

M C # 18 9, 1976

MEMORANDUM CIRCULAR

T O : ALL HEADS OF DEPARTMENTS AND STAFFS; HEADS OF SPECIAL PROJECTS; REGIONAL IRRIGATION DIRECTORS; PROVINCIAL AND PROJECT IRRIGATION ENGINEERS; IRRIGATION SUPERINTENDENTS; CHIEF CORPORATE ACCOUNTANT AND REGIONAL ACCOUNTANTS; CORPORATE AUDITOR AND REGIONAL AUDITORS; CASHIERS; DISBURSING OFFICERS AND ALL OTHERS CONCERNED National Irrigation Administration

SUBJECT : Revenue Regulations No. 2-76, dated January 8, 1976, Amending Revenue Regulations V-8 (Withholding Tax Regulations), as amended; and Revenue Memorandum Order No. 10-76, dated February 3, 1976, Prescribing Procedures Relative to aforesaid Revenue Regulations.

For the information and guidance of all concerned, quoted hereunder are Revenue Regulations No. 2-76, dated January 8, 1976, and Revenue Memorandum Order No. 10-76, dated February 6, 1976, of the Acting Commissioner of Internal Revenue:

"REVENUE REGULATIONS NO. 2-76

January 8, 1976

SUBJECT : Amendment to Revenue Regulations V-8, (Withholding Tax Regulations), as amended.

T O : All Internal Revenue Officers, Withholding Agents and Others Concerned.

Section 1. - Pursuant to the provisions of Article 2(d) of Supplement A to Title II of the National Internal Revenue Code and Section 338 of the same Code, Section 18 of Revenue Regulations V-8 is hereby amended to read as follows:

Section 18. Non-deductibility of tax and credit for tax withheld.

The tax deducted and withheld at the source upon wages shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income under Title II of the National Internal Revenue Code. The entire amount of wages from which the tax is withheld shall be included in gross income in the return required to be made by the recipient of the income without deduction for such tax. The tax withheld at source, however, is allowable as a credit against the tax imposed by the main provisions of Title II upon the recipient of the income. Any excess of the tax withheld at source over the tax ascertained to be due on the income tax return upon office audit in the Bureau of Internal Revenue shall be refunded or credited to the recipient of the income at his option; Provided, however, That all employees to whom are owing refunds in an amount not in excess of thirty pesos (P30.00) shall be immediately paid or credited against the income tax which would otherwise be withheld from their wages during the current year by their

employers, through a tax credit memo, to be denominated as credit memo for taxes withheld on wages. Such refund or credit shall be without prejudice to whatever adjustment may be proper after field investigation or upon information relative to the taxpayer's income tax liability under the main provisions of Title II. If the tax has actually been withheld at source, credit or refund shall be made to the recipient of the income even though such tax has not been paid over to the Government by the employer. For the purpose of the credit, the recipient of the income is the person subject to the tax imposed under the main provisions of Title II upon wages from which the tax was withheld.

Section 2. - The following Section 18-A is hereby inserted after Section 18 of Revenue Regulations V-8:

Section 18-A. Definition of Credit Memo for Taxes Withheld on Wages. - A credit memo for taxes withheld on wages is a non-negotiable instrument which entitles the employee to an immediate payment of the amount stated therein or have it applied or credited against the income tax which would otherwise be withheld from his wages. It authorizes the employer to pay the refundable amount out of the remittable fund of income taxes withheld from wages, or credit the said amount against the income tax which would otherwise be withheld from the employee for the year in which payment or application is made.

1. The employee, after exercising his option to claim the refund or avail of a credit, through the use of the credit memo for taxes withheld on wages, shall sign and surrender the same to his employer. The employer can use all the accumulated credit memos for taxes withheld on wages as part of his remittance of the income taxes withheld by him monthly or quarterly, as the case may be, to the Bureau of Internal Revenue.

2. Remittance Procedure. - Payment and remittance of income taxes withheld by the employer shall be accompanied with a reconciliation statement showing the total amount of credit memos paid out of such amount or applied to the income taxes which otherwise would have been withheld from wages for the quarter in which the payment or application was made. The statement shall be filed with the quarterly report of remittances (I-I), and the difference between the total income taxes withheld and the total of the credit memos paid or credited shall be paid to the collection agent of the municipality or city in which the employer has his or its business, or to any internal revenue officer authorized to receive payment.

3. Issuing Officer; period of issuance and payment of the tax credit memo. - It shall be the duty of the Commissioner of Internal Revenue or his authorized agent to issue the tax credit memo in proper cases not later than three months from the date of filing the income tax return of the employee or from the 15th day of April, whichever is later. The employer shall pay the employee the amount stated in the tax credit memo within forty days from its presentation out of the remittable funds of income taxes withheld.

II. Authority of Withholding Agents; Remittance Procedures; and Duty of Collection Agents.

a. Authority. - The employer is authorized to pay the employee the amount stated in the TCM out of the remittable funds of income taxes withheld on wages, and the employee may demand payment within forty (40) days from date of presentation. At the option of the employee, the employer can apply or credit the employee with the amount of the TCM against the amount otherwise to be held as income tax on his wages. The TCM shall be valid only within one (1) year from date of issue.

b. Remittance Procedure. - In the calendar quarter in which the TCMs are used by the employer to remit or pay income taxes withheld on wages, the quarterly return (U-1) shall be accompanied by the Employer's Remittance Statement (see attached sample form, Annex "B"), and the copies of TCMs surrendered and duly signed by the recipient employees. The remittable amount not covered by TCMs shall be paid in accordance with the existing remittance procedure.

c. Duty of the Collection Agent or Authorized Revenue Officer to Receive Payment

1. Collection agent in Greater Manila Area and in other places where payment thru authorized agent banks is required.

After ascertaining the correctness of the Employer's Statement of Remittance accompanying the quarterly return (U-1), the Collection Agent or revenue issuing officer shall issue the corresponding Revenue Tax Receipt covering the cash payment. He shall acknowledge the receipt of the TCM submitted by annotating on both copies of quarterly return (U-1) the TCM numbers and affixing his signature thereon. If the space on the U-1 is not sufficient to accommodate the TCM numbers, a list of such TCM numbers and the amounts involved shall be prepared and attached to the original copy of the return (U-1) which shall also be signed by him. The quarterly return and the TCMs shall be transmitted direct to the Withholding Tax Division not later than ten (10) days from date of receipt.

If after payment, the employer desires to submit the quarterly return, TCMs paid or credited directly to the Withholding Tax Division, the same acknowledgement shall be accomplished by the receiving officer therein.

2. Collection agent in other places - The collection agent in other places shall also verify the Employer's Remittance Statement accompanying the quarterly return (U-1) and issue the corresponding official receipt. He is also required to acknowledge receipt of the TCMs submitted in the same manner and form described in paragraph 1 above. The quarterly return (U-1) together with the TCMs received shall likewise be transmitted direct to the withholding Tax Division not later than ten (10) days from date of receipt.

In all cases, all concerned shall verify the correctness of the quarterly return as to the ID number of the employer, official or revenue tax receipt numbers, dates and amounts paid for the quarter, signature of the authorized officer of the employer in order to avoid unnecessary delay in the auditing and processing of the said return.

Section 3. Effectivity.- These regulations shall take effect on January, 1976.

(SGD.) PEDRO M. ALMANZOR
Acting Secretary

Recommended by:

(SGD.) FERIN I. PLANA
Acting Commissioner of Internal Revenue
TAN: 1156-040-3

February 3, 1976

REVENUE MEMORANDUM ORDER NO. 10-76

SUBJECT : Procedures in issuing and processing of Tax Credit Memos for Taxes withheld on wages, pursuant to Section 18 of Revenue Regulations V-8, as amended by Revenue Regulations No. 2-76.

TO : All Internal Revenue Officers, Withholding Agents and Others Concerned.

The following procedures in issuing and processing of Tax Credit Memos for taxes withheld on wages, hereinafter to be known as TCM, are hereby prescribed for the guidance and compliance of all concerned.

1. Printing of Tax Credit Memos; Pre-Audit of Returns; Issuing and Processing of Tax Credit Memos.

a. Printing of TCM. - The TCM shall be printed and serially pre-numbered for control purposes (see attached sample form, Annex "A"). The TCM is an accountable form.

b. Pre-audit of Returns. - It shall be the duty of the Withholding Tax Division to pre-audit all income tax returns with claims for refunds of excess income taxes withheld on wages. It will issue a TCM in favor of the taxpayer concerned when the refundable amount has been determined to be thirty pesos (P30.00) or less. All other returns shall be processed in accordance with existing procedures.

c. Issuance of TCM. - The TCM shall be signed for the Commissioner of Internal Revenue by the Revenue Service Chief (Assessment). It shall be issued in triplicate:

Original - for the employee entitled to the refund

Duplicate - for the employer-withholding agent

Triplicate - to be retained by the Withholding Tax Division and attached to the duplicate copy of the income tax return.

d. Processing of the TCM. - Immediately after the TCM has been issued, the triplicate copy shall be attached to the original copy of the income tax return and transmitted to the Data Processing Center (DPC) in batches of 100. The DPC shall prepare an alphabetical list showing the names and addresses of taxpayers, assessment numbers of income tax returns, tax credit memo numbers and amounts thereof, two (2) copies of which shall be furnished the withholding Tax Division. The DPC shall also cross-check the information on the said list with the annual reconciliation of quarterly returns (V-3). For accounting purposes, the DPC shall also furnish the Accounting Division and the Bureau Auditor a monthly summary of TCM issued.

III. Effectivity. - This Order shall take effect immediately. All concerned are hereby enjoined to observe strictly the provisions hereof.

(SGD.) EFREN I. PLANA
Acting Commissioner of Internal Revenue
TAN 11456-040-3"

Strict and immediate compliance herewith by all concerned is hereby enjoined.

(SGD.) ALFREDO L. JUINIO
Administrator

April 14, 1976

EMPLOYER'S REMITTANCE STATEMENT

EMPLOYER: _____ I. D. NO. _____

For the Quarter Ending _____, 19 _____

Total Income Taxes Withheld Payable to BIR. _____ P _____

Less: (a) Tax Credit Memo paid - - - - - P _____

(b) Tax Credit Memo credited - - - - - _____

BALANCE PAYABLE - - - - - P _____
vvvvvvvvvv

Chief Accountant/or Authorized Officer

TCM No.

Amount Paid/Credited

P

P

TOTAL - - - - -

P

P

vvvvvvvvvv

vvvvvvvvvv

"ANNEX A"

W T O COPY

EMPLOYERS COPY

EMPLOYEES COPY

No.00010

BIR FORM W 6

TAX CREDIT MEMO FOR TAX WITHHELD ON WAGES

1. TAN OF EMPLOYEE	2. NAME OF EMPLOYEE	3. ADDRESS OF EMPLOYEE	
4. ID NO. OF EMPLOYER	5. NAME OF EMPLOYER	6. ADDRESS OF EMPLOYER	
7. TAXABLE YEAR	AMOUNT REFUNDABLE	8. EXCESS WITHHOLDING TAX ON WAGES (IN WORDS)	9. AMOUNT IN FIGURES

TO EMPLOYEE: USE THIS TAX CREDIT MEMO TO CLAIM CASH REFUND OR CREDIT AGAINST INCOME TAX OTHERWISE TO BE WITHHELD FROM YOU BY YOUR EMPLOYER

TO EMPLOYER: USE THIS TAX CREDIT MEMO TO PAY/REMIT TO THE BUREAU OF INTERNAL REVENUE, MONTHLY OR QUARTERLY INCOME TAXES WITHHELD FROM WAGES

SURRENDERED FOR

☐ CASH

☐ CREDIT

FOR THE COMMISSIONER OF INTERNAL REVENUE

SIGNATURE OF EMPLOYEE

REVENUE SECRETARY
(ASSESSMENT)

* THIS TCM SHALL BE VALID ONLY WITHIN ONE YEAR (1) FROM DATE OF ISSUE