

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

December 1, 2005

REVENUE REGULATIONS NO. 2-2006

SUBJECT: Mandatory Attachments of the Summary Alphalist of Withholding Agents of Income Payments Subjected to Tax Withheld at Source (SAWT) to Tax Returns With Claimed Tax Credits due to Creditable Tax Withheld At Source and of the Monthly Alphalist of Payees (MAP) Whose Income Received Have Been Subjected to Withholding Tax to the Withholding Tax Remittance Return Filed by the Withholding Agent/Payor of Income Payments

TO: All Internal Revenue Officers and Others Concerned

BACKGROUND.

Under the creditable withholding tax system, taxes must be withheld on certain income payments the amount of which should at least approximate the tax due of the payee on the said income. The Withholding Agent/Payor is required to withhold and remit taxes withheld the details of which are declared in the appropriate tax return within the time prescribed by law. On the other hand, the payee/income recipient, upon declaration of income received or earned shall claim the corresponding creditable tax withheld in the filed return within the time prescribed by law for taxpayers to file return and claim tax credits. However, reports have been received by the Bureau of Internal Revenue that observance of these responsibilities is not yet in its desired stage, hence these Regulations are issued to help promote a better business environment by limiting BIR audits of returns with corresponding tax withheld at source to those without substantiation, and to secure government revenues by insuring observance of the withholding tax system.

Section 1. LEGAL BASES OF THE REQUIREMENTS. -Pursuant to Section 244 of the National Internal Revenue Code of 1997, in relation to Sections 6, 51 to 58, 65, 70, 74 to 83, 114, 128 and 245 of the same Code and to Revenue Regulations No. 2-98, as amended, these Regulations are hereby promulgated:

- a. to prescribe certain attachments to returns filed (SAWT/MAP);
- b. to provide the penalties and effect of non-compliance hereof; and
- c. to clarify other issues.

Section 2. MANDATORY SUBMISSION OF SUMMARY ALPHALIST OF WITHHOLDING AGENTS OF INCOME PAYMENTS SUBJECTED TO CREDITABLE WITHHOLDING TAXES (SAWT) BY THE PAYEE/INCOME RECIPIENT AND OF MONTHLY ALPHALIST OF PAYEES (MAP) SUBJECTED TO WITHHOLDING TAX BY THE WITHHOLDING AGENT/INCOME PAYOR AS ATTACHMENT TO THEIR FILED RETURNS.

A. Summary Alphalist of Withholding Agents of Income Payments Subjected to Withholding Tax (SAWT) and Monthly Alphalist of Payees (MAP) defined

Summary Alphalist of Withholding Agents/Payors of Income Payments subjected to Creditable Withholding Tax at Source (SAWT) Annex "A" is a consolidated alphalist of withholding agents from whom income was earned or received and subjected to withholding tax to be submitted **by the payee-recipient of income** as attachment to its duly filed return for a given period which Summary List contains a summary of information showing, among others, total amounts of income/gross sales/gross receipts and claimed tax credits taken from all Certificates of Creditable Withholding Tax at Source (BIR Form No. 2307) issued by the payors of income payment.

Monthly Alphalist of Payees (MAP) Annex "B" is a consolidated alphalist of income earners from whom taxes have been withheld **by the payor of income** for a given return period and in whose behalf, the taxes were remitted. It contains a summary of information on taxes withheld and remitted through the monthly remittance returns (BIR Form Nos. 1601-E, 1601-F, 1600,) showing, among others, total amounts of income/gross sales/gross receipts and taxes withheld and remitted.

B. Persons required to submit Summary Alphalist of Withholding Agents of Income Payments subjected to Withholding Taxes (SAWT)

1. All persons claiming refund or applying their creditable tax withheld at source against the tax due with not more than ten (10) withholding agents-payor of income payment per return period are strictly required to submit SAWT in hard copy as attachment to the required tax return;

2. All persons claiming for refund or applying their creditable tax withheld at source against the tax due with more than ten (10) withholding agents-payor of income payment per return period are strictly required to submit SAWT electronically in a 3.5 inch floppy diskette following the format to be prescribed by the BIR;

3. All taxpayers required to file thru the EFPS, regardless of the number of withholding agents/payor of income, are strictly required to attach the electronic copy of the SAWT to the electronic return.

C. Persons required to submit Monthly Alphalist of Payees (MAP)

1. All withholding agents enumerated under Sections 2.57.3, 4.114, 5.116 of Revenue Regulations No. 2-98, as amended, who are required to withhold and remit taxes withheld and have not more than ten income payees-income recipient per return period are strictly required to submit MAP in hard copy as attachment to the required return;

2. All withholding agents enumerated under Sections 2.57.3, 4.114, 5.116 of Revenue Regulations No. 2-98, as amended, who are required to withhold and remit taxes withheld and have more than ten (10) income payees- income recipient per return period are strictly required to submit MAP in electronic copy in a 3.5 inch floppy diskette following the format to be prescribed by the BIR;

3. All taxpayers remitting taxes withheld thru the EFPS, regardless of the number of income payees/income recipient, are strictly required to attach an electronic copy of the MAP to the electronic return.

D. Returns required to be filed with SAWT and Certificate of Creditable Tax Withheld at Source

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|-----------------------|---|
| 1. BIR Form No. 1701Q | Individual Quarterly Income Tax Return |
| 2. BIR Form No. 1701 | Individual Annual Income Tax Return |
| 3. BIR Form No. 1700 | Individual Annual Income Tax Return for Compensation income Earners (for those required to file an ITR) |
| 4. BIR Form No. 1702Q | Corporate Quarterly Income Tax Return |
| 5. BIR Form No. 1702 | Corporate Annual Income Tax Return |
| 6. BIR Form No. 2550Q | Quarterly VAT Return |
| 7. BIR Form No. 2550M | Monthly VAT Declaration |
| 8. BIR Form No. 2551M | Monthly Percentage Tax Return |
| 9. BIR Form No. 2553 | Percentage Tax Return under Special Laws |

The return with the attached SAWT & Certificate of Creditable Withholding Tax at Source shall be filed in three (3) copies to be distributed as follows:

- Original return with attached SAWT & original BIR Form No. 2307 - BIR copy
- Duplicate return with attached SAWT & copy of BIR Form No. 2307 - BIR copy
- Triplicate return with attached SAWT & copy of BIR Form No. 2307
- taxpayer's copy

The validation of e-filed returns shall ensure that the total amounts claimed as creditable tax withheld in the return must have the corresponding attached SAWT reflecting total amounts which is equal to the total amounts claimed as credits.

E. Returns required to be filed with MAP:

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|---|---------------------|---|
| 1 | BIR Form No. 1601-E | Monthly Remittance Return of Creditable Income Taxes Withheld (Expanded Withholding tax) |
| 2 | BIR Form No. 1601-F | Monthly Remittance Return of Final Taxes Withheld |
| 3 | BIR Form No. 1600 | Monthly Remittance Return of Value Added Tax and Other Percentage Taxes (Under RAs 1051, 4649, 8241 and 8424) |

The return with the attached MAP shall be filed in three (3) copies to be distributed as follows:

- Original copy of return with attached MAP - BIR copy
- Duplicate copy of return with attached MAP - BIR copy
- Triplicate copy of return with attached MAP - taxpayer's file copy

A withholding agent/payor may file a consolidated withholding tax return for the head office and all the branches or may file withholding tax returns separately for its head office and each branch and facility. For such decentralized way of filing tax return for the head office, branch or facility, one withholding tax return per tax type per return period shall be filed for each office. For purposes of such filing, a TIN with branch code shall be issued to the branch of the withholding agent/payor, which branch code must be indicated in the return so that remittance shall be posted accordingly. Such policy shall also apply to government agencies and instrumentalities, political subdivisions (provincial, city, municipal, barangay), government owned or controlled corporations for their respective branches, regional, provincial, district offices and implementing units where such reporting entity is using decentralized accounting.

For the centralized way of filing withholding tax returns, the head office of withholding agents/payors using centralized accounting (e.g., Large Taxpayers, etc.) shall file a consolidated withholding tax return per tax type per return period; Provided, however, that a withholding agent/payor enrolled under EFPS shall e-file the electronic copy of the MAP together with the return. The validation of such e-filed returns shall ensure that the total amount of taxes withheld and remitted must correspond to that reflected in the MAP.

F. Information that Must be Contained in the Summary Alphalist of Withholding Agents of Income Payments (SAWT) and Monthly Alphalist of Payees (MAP)

The SAWT as shown in Annex “A” and MAP as shown in Annex B”, must contain the following information:

1. Sequence Number
2. TIN including branch code of payor for SAWT or payee for MAP
3. Registered name of payor for SAWT or name of payee for MAP
4. Tax type
5. Period covered
6. Nature of income payment
7. Alphanumeric Tax Code (ATC)
8. Tax base or amount of income payment or gross sales or gross receipts, whichever is applicable
(net of VAT or exclusive of VAT for VAT registered taxpayers or Gross Income/gross sales/gross receipts for Non-VAT registered taxpayers)
9. Applicable rate
10. Amount of tax withheld
11. Total amount of income payment or gross sales or gross receipts, whichever is applicable
12. Total amount of tax withheld

G. Rules in the Presentation of the Required Information in the Summary Alphalist of Withholding Agents of Income Payments (SAWT) and Monthly Alphalist of Payees (MAP)

1. The payee/income recipient shall attach the SAWT to the return for purpose of claiming tax credits or refund. On the other hand, the withholding agent-income payor shall attach the MAP to the applicable withholding tax remittance returns;
2. The heading/caption for SAWT shall indicate, among others, the name of the payee/income recipient, trade name, address, TIN, branch code, tax type and the period covered by the return;
3. The heading/caption for MAP shall indicate, among others, the name of the withholding agent/payor, trade name, address, TIN, branch code (if applicable), tax type and period covered by the return;
4. The names of the withholding agents/payors or names of payees/income recipients, as the case may be, shall be alphabetically arranged and presented in the schedules with the nature of income payments, tax type, amount of tax base, amount of tax withheld;

5. Failure to indicate the TIN of the withholding agent/payor or the payee/income recipient, as the case may be, may be a ground for conducting an audit of the records of the payor, payee or both;
6. The nature of income payment, ATC and applicable rate should be clearly specified. If a payee has several ATCs, the same shall be grouped sequentially and arranged per taxpayer;
7. The SAWT shall reflect the transaction for each certificate issued by the withholding agent/payor on the claimed or applied credits in the applicable return by the payee/income recipient. The MAP shall reflect details per transaction or consolidated monthly transactions per payee/income recipient on the income payment and its corresponding withholding taxes;
8. The tax base or amount of income payment/gross sales/gross receipts shall be exclusive of VAT for VAT-registered taxpayers or Gross Income/Gross Sales/Gross Receipts for Non-VAT registered taxpayers;
9. The SAWT and MAP shall be submitted in the prescribed format in electronic form using 3.5 inch floppy diskette or CD inside a sealed letter envelope, for those required to submit the data in electronic form. For EFPS, it shall be e-filed together with the returns;
10. All SAWTs and MAPs received in diskettes shall be uploaded by the RDO/LTS/LTDO within thirty (30) days from receipt; and
11. All SAWTs and MAPs received in hard copy shall be encoded and uploaded by the RDO/LTS/LTDO.

H. Required Format in the Submission/attachment of SAWT/ MAP to the required returns.

The SAWT/MAP shall be submitted/attached to the return and shall contain all the required information in the prescribed electronic format using any of the following:

- Option 1 Microsoft Excel Format;
- Option 2 Taxpayer's own extract program; or
- Option 3 Data Entry Module developed by the BIR that will be available upon request or downloadable from the BIR's web site at <http://www.bir.gov.ph> with the corresponding job aid to be provided by the BIR.

For those who will choose option 1 or 2, they are required to use a validation module of the BIR which can either be downloaded from the BIR-web or made available in diskette form upon request

Only readable diskettes/CD shall be considered as duly filed or attached to the required return. The RDO/LTS/LTDO shall upload the contents of all the diskettes received within thirty (30) days from receipt of the return.

Section 3. RETURNS AND PAYMENT OF TAXES WITHHELD AT SOURCE. –

A. Section 2.58 (A) of Revenue Regulations No. 2-98, as amended, is hereby further amended to read as follows:

“Section 2.58 RETURNS AND PAYMENT OF TAXES WITHHELD AT SOURCE.

A. Monthly return and payment of taxes withheld at source.-

(1) **WHERE TO FILE-** Creditable withholding taxes (Expanded Withholding Tax) deducted and withheld by the withholding agent shall be remitted by accomplishing the Monthly Remittance Return of Creditable Income Taxes Withheld (BIR Form No. 1601-E) and for final taxes Monthly Remittance Return of Final Taxes Withheld (BIR Form No. 1601-F) in triplicate copies with Monthly Alphalist of Payees (MAP), the tax_base and the amount withheld paid upon filing the return with the authorized agent banks under the jurisdiction of the Revenue District Office (RDO)/Large Taxpayers District Office (LTDO) where the withholding agent is required to register and file the return. In places where there is no authorized agent bank, the return shall be filed directly with the Revenue Collection Officer or the duly authorized Municipal/City treasurer of the Revenue District Office where the withholding agent is required to register or file the return, except in cases where the Commissioner otherwise permits.

xxx xxx xxx”

B. Section 4.114 (B) of Revenue Regulations No. 2-98, as amended, is hereby further amended to read as follows:

“Section 4.114 WITHHOLDING OF VALUE ADDED TAX

(A) xxx

(B) xxx

(C) **Returns and payment of taxes withheld.** - The withholding agents shall accomplish the Monthly Remittance Return of Value Added tax and Other Percentage Taxes Withheld (BIR Form No. 1600) in triplicate copies with Monthly Alphalist of Payees (MAP), the tax base and the amount withheld paid upon filing the return with the authorized agent banks under the jurisdiction of the Revenue District Office (RDO)/Large Taxpayers District Office (LTDO) where the withholding agent is required to register and file the return. In places where there is no authorized agent bank, the return shall be filed directly with the Revenue Collection Officer or the duly authorized Municipal/City treasurer of the Revenue District Office where the withholding agent is required to register or file the return, except in cases where the Commissioner otherwise permits.

xxx xxx xxx”

C. Section 5.116 (B) of Revenue Regulations No. 2-98, as amended, is hereby further amended to read as follows:

“Section 5.116 WITHHOLDING OF PERCENTAGE TAX.-

(A) xxx xxx xxx

(B) **Returns and payments of taxes withheld.** - No money payment shall be made by any government office or agency, unless the taxes due thereon shall have been deducted and withheld.

Taxes deducted and withheld shall be covered by the Monthly Remittance Return of VAT and Other Percentage Taxes Withheld (BIR Form No. 1600) in triplicate copies with Monthly Alphalist of Payees (MAP), that likewise presents the tax base and tax withheld to be filed and the tax to be paid to the authorized agent bank under the jurisdiction of the Large Taxpayer Service including the Large Taxpayer’s District Office, in case of large taxpayer, or the Authorized Agent Bank under the jurisdiction of the Revenue District Office where the withholding agent is located, for non-large taxpayer. In places where there are no authorized agent bank, the return shall be filed directly with the Revenue Collection Officer or the duly authorized Treasurer of the City or Municipality where the withholding agent is required to register except in cases where the Commissioner otherwise permits. 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 tax has accrued.

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Section 4. RETENTION OF THE HARD COPY OF THE CERTIFICATES OF TAX WITHHELD (BIR FORM NO. 2306, BIR FORM NO. 2307, & BIR FORM NO. 2316) USED AS PROOFS OF TAX CREDITS CLAIMED IN THE TAX RETURNS FOR AUDIT PURPOSES-- The hard copy of the Certificates of Tax Withheld at Source including withholding tax on compensation issued by the payors of income payments to the payees shall always be retained within the period prescribed in the law for the preservation of books of accounts and accounting records and presentation of said hard copy may be requested during audit to prove the tax credits arising from withholding taxes which are being claimed in the tax returns filed.

Section 5. PENALTY PROVISION. – In accordance with the provisions of the NIRC of 1997, a person who fails to file, keep or supply a statement, list, or information required herein on the date prescribed therefor shall pay, upon notice and demand by the CIR, an administrative penalty of One Thousand Pesos (P1,000) for each such failure, unless it is satisfactorily shown that such failure is due to reasonable causes and not due to willful neglect. For this purpose, the failure to supply the required information shall constitute a single act or omission punishable thereof. However, the aggregate amount to be imposed for all such failures during the year shall not exceed Twenty Five Thousand Pesos (P25,000).

In addition to the imposition of administrative penalty, willful failure by such person to keep any record and to supply the correct and accurate information at the time required herein, shall be subject to the criminal penalty under the relevant provisions of the Tax Code of 1997, upon conviction of the offender.

The imposition of any of the penalties under the Tax Code of 1997 and the compromise of the criminal penalty on such violations, notwithstanding, shall not in any manner relieve the violating taxpayer from the obligation to submit the required documents.

Finally, the corresponding administrative penalty shall be imposed on every violation of the provisions of these Regulations, upon due notice and demand by the CIR. A subpoena duces tecum for the submission of the required documents shall be issued on the second offense. A third offense shall set the motion for a criminal prosecution of the offender.

In cases where a violation hereof is allowed to be compromised, the submission of the unsubmitted lists should always form part of the obligation of the taxpayer to be embodied in the compromise agreement.

Section 6. TRANSITORY PROVISIONS. – For purposes of initial implementation and in order to give ample time to retrieve and prepare the

requirements in filing of returns with the attached MAP/SAWT and adjust computerized systems, the herein mentioned requirements shall apply to transactions beginning January 1, 2006 (e.g. BIR Form 1601-E for January transactions to be filed and remitted on or before February 10).

The filing of the Annual Information Return (BIR Form No. 1604-E with attached Alphabet of Payees) shall still be filed on or before March 1 of the following year in accordance with existing issuances.

Section 7. REPEALING CLAUSE. - The provisions of any revenue regulations, revenue memorandum orders or circulars or any other issuance inconsistent herewith are hereby repealed, amended, or modified accordingly.

Section 8. EFFECTIVITY CLAUSE. - These Regulations shall take effect on transactions starting January 1, 2006 or after fifteen (15) days following publication hereof in any newspaper of general circulation, whichever is comes later.

(Original Signed)
MARGARITO B. TEVES
Secretary of Finance

Recommending Approval:

(Original Signed)
JOSE MARIO C. BUÑAG
OIC-Commissioner of Internal Revenue