, except when a specific tax type was previously examined (e.g., audit of value-added tax under the VAT Audit Program and claim for issuance of VAT refund/Tax Credit Certificate [TCC]). Under such instances, the phrase "All internal revenue tax liabilities, except VAT" shall be indicated in the eLA. However, this RMO excludes claims for issuance of tax refund/TCC of taxpayers.

*(Revenue Memorandum Order No. 32-2018, 11 July 2018)*

### **Policies and procedures in the issuance of ATCA**

The BIR issued the following revised policies and procedures in the issuance of Authority to Cancel Assessment (ATCA).

The ATCA is issued as proof of cancellation of assessments with issued Final Assessment Notice (FAN)/Formal Letter of Demand (FLD), which were recorded in Form 40.00 (Protested)/Accounts Receivables/Delinquent Accounts (AR/DA) case/s of concerned delinquent taxpayers due to any of the following instances:

- a. The difference between the amounts of the original tax assessment and the reduced tax assessment after the originally issued FAN/FLD has been modified, amended, or declared "null and void" covered by a final administrative decision by the Commissioner or his duly authorized revenue official as shown in the Final Decision on Disputed Assessment (FDDA) duly numbered for monitoring and tracking purposes, after the conduct of review/evaluation/reconsideration of the factual and/or legal bases raised in its protest/appeal/motion for reconsideration, therefor, as defined under Revenue Regulations (RR) No. 12-99 as amended by RR Nos. 18-2013 and 7-2018;
- b. The final approval of the corresponding application for compromise settlement and abatement or cancellation of penalties pursuant to Section 204(a) of the National Internal Revenue Code of 1997, as amended (Tax Code), and its implementing regulations;
- c. The decision by the competent court/s where the assessment was either modified, amended, or declared "null and void" with finality as shown in the entry of judgment;
- d. A competent court's declaration in a final and executory judgment that the AR/DA case is uncollectible due to insolvency;

- e. Taxpayer's availment of tax amnesty and inclusion in the List of the Tax Amnesty Availers provided by the Office of the Commissioner or Deputy Commissioner, Operations Group;
- f. Condonation of the assessment by virtue of law, provided the required documentations thereon have been submitted, evaluated and, thereafter, approved by the Commissioner or his authorized Revenue Official;
- g. When the right of the government to assess/collect the corresponding deficiency/delinquent taxes has prescribed in accordance with Sections 203 and 222 of the Tax Code and the cancellation due to the aforesaid reason has been approved by the Commissioner based on the recommendation of the National Committee on Prescribed Cases that was created for this purpose;
- h. AR/DA case/s that are recommended for write-off and approved by the Commissioner of Internal Revenue (CIR) or his duly authorized representative on the grounds such as but not limited to the following:
  - i. Individual taxpayer is deceased and no distrainable or leviable asset could be found
  - ii. Permanent cessation of business
  - iii. Dissolution
  - iv. Taxpayer is a general partnership and the individual partners are already deceased
  - v. R/DA case/s with a total amount due of P20,000.00 and below, provided that all collection enforcement summary remedies have been fully exhausted
- i. Such other meritorious cases that the Commissioner may deem necessary to be covered by ATCA

Based on the prescribed matrix on the preparation of ATCA, the ATCA shall be prepared and signed by the recommending revenue official within 15 working days from the receipt of the tax docket. Each tax case recommended for partial/full cancellation shall be approved/acted upon by the concerned approving revenue official within seven working days from receipt of the docket of the case.

*(Revenue Memorandum Order No. 33-2018, 12 July 2018)*

### **Effectivity of Philippines-Mexico Tax Treaty**

*The Agreement between the Government of the Republic of the Philippines and the Government of the United Mexican States for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion entered into force on 18 April 2018.*

Article 29 (Entry into Force) of the Agreement provides that it shall have effect, in respect of taxes withheld at source, to income paid or credited on or after the first day of January in the calendar year following that in which the Agreement entered into force, and in respect of other taxes, for any taxable year beginning on or after the first day of January in the calendar year following that in which the Agreement entered into force. Accordingly, the Agreement shall have effect on income arising in the Philippines beginning 1 January 2019.

*(Revenue Memorandum Circular No. 58-2018, 3 July 2018)*

## Clarification on the requirements on the withdrawal from the bank deposit account/s of a deceased depositor/joint depositor

The BIR issued the following clarifications on the requirements on the withdrawal from the bank deposit account/s of a deceased depositor/joint depositor without the required electronic Certificate Authorizing Registration (eCAR):

1. The executor, administrator, or any of the legal heir/s of a decedent who, prior to death, maintained bank deposit/s may be allowed withdrawal from the said bank deposit account/s within one year from the date of death of the depositor/joint depositor, but the amount withdrawn shall be subject to 6% final withholding tax.
2. For joint accounts, the final withholding tax shall be based on the share of the decedent in the joint bank deposit/s.
3. Prior to such withdrawal, the bank shall require the executor, administrator, or any of the legal heir/s withdrawing from the deposit account to present a copy of the Tax Identification Number (TIN) of the estate of the decedent and BIR Form 1904 of the estate, duly stamped received by the concerned RDO of the BIR in accordance with the existing guidelines on the issuance of TIN.
4. The bank shall issue the corresponding BIR Form 2306 certifying the withholding of 6% final tax, file the prescribed quarterly return on the final tax withheld, and remit the same on or before the last day of the month following the close of the quarter during which the withholding was made.
5. All withdrawal slips to be used for purposes of implementing Section 27 of the TRAIN Law shall contain the following terms and conditions:
  - a. A sworn statement by any one of the surviving joint depositor/s to the effect that all the other joint depositor/s is/are still living at the time of withdrawal; and
  - b. A statement that the withdrawal is subject to 6% final withholding tax.

Bank deposits already declared for estate tax purposes and indicated in the eCAR issued by the concerned RDO to the executor, administrator, or any of the legal heir/s of the decedent, presented to the bank for withdrawal of the said bank deposit/s, shall no longer be subject to the 6% final withholding tax.

*(Revenue Memorandum Circular No. 62-2018, 10 July 2018)*

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