

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

March 26, 2003

REVENUE REGULATIONS NO. 14-2003

SUBJECT : Amending Revenue Regulations No. 2-98, as amended, in order to simplify the collection of tax, through withholding at the source, on sales of goods or services subject to the 3% percentage tax under Section 116 of the Code, and/or to the value-added tax (VAT) under Sections 106 and 108 of the same Code.

TO : All Internal Revenue Officers and Others Concerned.

SECTION 1. SCOPE. - Pursuant to the provisions of Section 244 of the National Internal Revenue Code of 1997 (Code), these Regulations are hereby promulgated in order to simplify, streamline and make more efficient the collection of the percentage tax or the VAT on the sale of goods which for this purpose includes properties, or on the payment for the services performed by persons subject to the 3% percentage tax under Section 116 of the Code or by persons subject to VAT under Sections 106 and 108 of the same Code, respectively, through withholding of the tax at the source, pursuant to Sections 128 (A) (3) and 245 (g), (i), and (j) in relation to Sections 106, 108 and 116 of the said Code, the pertinent portions of which provide:

“SECTION 128. Returns and Payment of Percentage Taxes. –

(A) Returns of Gross Sales, Receipts or Earnings and Payment of Tax-

(1) xxx xxx xxx.

(2) xxx xxx xxx

“(3) Exceptions. – The Commissioner may, by rules and regulations, prescribe:

“(a) The time for filing the return at intervals other than the time prescribed in the preceding paragraphs for a particular class or classes of taxpayers after considering such factors as volume of sales, financial condition, adequate measures of security, and such other relevant information required to be submitted under the pertinent provisions of this Code; and

“(b) The manner and time of payment of percentage taxes other than as hereinabove prescribed, including a scheme of tax prepayment.

“xxx xxx xxx”

“SECTION 245. Specific Provisions to be Contained in Rules and Regulations. - The rules and regulations of the Bureau of Internal Revenue shall, among other things, contain provisions specifying, prescribing or defining:

“(a) xxx xxx xxx.”

“(g) The manner in which revenue shall be collected and paid, the instrument, document or object to which revenue stamps shall be affixed, the mode of cancellation of the same, the manner in which the proper books, records, invoices and other papers shall be kept and entries therein made by the person subject to the tax, as well as the manner in which licenses and stamps shall be gathered up and returned after serving their purposes;

“(h) xxx xxx xxx.”

“(i) The manner in which tax returns, information and reports shall be prepared and reported and the tax collected and paid, as well as the conditions under which evidence of payment shall be furnished the taxpayer, and the preparation and publication of tax statistics;

“(j) The manner in which internal revenue taxes, such as income tax, including withholding tax, estate and donor’s taxes, value-added tax, other percentage taxes, excise tax and documentary stamp taxes shall be paid through the collection officers of the Bureau of Internal Revenue or through duly authorized agent banks which are hereby deputized to receive payments of such taxes and returns, papers and statements that may be filed by taxpayers in connection with the payment of the tax: xxx xxx xxx

“xxx xxx xxx.”

SEC. 2. WITHHOLDING OF PERCENTAGE TAX. - An additional section is hereby appended to Revenue Regulations No. 2-98, as last amended by Revenue Regulations No. 14-2002, for the withholding of the 3% percentage tax by certain persons, natural or juridical, on their purchases of goods and/or payments for the services acquired in the course of trade or business and performed by persons subject to the 3% percentage tax under Section 116 of the Code, to read as follows:

“SEC. 5.128. Withholding Of Percentage Tax On Purchases of Goods and/or Payments for Services Acquired in the Course of Trade or Business and Rendered By Persons Subject to the 3% Percentage Tax Pursuant to Section 116 of the Code. -

“(A) Persons Required To Withhold The Percentage Tax. -

In general, any person, natural or juridical, with respect to his/its purchase of goods or payments for purchase of services not arising from or incident to an employer-employee relationship but made in the course of trade or business (including exercise of profession or calling), from Non-VAT registered persons subject to the 3% percentage tax under Section 116 of the Code [i.e., those whose gross annual sales, for sale of goods, or gross annual receipts, for sale of services, do not exceed five hundred fifty thousand pesos (P550,000.00), and who do not opt to be registered as VAT taxpayers and, therefore, chose to be registered as non-VAT persons pursuant to Section 236 (I) of the Code], shall be subject to a percentage tax withholding at source at the rate of three percent (3%), based on the payee’s gross sales/receipts, pursuant to Section 116, in relation to Sections 128 and 245 (g), (i) and (j) of the Code if the taxpayer-payee opts to remit his percentage tax through the withholding and remittance of the same by the withholding agent-payor which option is manifested by filing the “Notice of Availment of the Option to Pay the Tax through the Withholding Process” (Annex E), copy-furnished the withholding agent-payor and the Revenue District Offices of both the payor and payee.

The percentage tax withheld shall be remitted by the withholding agent using BIR Form No. 1600 (Monthly Remittance Return of Value-added Tax and Other Percentage Taxes Withheld) to the appropriate collection agents [Accredited Agent Bank (AAB) or Revenue Collection Officer (RCO), whichever is applicable] of the Bureau of Internal Revenue (BIR). Such return serves as the withholding tax return of the payor-withholding agent and, likewise, serves as the substituted percentage tax return of the payee if the said income recipient-payee has only one payor from whom he generates his income and provided, further, that a “Notice of Availment of the Substituted Filing of Percentage Tax Return ” (Annex “A”) is filed with the Revenue District Office (RDO) where the income-recipient is registered or required to register (Home RDO). Such Notice of Availment shall state that the income recipient is a non-VAT taxpayer, having not opted to be covered by the VAT system, with actual annual gross sales (for sale of goods) or gross receipts (for sale of service), or expected annual gross sales/receipts (for new taxpayer) of not more than P550,000 from just one payor and that he is opting to file under the substituted filing of percentage tax return. A copy of the said Notice shall be furnished the lone payor of the income. Moreover, BIR Form No. 2306 (Certificate of Final Tax Withheld at Source-March 2003 version), duly signed by both the payor and the payee, shall be attached to the duly filed BIR Form No. 1600 and shall constitute as the authority given by the payee to the payor to file and consider the payor’s duly filed BIR Form 1600 as the substituted percentage tax return of the payee . The duly filed or stamped “Received” BIR Form 2306 shall serve the same purpose as the

percentage tax return (BIR Form 2551M) of the payee. Accordingly, a taxpayer availing of the Substituted Filing of Percentage Tax Return shall update his registration data with his Home RDO.

On the other hand, if the payee has more than one payors, the percentage tax withheld and remitted by the payor under BIR Form No. 1600 shall be treated as creditable tax by the payee when he files the monthly percentage tax return under BIR Form No. 2551M. The claimed tax credit shall be evidenced by BIR Form No. 2307 (Certificate of Creditable Tax Withheld at Source-March 2003 version) duly executed and signed by both the payor and the payee attesting to the correctness of the figures reflected therein. Since the percentage tax has already been withheld at source based on gross amount and remitted by the payors under BIR Form No. 1600, the Percentage Tax Return (BIR Form No. 2551M) to be filed by the payee which will not be reflecting any amount payable, shall just serve as a return consolidating all the transactions with all the payors which have already been subjected to withholding tax and which return (BIR Form No. 2551M) shall be filed directly with the appropriate BIR office without the need of passing through an Accredited Agent Bank(AAB) or Revenue Collection Officer (RCO). Nonetheless, in case the total amount of tax withheld by the payors who are engaged in business is incorrect or the payee has transactions with payors who are not engaged in business and therefore not obliged to withhold, the percentage tax return (BIR Form No. 2551M) of the payee which will be reflecting an amount payable shall be filed with the AAB or the RCO, in the absence of an AAB, of the Revenue District Office that has jurisdiction over the taxpayer-payee.

Provided, further that, if at any time of the year, the accumulated gross sales or gross receipts exceed P550,000, the income recipient-payee shall change its/his registration with the BIR from Non-VAT to VAT within one month from the close of the month when the threshold amount was reached. Such payee shall become VAT-registered taxpayer starting the first day of the month following the month of his VAT registration. Accordingly, notification to the payors of income shall be made with respect to such change in “taxpayer classification” of the payee. Change in the tax type and rate of withholding shall correspondingly be made by the income payor.

“(B) Returns And Payments Of Taxes Withheld. - Except in cases where the Commissioner otherwise permits, taxes deducted and withheld pursuant to this Section shall be remitted using the *Monthly Remittance Return of VAT and Other Percentage Taxes Withheld* (BIR Form 1600) in triplicate which return to be filed and the tax to be paid to the Authorized Agent Banks (AABs) under the jurisdiction of the Large Taxpayer’s Service including Large Taxpayer’s District Offices, in case of large taxpayer, or the AAB under the jurisdiction of the Revenue

District Office (RDO) where the withholding agent is located, in case of non-large taxpayer. In places where there is no AAB, the return shall be filed with and the tax paid directly to the Revenue Collection Officer (RCO) or the duly authorized Treasurer of the City or Municipality where the withholding agent is required to register. The required return shall be filed and payments made within ten (10) days following the end of the month the withholding was made or the withholding has accrued. If the withholding agent is enrolled in Electronic Filing and Payment System (EFPS), the filing of returns and payment of withholding taxes shall be in accordance with the rules and regulations governing EFPS.

“(C) Certificate Of Percentage Taxes Withheld. - The payor-withholding tax agent shall issue to the payee a *“Certificate of Final Tax Withheld at Source”* (BIR Form No. 2306) for the 3% final percentage tax withheld, to be accomplished in quadruplicate, two copies of which shall be given to the Payee within ten (10) days following the end of the month the withholding was made, one copy of the Certificate shall be the file copy of the withholding agent and the last copy shall be attached to the filed BIR Form No. 1600. The Certificate (BIR Form No. 2306) to be issued by the withholding agent shall be signed by both the withholding agent and the payee attesting to the correctness and accuracy of the information contained therein and likewise stating that it serves as the authority given by the payee to the payor to file and consider the payor’s duly filed BIR Form 1600 as the substituted percentage tax return of the payee for a payee with only one payor. BIR Form No. 2307 (Certificate of Creditable Tax Withheld at Source) is the certificate that should be issued to the payee by the payor if the payee has several other payors as signified by such payee. Such Certificate shall be issued in quadruplicate, two copies to be issued to the payee for attachment to the Percentage Tax Return (BIR Form No. 2551M) to be filed by the payee consolidating all its/his taxable transactions for the month, one copy to be attached by the payor to the filed BIR Form No. 1600 and one copy serves as the file copy of the payor.

“(D) Substituted Percentage Tax Return. - In the case of sale of goods or services by persons subject to 3% percentage tax under Section 116 of the Code, whose gross sales or receipts have already been subjected to the withholding of the 3% percentage tax by the lone payor, the payee shall no longer be required to file the monthly percentage tax return (BIR Form No. 2551 M) with respect to such receipts. The BIR Form No. 1600 duly filed by the payor serves as the substituted return of the payee with lone payor provided that the BIR Form No. 2306 duly executed and signed by both the payor and the payee is attached to the filed BIR Form No. 1600.

“(E) Regular Percentage Tax Return- Payees with several payors are still required to file the regular percentage tax return reflecting

therein the consolidated total of all the taxable transactions for the taxable period and applying as tax credit the taxes withheld by several payors evidenced by the duly issued BIR Form No. 2307 which must be attached to the Percentage Tax Return (BIR Form No. 2551M). If all the transactions reflected/consolidated in the Percentage Tax Return (BIR Form No. 2551M) are with several payors who are engaged in business and therefore have been subjected to the 3% withholding tax, the Percentage Tax Return will no longer reflect any tax payable but will just be a simple consolidation of all the taxable transactions for a given taxable period which may be filed directly with the appropriate BIR office and thus need not pass through any AAB or collecting RCO. Nonetheless, in case the total amount of tax withheld by the payors who are engaged in business is incorrect or the payee has transactions with payors who are not engaged in business and therefore not obliged to withhold the tax, the percentage tax return (BIR Form No. 2551M) of the payee which will be reflecting an amount payable shall be filed with the AAB or the RCO, in the absence of an AAB, of the Revenue District Office that has jurisdiction over the taxpayer-payee.

“(F) Substituted Official Receipt. - For sellers of services whose gross receipts have been subjected to the withholding of the 3% percentage tax, they shall be exempted from the obligation of issuing duly registered non-VAT receipts covering their receipt of payments for services sold. In lieu thereof, the issued *“Certificate of Final Tax Withheld at Source”* (BIR Form No. 2306), for payee with just one payor, or *“Certificate of Creditable Tax Withheld at Source”* (BIR Form No. 2307), for payee with several payors, shall be constituted and treated as the *substituted official receipt*, pursuant to the provisions of Section 237 of the Code, the pertinent portion of which provides:

“SEC. 237. Issuance of Receipts or Sales or Commercial Invoices. - xxx xxx xxx.

“The Commissioner may, in meritorious cases, exempt any person subject to an internal revenue tax from compliance with the provisions of this Section.”

“(G) The Option to Remit the Tax under the Withholding Tax System and the Option to Avail of the Substituted Filing of the Percentage Tax Return.- The option to remit the Percentage Tax under the withholding system once chosen remains as the manner of remitting the tax unless said option is cancelled by the payee (Annex F). Meanwhile, the option to file under the Substituted Filing of the Percentage Tax Return allowed to a payee with just one payor in a given taxable year shall continue to apply to subsequent taxable years until such time that the taxpayer-payee files the *“Notice of Cancellation of Availment of the Substituted Filing of Return”* (Annex D) not later than the 10th day of the

month following the close of taxpayer's taxable year which shall automatically revert said taxpayer to the status of taxpayers filing the returns under the regular filing procedures. If within the taxable year, an additional client or customer comes in, the taxpayer-payee shall immediately file the 'Notice of Cancellation of Availment of the Substituted filing of Returns'."

SEC. 3. WITHHOLDING OF VAT ON THE SALE OF GOODS AND SERVICES. - An additional Section is hereby appended to Revenue Regulations No. 2-98, as amended, for the withholding of VAT by certain persons, natural or juridical, on purchase of goods and/or on payments for services acquired in the course of trade or business and performed by persons subject to VAT pursuant to Sections 106 and 108 of the Code.

“SEC. 9.245. Withholding of VAT on Purchase of Goods and/or on Payments for Services Acquired in the Course of Trade or Business and Rendered by Persons Subject to VAT Pursuant to Sections 106 and 108 of the Code. -

“(A) Persons Required To Withhold The Value-Added Tax.
- In general, any person, natural or juridical, with respect to his/its purchase of goods or payments for purchase of services not arising from or incident to an employer-employee relationship but made in the course of trade or business (including exercise of profession or calling), from VAT registered persons subject to value-added tax under Sections 106 and 108 of the Code, shall be subject to VAT withholding at source at the rate of ten percent (10%), based on the payee's gross sales/receipts, pursuant to Sections 106 and 108 in relation to Section 245 (g), (i) and (j) of the Code, provided that the payee has executed the “Waiver of the Privilege to Claim Input Tax Credits” (Annex C) and opted to remit the VAT through the withholding and remittance of the same by the withholding agent-payor by likewise executing the “Notice of Availment of the Option to Pay the Tax through the Withholding Process” (Annex E), which waiver and notice are copy-furnished the payor-withholding agent and the RDOs of both the payors and the payee.

The VAT withheld shall be remitted by the withholding agent using BIR Form 1600 (Monthly Remittance Return of Value-added Tax and Other Percentage Taxes Withheld) to the appropriate collection agents [Accredited Agent Bank (AAB) or Revenue Collection Officer (RCO), whichever is applicable] of the Bureau of Internal Revenue (BIR). Such return serves as the withholding tax return of the payor-withholding agent and at the same time, likewise, serves as the substituted VAT return of the payee if the said income recipient-payee has only one payor from whom he generates his income and provided, further, that a “Notice of Availment of the Substituted Filing of VAT Return” (Annex “B”) is filed with the RDO where the income-recipient is registered or required to

register (Home RDO). Such Notice of Availment shall state that the income recipient is a VAT-registered taxpayer with gross sales (for sale of goods) or gross receipts (for sale of service) for the whole year coming from just one payor and that he is opting to file under the substituted filing of VAT return having waived the privilege to claim VAT input credits . Copy of the said Notice must be furnished the lone payor of the income and the RDOs of both the payors and the payee. Upon receipt of the said Notice, the payor is mandatorily required to withhold the 10% VAT on the income payment to the payee and shall remit the same to the appropriate collection agents (AAB or RCO, whichever is applicable) of the BIR. Moreover, BIR Form No. 2306 (Certificate of Final Tax Withheld at Source-March 2003 version) duly signed by both the payor and the payee attesting to the accuracy of the figures stated therein shall be attached to BIR Form No. 1600 filed with the BIR and shall constitute as the authority given by the payee to the payor to file and consider the payor's duly filed BIR Form 1600 as the substituted VAT return of the payee. The duly filed and stamped "Received" BIR Form 2306 shall serve the same purpose as the VAT return (BIR Form 2550Q) of the payee. Moreover, taxpayer availing of the Substituted Filing of VAT Return shall update his registration data with his Home RDO.

On the other hand, even if the payee has more than one payors but has executed the "Waiver of the Privilege to Claim VAT Input Tax Credits" (Annex C), and the "Notice of Availment of the Option to Pay the Tax through the Withholding Process" (Annex E), copy-furnished the payors, the RDOs of both the payors and the payee, said payors are mandatorily required to withhold the 10% VAT which value-added tax shall be withheld and remitted by the payor using BIR Form No. 1600. Under this instance, the VAT withheld shall be treated as creditable tax by the payee when he files the quarterly value-added tax return under BIR Form No. 2550Q. The claimed tax credit shall be evidenced by BIR Form No. 2307 (Certificate of Creditable Tax Withheld at Source-March 2003 version) duly executed and signed by both the payor and the payee attesting to the correctness of the figures reflected therein. Since the value-added tax has already been withheld at source based on gross amount in pursuance of the waiver of the right to claim input VAT (Annex C) executed by the payee and remitted by the payors under BIR Form No. 1600, the Value-added Tax Return (BIR Form No. 2550Q) to be filed by the payee which will not be reflecting any amount payable shall just serve as a return consolidating all the transactions with all the payors which have already been subjected to withholding tax and which return shall be filed directly with the appropriate BIR office without the need of passing through an Accredited Agent Bank(AAB) or Revenue Collection Officer (RCO). Considering that under an instance where all the payors who are engaged in business have already withheld and remitted the 10% VAT as withholding agents of the payee the latter will no longer be remitting any single amount of tax, the requirement of filing the monthly VAT

Declaration (BIR Form No. 2550M) by the payee shall be dispensed with. Nonetheless, in case the total amount of tax withheld by the payors who are engaged in business is incorrect or the payee has transactions with payors who are not engaged in business and therefore not obliged to withhold the tax, the monthly VAT Declaration (BIR Form No. 2550M) and the quarterly VAT Return (BIR Form No. 2550Q) of the payee which will be reflecting an amount payable shall still be filed with the AAB or the RCO, in the absence of an AAB, of the Revenue District Office that has jurisdiction over the taxpayer-payee.

“(B) Returns And Payments Of Taxes Withheld. - Except in cases where the Commissioner otherwise permits, taxes deducted and withheld pursuant to this Section shall be remitted using the *Monthly Remittance Return of VAT and Other Percentage Taxes Withheld* (BIR Form 1600) in triplicate which return to be filed and the tax to be paid to Authorized Agent Banks (AABs) under the jurisdiction of the Large Taxpayer’s Service including Large Taxpayer’s District Office, in case of large taxpayer, or the AAB under the jurisdiction of the Revenue District Office (RDO) where the withholding agent is located, in case of non-large taxpayer. In places where there is no AAB, the return shall be filed with and the tax paid directly to the Revenue Collection Officer (RCO) or the duly authorized Treasurer of the City or Municipality where the withholding agent is required to register. The required return shall be filed and payments made within ten (10) days following the end of the month the withholding was made or the withholding has accrued. If the withholding agent is enrolled in Electronic Filing and Payment System (EFPS), the filing of returns and payment of withholding taxes shall be in accordance with the rules and regulations governing EFPS.

“(C) Certificate Of VAT Withheld. - The payor-withholding agent shall issue to the payee a *“Certificate of Final Tax Withheld at Source”* (BIR Form No. 2306) for the 10% final VAT withheld, for payee with just one payor, or the *“Certificate of Creditable Tax Withheld at Source”* (BIR Form No. 2307), for payee with several payors, to be accomplished in quadruplicate, two copies of which shall be given to the Payee within ten (10) days following the end of the month the withholding was made, one copy shall be attached to BIR Form No. 1600 duly filed by the payor and the fourth copy of the Certificate shall be the file copy of the withholding agent. The Certificate (BIR Form No. 2306) to be issued by the withholding agent shall be signed by both the withholding agent and the payee attesting to the correctness and accuracy of the information contained therein and likewise stating that it serves as the authority given by the payee to the payor to file and consider the payor’s duly filed BIR Form 1600 as the substituted VAT return of the payee for payee with only one payor. BIR Form No. 2307 (Certificate of Creditable Tax Withheld at Source) is the certificate that should be issued to the payee by the payor if payee has several other payors as signified by such payee. Such Certificate

shall be signed by both the withholding agent and the payee attesting to the correctness and accuracy of the information contained therein and shall be issued in quadruplicate, two copies to be given to the payee for attachment to the Value-added Tax Return (BIR Form No. 2550Q) to be filed by the payee consolidating all its/his taxable transactions for the quarter, one copy to be attached to the filed BIR Form No. 1600 of the payor and one copy serves as the payor's file copy .

“(D) Substituted VAT Return. - In the case of sale of goods or services by persons subject to 10% VAT under Sections 106 and 108 of the Code, whose gross sales or receipts have already been subjected to the 10% final VAT by the lone payor, the payee shall no longer be required to file the monthly VAT declarations (BIR Form No. 2550 M) and quarterly VAT returns (BIR Form No. 2550 Q) with respect to such receipts. The BIR Form No. 1600 duly filed by the payor serves as the substituted return of the payee with lone payor provided that the BIR Form No. 2306 duly executed and signed by both the payor and the payee is attached to the filed BIR Form No. 1600.

“(E) Regular Value-added Tax Return- Payees with several payors are still required to file the regular value-added tax return reflecting therein the consolidated total of all the taxable transactions for the taxable period and applying as tax credit the taxes withheld by several payors evidenced by the duly issued BIR Form No. 2307 which must be attached to the Value-added Tax Return (BIR Form No. 2550Q). If all the transactions are with several payors who are engaged in business and therefore have been subjected to the 10% withholding tax, the Value-added Tax Return will no longer reflect any tax payable but will just be a simple consolidation of all the taxable transactions for a given taxable period which may be filed directly with the appropriate BIR office and thus need not pass through any AAB or collecting RCO.

In case of a payee whose all transactions are with payors who are engaged in business and who have subjected the transactions to the withholding of the 10% VAT, the payee is no longer required to file the monthly VAT Declaration (BIR Form No. 2550M).

Nonetheless, in case the total amount of tax withheld by the payors who are engaged in business is incorrect or the payee has transactions with payors who are not engaged in business and therefore not obliged to withhold the tax, the Monthly Value-added Tax Declaration (BIR Form No. 2550M) and the Quarterly Value-added Tax Return (BIR Form No. 2550Q) of the payee which will be reflecting an amount payable shall be filed with the AAB or the RCO, in the absence of an AAB, of the Revenue District Office that has jurisdiction over the taxpayer-payee.

“(F) Substituted Official Receipt. - For sellers of services whose gross receipts have been subjected to 10% final VAT, they shall be exempted from the obligation of issuing duly registered VAT official receipts covering their receipt of payments for services sold. In lieu thereof, the issued *“Certificate of Final Tax Withheld at Source”* (BIR Form No. 2306), for payee with one payor, or the *“Certificate of Creditable Tax Withheld at Source”* (BIR Form No. 2307), for payee with several payors, shall be constituted and treated as the *substituted official receipt*, pursuant to the provisions of Section 237 of the Code, the pertinent portion of which provides:

“SEC. 237. Issuance of Receipts or Sales or Commercial Invoices. - xxx xxx xxx.

“The Commissioner may, in meritorious cases, exempt any person subject to an internal revenue tax from compliance with the provisions of this Section.”

“(G) The Option to Remit the Tax under the Withholding Tax System and the Option to Avail of the Substituted Filing of the VAT Return.-The option to remit the VAT under the withholding system once chosen remains as the manner of remitting the tax unless said option is cancelled by the payee (Annex F). Meanwhile, the option to file under the Substituted Filing of the VAT Return allowed to payee with just one payor in a given taxable year shall continue to apply to subsequent taxable years until such time that the taxpayer-payee files the *“Notice of Cancellation of Availment of the Substituted Filing of Return”* (Annex D) not later than the 10th day of the month following the close of taxpayer’s taxable year which shall automatically revert said taxpayer to the status of taxpayers filing the returns under the regular filing procedures. If within the taxable year, an additional client or customer comes in, the taxpayer-payee shall immediately file the *‘Notice of Cancellation of Availment of the Substituted filing of Returns’.*”

SEC. 4 . QUARTERLY SUBMISSION OF SALES/PURCHASES. - VAT-registered sellers of goods or service covered by the provisions of these Regulations, regardless of whether or not they opted for the *“Substituted Filing of VAT Return”* shall still comply with the conditions set forth by Revenue Regulations No. 8-2002 regarding the quarterly submission of summary list of sales, summary list of domestic purchases and summary list of importation.

SEC. 5. PENALTY CLAUSE. - The additions to the tax and other penal sanctions prescribed under TITLE X of the Code and its implementing rules and regulations, shall be imposed, whichever is applicable, in case of violation of any of the provisions of these Regulations.

SEC. 6. REPEALING CLAUSE. - Any revenue issuance or any part thereof inconsistent with the provisions of these Regulations is hereby amended, modified or repealed accordingly.

SEC. 7. EFFECTIVITY. - These Regulations shall take effect fifteen (15) days after publication in the Official Gazette or in any newspaper of general circulation.

(Original Signed)
JOSE ISIDRO N. CAMACHO
Secretary of Finance

Recommending Approval:

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue

ANNEX "A"

BIR FORM NO. _____

Republic of the Philippines
Department of Finance
BUREAU OF INTERNAL REVENUE
Revenue Region No. ____
Revenue District Office No. ____

**NOTICE OF AVAILMENT OF THE SUBSTITUTED FILING OF
PERCENTAGE TAX RETURN**

Date _____

Name of Taxpayer _____

Address _____

Taxpayer Identification Number _____

Class of Profession or Calling/Business _____

CERTIFICATION

This is to certify that I am a NON-VAT registered person pursuant to the provisions of REVENUE REGULATIONS NO. ____; that, in accordance with the said Regulations, I have availed of the "Optional Registration under the 3% Final Percentage Tax Withholding, in lieu of the 3% Creditable Percentage Tax Withholding" System, in order to be entitled to the privileges accorded by the "Substituted Percentage Tax Return System" prescribed thereunder; that, this Declaration is sufficient authority of the Withholding Agent to withhold 3% Percentage Tax from payments to me on my sale of goods and/or services, in lieu of the said 3% Creditable Percentage Tax Withholding; and that, I have executed this Declaration under penalty of perjury pursuant to the provisions of Section 267, National Internal Revenue Code of 1997.

Taxpayer's Name and Signature

ANNEX "B"

BIR FORM NO. _____

Republic of the Philippines
Department of Finance
BUREAU OF INTERNAL REVENUE
Revenue Region No. ____
Revenue District Office No. ____

**NOTICE OF AVAILMENT OF THE SUBSTITUTED FILING OF
VALUE-ADDED TAX RETURN**

Date _____

Name of Taxpayer _____

Address _____

Taxpayer Identification Number _____

Class of Profession or Calling/Business _____

CERTIFICATION

This is to certify that I am a VAT-registered person pursuant to the provisions of REVENUE REGULATIONS NO. ____; that, in accordance with the said Regulations, I have availed of the "Optional Registration under the 10% Final VAT Withholding, in lieu of the 10% Creditable VAT withholding," in order to be entitled to the privileges accorded by the "Substituted VAT Return System" prescribed thereunder; that, this Declaration is sufficient authority of the withholding agent to withhold 10% VAT from payments to me on my sale of goods and/or services; that, I have executed this Declaration under penalty of perjury pursuant to the provisions of Section 267, National Internal Revenue Code of 1997.

Taxpayer's Name and Signature

ANNEX “C”

**SWORN DECLARATION AND WAIVER OF THE PRIVILEGE TO CLAIM
INPUT TAX CREDITS UNDER SECTION 110 OF THE TAX CODE**

In accordance with the provisions of Sections 106 and 108 of the National Internal Revenue Code of 1997, I hereby voluntarily depose and say:

1. That I am a VAT-registered seller of goods and/or service;
2. That I availed of the option to be taxed at 10% VAT;
3. That I hereby waive my right/privilege to claim input tax credits provided under Section 110 of the National Internal Revenue Code of 1997 that may be otherwise claimed against the output tax due on my sale of goods and/or services; and
4. That this waiver shall be effective until cancelled through the execution of a notice prepared for the purpose.

I hereby declare under penalties of perjury that the foregoing representations are true and correct and the waiver of right/privilege is voluntarily and knowingly made in accordance with the provisions of the National Internal Revenue Code of 1997.

Date

Name of Taxpayer

ANNEX "D"

BIR FORM NO. _____

Republic of the Philippines
Department of Finance
BUREAU OF INTERNAL REVENUE
Revenue Region No. ____
Revenue District Office No. ____

**NOTICE OF CANCELLATION OF AVAILMENT OF
THE SUBSTITUTED FILING OF PERCENTAGE TAX/VAT
RETURN**

Date _____

Name of Taxpayer _____

Address _____

Taxpayer Identification Number _____

Class of Profession or Calling/Business _____

Type of Registration [] VAT Taxpayer [] Non-VAT Taxpayer

CERTIFICATION

This is to certify that I am a Non-VAT/VAT -registered person pursuant to the provisions of REVENUE REGULATIONS NO. ____; that, in accordance with the said Regulations, I have availed of the "Optional Registration under the 3% final Percentage Tax on the Sale of Goods and/or Service /10% final VAT Withholding on the Sale of Goods and/or Service" in order to be entitled to the privileges accorded by the "Substituted Filing of Percentage Tax/VAT Return" prescribed thereunder; that, I am hereby cancelling and withdrawing my said NOTICE OF AVAILMENT OF THE SUBSTITUTED FILING OF PERCENTAGE TAX/VAT RETURN SYSTEM, effective _____, 200__; and that, I have executed this Declaration under penalty of perjury, pursuant to the provisions of Section 267, National Internal Revenue Code of 1997.

Taxpayer's Name and Signature

ANNEX "E"

BIR FORM NO. _____

Republic of the Philippines
Department of Finance
BUREAU OF INTERNAL REVENUE
Revenue Region No. ____
Revenue District Office No. ____

**NOTICE OF AVAILMENT OF THE OPTION TO PAY THE TAX
THROUGH THE WITHHOLDING PROCESS**

Date _____

Name of Taxpayer _____

Address _____

Taxpayer Identification Number _____

Class of Profession or Calling _____

CERTIFICATION

This is to certify that I am availing of the option to pay my percentage tax/VAT through the withholding process pursuant to the provisions of REVENUE REGULATIONS NO. ____; that, in accordance with the said Regulations and Revenue Regulations No. 2-98, as amended, gross receipts on account of my sale of goods/service shall be withheld at 3% Percentage Tax or 10% VAT, as the case may be, by the withholding agent-payor; that, such tax withheld shall be constituted as a final tax provided that my source of income comes only from one payor, otherwise, the same shall be considered creditable which shall be applied against the total percentage taxes/VAT due for the month when such tax was withheld; and that, I have executed this Declaration under penalty of perjury, pursuant to the provisions of Section 267, National Internal Revenue Code of 1997.

Taxpayer's Name and Signature

ANNEX "F"

BIR FORM NO. _____

Republic of the Philippines
Department of Finance
BUREAU OF INTERNAL REVENUE
Revenue Region No. ____
Revenue District Office No. ____

**NOTICE OF CANCELLATION OF AVAILMENT OF
THE OPTION TO PAY THE TAX
THROUGH THE WITHHOLDING PROCESS**

Date _____

Name of Taxpayer _____

Address _____

Taxpayer Identification Number _____

Class of Profession or Calling/Business _____

CERTIFICATION

This is to certify that in accordance with the REVENUE REGULATIONS NO.____, I have availed of the "Option To Pay The Tax Through The Withholding Process"; that, I am hereby cancelling and withdrawing my said NOTICE OF AVAILMENT TO PAY THE TAX THROUGH THE WITHHOLDING PROCESS effective _____, 200__; and that, I have executed this Declaration under penalty of perjury, pursuant to the provisions of Section 267, National Internal Revenue Code of 1997.

Taxpayer's Name and Signature