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ADOPTION OF A NEW TAXPAYER IDENTIFICATION NUMBER (TIN)

BIR REVENUE MEMORANDUM CIRCULAR NO. 58-91, July 08, 1991

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A Database for BIR-MIS - As part of its systems simplification and modernization program, the BIR will develop a comprehensive management information systems (MIS) in line with its long-term integrated information systems plan (ISP) which it has drawn jointly with the Development Academy of the Philippines (DAP). A database - papers stored in a file cabinet, a box of ledger cards, or records stored on computer tape or disk - is a necessity for virtually every MIS installation. t is managed by a set of integrated software called a database management system or DBMS.

Inadequacy of the Present Numbering Systems - A numbering system is an indispensable requirement for DBMS. It facilitates the identification of taxpayers, sorting and encoding of data from source documents and generation of management information, as well as information for day-to-day operations of the organization. In order to be effective as such, an identification number must function as an attribute that uniquely identifies a taxpayer or his record. Currently, the users of information in the BIR have stand alone-manual or PC-based application systems that handle only their own data. Thus, for example, a revenue district officer (RDO) has his own information system for taxpayers coming under his jurisdiction; The Special Operations Service developed its own taxpayer profile based on data from tax returns its revenue officers have audited; the Collection Services maintains accounts receivables and delinquent accounts information system; the Withholding Tax Division keeps records of withholding agents which cannot directly serve as primary information source for investigating units; and the special investigation units or groups do not share their own data with other audit units.

The data-oriented rather than decision and policy-making emphasis of the present system emerged in which too much of the unnecessary data became part of the disparate unintegrated databases. It is within this conventional file environment with no data integration which led to the adoption and use of a variety of numbering systems and made data sharing across applications a complex process. Each of the four different kinds of numbering systems, namely: the tax account number (TAN), assessment number, withholding agent number, VAT registration number and non-VAT registration number presently used by the BIR to identify the same taxpayer lack the unique feature required for computerization. The absence of integrated information systems and the technical deficiency of existing numbering systems which do not function as a single, unique identification number not only caused control problems but needlessly wasted computer capacity and did not achieve efficient and speedy processing of data for conversion into a more useful and timely information for management.

The development of an effective DBMS depends on the adoption of a single taxpayer numbering system and assignment of a unique taxpayer identification number (TIN) to each taxpayer. The TIN, to be used in properly tracking all transactions of a taxpayer with the tax administration systems regardless of type of tax, will ultimately replace the existing numbering systems, including the present TAN.

The function and Structure of the Present TAN - Any person required to file a return, statement, or other document with the BIR must indicate in such documents a taxpayer account number to be supplied to him by the BIR for proper Identification. A ccordingly, the present structure of the TAN was developed as an indispensable

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requirement for computer processing of income and other tax documents. It consists of twelve-digit alphanumeric code generated under the so-called "Soundex System" which translates all consonants of a name into numbers.

Deficiency of the current TAN

Technical deficiency - The structure of the present TAN has not effectively served the purpose for which it was designed. Technically, it lacks the unique feature required for effective computerization. For instance, it does not have any digital indicators for the type of taxpayer and the revenue district office having jurisdiction over the taxpayer. Consisting of 12 alphanumeric digits, the TAN is more difficult to encode with the present design of the computer numeric keypad because it is longer (which is more costly to store in the computer storage space) and is alphanumeric (which makes encoders more prone to commit errors).

Improper implementation - The absence of an integrated information systems and a relational database system led to the relegation of designing the TAN as a unique taxpayer identification number to a lesser importance in tax administration. Accordingly, it has been poorly implemented. Many TANs have not been properly indicated on documents filed with the BIR. Out of the 2.5 million income tax filers in 1988, only 19% or 475,000 properly indicated their respective TANs on their returns. A great majority of Payment Orders/Confirmation Receipts and Revenue Official Receipts issued for the same taxable year are without the TAN.

The number of TANs issued have ballooned to unmanageable proportions, not only due to its expanded use but also because of lack of maintenance procedures which could eliminate duplicate or multiple TANs issued to the same taxpayer and the TANs previously issued to those but who ceased to be taxpayers from the master file. Applicants for jobs and business permits, as well as those who pay residence tax (which is collected by the local governments and not by the BIR), are required to have a TAN. Other government agencies require the indication of TANs in documents filed with them. While the Tax Code requires that the TAN should be indicated only in a return, statement or document filed with the BIR for tax purposes, the present practice is that even persons who are not filing such documents with the BIR apply for and are issued TANs. For example, mere applicants for employment (many of whom are not actually accepted for employment by the prospective employers), students, and many others apply for TANs.

Many taxpayers who had already been supplied with TAN request issuance of a new TAN if they do not remember their TAN, RISSI, due to its capacity-limited and obsolete hardware, is incapable of completely matching present holders of TAN with new applicants for purposes of preventing duplication.

Upon implementation of the permanent 12-character TAN designed under the Soundex System many taxpayers, due to lack of adequate information drive, have continued using the "old TAN" consisting of eight (8) numeric digits or the "temporary TAN" which is prefixed with a "T" followed by six (6) numeric digits, the masterfiles of which had previously been junked.

Consequence of the failure of the present numbering systems –

The TAN. The technical deficiency and poor implementation of the TAN system has dire consequences to the attainment of an efficient tax administrative system. Names and addresses of taxpayers have to be encoded on every source document - approximately 8.5 million - processed annually and are used to collate data on individual internal revenue tax payments. Moreover, the use of separate numbering systems for VAT, withholding tax and other taxes has utilized more computer storage space and personnel entailing costly maintenance cost. Had the TAN been designed to function as a unique taxpayer identification number and properly implemented, it could have served as a primary key for a relational database management system that effectively controls redundant or repetitious data, waste of storage space and inconsistencies.

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In view of the currently large magnitude of TANs issued and with all its drawbacks, maintenance of the TAN system (which would entail unnecessary cost) will be discontinued.

The other numbering systems. The VAT number consists of the RDO number issued chronologically and is entered in a separate logbook for each of the 97 RDOs. The non-VAT registration number consists of the RO number, RDO number, serial number and the branch number. The withholding agent's ID number consists of the RO number, RDO number, serial number and the year of registration. Since all of these numbers are issued at the revenue district office, a change in a taxpayer's principal place of business or office requires a change in his number. Cross referencing from one numbering system to another is virtually impossible with the various numbering systems which have different design characteristics.

Need to replace TAN with TIN – To maintain the TAN requires extensive information drive to educate taxpayers for its proper indication on all tax documents they file with the BIR. The TAN masterfile must be cleaned up to eliminate duplicates which will entail communicating with taxpayers. Nevertheless, purging duplicate TANs and non-taxpayer numbers from the masterfile will not cure its technical infirmity and will remain useless for a relational database management system that can suitably be designed for tax administration. Therefore, although adoption of a new and single TIN will require similar informaion drive and purging of old TANs in the masterfile, it has the significant advantage of functioning technically as a unique number.

The phased implementation of the integrated ISP and the success of the systems simplification and modernization project is anchored on the formulation and adoption of a unique TIN.

Transition procedures from TAN to TIN – Design of TIN Structure. As designed by the RISSI the new, unique TIN will consist of 9-digit numeric code in contrast to TAN's alphanumeric code. The first digit will identify the type of taxpayer. The digit zero ("0") will signify a corporation and digits "1" to "9" will denote individual taxpayers. The succeeding seven (7) digits will be sequential and the 9th digit will be a check digit. TIN is shorter, easier to encode, and will replace the TAN and the other multiple numbering systems. Although it has the same objective as the TAN, the new number will be called TIN to distinguish it from the old TAN.

Referral to and for endorsement by the National Computer Center – In line with the National Computer Center (NCC) policy guidelines on the development of computerization programs by or for government agencies, the proposed TIN was referred to the NCC for review, evaluation and comment. The NCC in its letter dated has favorably endorsed, with helpful observations and suggestions on, the adoption and structure of the new numbering system.

The BIR will implement the adoption of the TIN which will replace all existing numbering systems in accordance with Revenue Memorandum Order No. 22-91.

Publicity – All internal revenue officers and others concerned are hereby enjoined to give this Circular a wide publicity as possible.

Adopted: 8 July 1991

(SGD.) JOSE U. ONG
Commissioner

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