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**Philippines – Tax
Compliance: Forms,
Deadlines, and Penalties**

by Tax Group of Manabat
Sanagustin & Co. CPAs, Manila
(Manabat Sanagustin & Co.,
CPAs in the Philippines is a
KPMG International member
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flash International Executive Alert

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In this *Flash International Executive Alert*, we highlight some important recent developments related to individual income tax compliance in the Philippines.

Penalties Arising From One-day Late Filing of Returns Cannot Be Abated

The Bureau of Inland Revenue (BIR) has issued Revenue Regulations (RR) No. 4-2012, which further amends RR No. 13-2001 (regulations on the abatement or cancellation of national internal revenue tax liabilities).

Section 2.6.1 of RR No. 13-2001 provides that penalties and/or interest arising from a "one day late" filing and payment of taxes due to a failure to make the bank cut-off time can be abated. RR No. 4-2012 amends RR No. 13-2001 by deleting said Section 2.6.1.

In this case, failure to make the bank cut-off time will no longer be considered as a reason for abatement of penalties and/or interest, arising from a one-day late payment.

These regulations will take effect on April 14, 2012.

April 16 ITR Filing Deadline and Other Matters

The BIR has issued Revenue Memorandum Circular (RMC) No. 15-2012, which provides for the additional instructions for the use of taxable year 2011 individual tax returns (ITRs) and their attachments, as prescribed under RR No. 19-2011.

Salient points of the RMC include:

- 1 Non-Electronic Filing and Payment System ("eFPS") taxpayers shall file the enhanced ITR forms manually with the duly designated Authorized Agent Bank (AAB)/Revenue District Office (RDO)/Revenue Collection Officers (RCO).
- 2 For eFPS taxpayers, filing of the ITRs shall be done as follows:
 - If with payment, the taxpayer shall use the eFPS facility, following the procedures in Annex A of the RMC;
 - If without payment, the taxpayer shall use the BIR e-mail facility, following the procedures in Annex B of the RMC.
- 3 For eFPS taxpayers, the specified accompanying schedules and attachments (*i.e.*, Financial Statements, Statement of Management Responsibility, BIR Form 2307, *etc.*) may still be filed with the concerned Large Taxpayers office/RDO where they are registered within fifteen (15) days after the manual filing of the return.

Together with the said schedule/s and attachments, the taxpayers shall also submit the duly accomplished signed hardcopy of the ITR interactive form attached when making their initial filing.

- 4 For purposes of determining when the returns are filed, the date shall be when the initial e-filing was duly accomplished.
- 5 As previously stated in RMC No. 10-2012, immediately upon the availability of the new ITR forms in the BIR's eFPS facility, all eFPS taxpayers are required to electronically file (e-file) the contents of the manually filed ITRs:
 - If the enhanced forms are available on or before the April 16, 2012 deadline – eFPS filers shall e-file the contents of the previously filed ITR on or before April 16, 2012; or
 - If the enhanced forms are available after the April 16, 2012 deadline – eFPS filers shall e-file the contents of the previously filed ITR within ten (10) days from the announcement of the eFPS availability via the BIR Web site.

RMC No. 40-2011 Dated September 2011

BIR Issues New Income Tax Forms

Income tax filing starting and covering taxable year 2011 due for filing on or before April 16, 2012, are required to use the following new income tax returns (version June 2011):

1. BIR Form 1700 (Annual Income Tax Return for Individuals Earning Purely Compensation Income);
2. BIR Form 1701 (Annual Income Tax Return for Self-Employed Individuals, Estates and Trusts); and
3. BIR Form 1702 (Annual Income Tax Return for Corporation, Partnership and Other Non-Individual Taxpayer).

For all juridical entities under fiscal year of reporting, they are required to use the new BIR Form 1702 starting with those covered by fiscal year ending January 31, 2012.

For the new BIR Forms No. 1700 and 1701, these include a 'Part IV' requiring disclosure of income subjected to final tax and income exempt from income tax.

Details Applicable to BIR Form No. 1700

For BIR Form 1700, please note that the Guidelines and Instructions provide that the following individuals are not required to file this return:

1. An individual whose gross compensation income does not exceed his total personal and additional exemptions.
2. An individual earning purely compensation income and the income tax of which has been correctly withheld (tax due equals tax withheld). However, individuals with two or more employers at any time during the year shall file an income tax return.

3. An individual whose income has been subjected to final withholding tax (*i.e.*, alien employee as well as Filipino employee occupying the same position as that of the alien employee of regional or area headquarters and regional operating headquarters of multinational companies, petroleum service contractors and sub-contractors, and offshore banking units; nonresident alien not engaged in trade or business).

4. A minimum wage earner and an individual who is exempt from income tax.

Individuals not required to file BIR Form 1700 or those qualified for substituted filing may voluntarily file this return for purposes of loans, foreign travel requirements, and for other purposes they may deem proper.

Individuals, other than those solely earning income as overseas Filipino workers (OFWs) as defined in RR No. 1-2011, availing of the benefits of a special law such as the Personal Equity and Retirement Account PERA law, are required to file their income tax returns.

Details Applicable to BIR Form No. 1701

This return shall be filed by the following individual regardless of amount of gross income:

1. A resident citizen engaged in a trade, business, or practice of a profession within and without the Philippines;
2. A resident alien, nonresident citizen, or nonresident alien individual not engaged in a trade, business, or practice of a profession within the Philippines;
3. A trustee of a trust, guardian of minor, executor or administrator of an estate, or any person acting in any fiduciary capacity for any person, where such trust, estate, minor, or person is engaged in a trade or business; and
4. An individual engaged in a trade or business or in the exercise of his or her profession and receiving compensation income as well.

All individuals, estates and trusts above who are required to file BIR Form No. 1701, should also fill up Part VIII of said return which pertains to income subject to final tax and those exclusions from gross income.

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For additional information or assistance, please contact your local IES professional or one of the following professionals with the KPMG International member firm in the Philippines:

Herminigildo G Murakami with Manabat Sanagustin & Co. in the Philippines (tel. +6328857000 ext. 418 or hmurakami@kpmg.com)

Sheryl Mae A. Vegilla with Manabat Sanagustin & Co. in the Philippines (tel. +6328857000 ext. 470 or svegilla@kpmg.com)

The information contained in this newsletter was submitted by the KPMG International member firm in the Philippines. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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