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TOP OF MIND

By **ARIK AARON C. ABU**

Change is coming to the BIR

It has been more than a month since Rodrigo "Rody" Duterte was sworn into the highest the public office in the land. His bid for the presidency was known for the promise that "change is coming." With this assurance to Filipinos, the renowned Davao City mayor won the 2016 Presidential Elections with a platform that aggressively pushes for a shift towards federalism, a stronger offensive against corruption in the government, and an all-out war against drugs across the Philippine archipelago.



In his inaugural speech, he ordered all the department secretaries and heads of agencies to reduce requirements and the processing time of all applications, from submission to release, as well as to remove any redundant requirements and compliance that are currently in place. Among the issues called out by President Duterte is the prevalence of bureaucratic red tape in dealing with various government agencies, and that Filipinos have been accustomed to long queues and waiting times prior to the release of documents, licenses, or clearances from the government.

Therefore, pursuant to Duterte's marching orders, the Bureau of Internal Revenue (BIR), through newly-appointed commissioner Caesar Dulay, released two new issuances: Revenue Memorandum Order (RMO) No. 41-2016 and Revenue Memorandum Circular (RMC) No 74-2016.

On one hand, RMO No. 41-2016 reiterates the strict implementation of the provisions of RMO No. 80-2012 regarding the guidelines for the action offices, as well as the provisions of RMO No. 39-2015 on the documentary requirements and period of issuance of Certificates Authorizing Registration (CARs) for transactions involving sale of real property, transfer or assignment of stocks not traded in stock exchange(s), transfers subject to donor's tax, estate tax and other taxes including documentary

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stamp tax related to the sale and transfer of properties.

In view of the above, the CARs covered by these transactions should be issued within five days from the submission of complete documentary requirements. Should any officials and employees be found to be in violation of the RMO, they would be subjected to administrative and criminal penalties enumerated under Republic Act No. 9485 or the "Anti-Red Tape Act of 2007."

On the other hand, RMC No. 74-2016 streamlines the requirements and process in issuing tax clearances required under Executive Order (EO) No. 398, which was issued by former president Gloria Macapagal-Arroyo in 2005. The EO requires the timely and complete payment of taxes as a precondition for entering into, and a continuing obligation in contracts with the government, its departments, agencies and instrumentalities. All persons are required to submit their latest income and business tax returns as well as a tax clearance from the BIR as a pre-condition for bidding for contracts with the government or any of its agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions, and local government units.

In effect, RMC No. 74-2016 requires that the tax clearance contemplated by EO No. 398 must be released within two working days from the submission of the following documents: a) Duly accomplished and notarized application form with two (2) pieces of loose Documentary Stamp Tax; b) Print-out of certification fee paid thru the BIR's electronic Filing and Payment System (eFPS), with payment confirmation; and c) Delinquency verification by the concerned Large Taxpayer Service (LTS) or national/regional offices with a validity period of one month from the date of issue.

The said verification must be issued by the concerned BIR Office within 24 hours from filing of the application by the taxpayer. Note that the delinquency verification still has to be secured, and this one of the requirements that taxpayers may have difficulty with. Hence, taxpayers have to be familiar with the release of said delinquency verifications as provided under RMC No. 70-2014. Nonetheless, assuming all documents are complete, the issuances call for strict adherence to the processing time stated in the said issuances.

In the most recent rankings by the World Bank in terms of ease of doing business, the Philippines ranked 103rd out of 189 countries. The World Bank looks at the overall regulatory environment of a country and identifies how conducive it is to starting and operating a local firm. Earlier this year, it had been reported the Philippine government had already started reforms in the various agencies—including the BIR. Through the issuance of RMO No. 41-2016 and RMC No. 74-2016, the applications for the abovementioned CARs and the requests for tax clearances are expected to be expedited.

With a new commissioner at its helm, the BIR has taken its first steps in ensuring President Duterte's mandate is carried out. In the advent of RMO No. 41-2016 and RMC No. 74-2016, perhaps it can be said that change is indeed coming to the BIR.

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