PRESCRIBING THE POLICIES AND PROCEDURES IN THE IMPLEMENTATION OF OPERATION “EVEN RETURNS”

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I

OBJECTIVES:

This Office has noted that a number of withholding agents have been remiss in their application of the Withholding Tax Table, as evidenced by the number of compensation income earners paying additional income taxes on April 15 and July 15.

In support of the Withholding Tax Program for 1997 embodied in Revenue Memorandum Circular No. 2-97 as a BIR Priority Program, all Revenue District Officers shall implement Operation "Even Returns", a special activity of the Operations Group, which is designed to:

1. Raise the level of voluntary compliance of Withholding Agents;

2. Increase the level of awareness of Withholding Agents on rules and regulations concerning the correct withholding and timely remittance of taxes withheld; and

3. Encourage employers to periodically verify and update the information furnished by their employees, as a prerequisite to proper withholding of taxes.

II

POLICIES AND GUIDELINES

In the implementation of Operation "Even Returns", all Revenue District Officers shall be guided by the following:

1. All Revenue District Officers shall check the levels of compliance of all Withholding Agents in their jurisdiction, by segregating all taxable returns filed by employees earning compensation income from only one (1) employer.

2. The appropriate penalties shall be strictly enforced for non-withholding and/or under-remittance of withholding taxes.

III

PROCEDURE

The following procedures shall be observed in Operation "Even Returns":

1. Gather all taxable 1996 returns filed by taxpayers earning compensation income from only one (1) employer.

The following returns shall NOT be included:

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a. Those filed by employees earning compensation income from more than one (1) employer;

b. Those filed by employees whose employers are not registered with the Revenue District Office concerned; and

c. Those filed without a copy of the taxpayer's Certificate of Income Tax Withheld on Compensation (Form No. W-2).

2. Group these returns according to the taxpayers' employer, and assign them to a Revenue Officer (Assessment) through a Revenue Verification Order (RVO).

3. Summarize the pertinent data contained in the returns, in accordance with the format for the List of Taxable Returns (Form 1701-A) of Compensation Income Earners prescribed in Annex A.

4. Compute the difference between the total tax due and total tax withheld for all employees of a particular employer who filed taxable returns. The total difference shall serve as the basis for the computation of surcharges and interests that must be paid by the Withholding Agent (Employer) concerned. The following formula may be used in computing the total surcharge and interest due:

Basic Tax Due (Based on the attached List of Employees)

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25% Surcharge (Basic Tax x 0.25)

20% Interest* (Basic Tax + Surcharge)

Compromise Penalty

TOTAL SURCHARGES AND INTEREST DUE

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Interest should run from the date the tax should have been remitted to April 15 of the following year. For uniformity in the application of interest for returns filed for taxable year 1996, interest maybe computed from January 25 to April 15, 1997.

5. Inform the Withholding Agent (Employer) concerned of the total surcharges and interest payable, and compromise penalties. Formats for the official communications to both government Agencies/Instrumentalities and Withholding Agents from the private sector, informing them of the assessed penalties, are attached as Annexes B and C of this Order.

For this purpose, penalties shall be imposed on:

a. For Government Withholding Agents — the Chief Accountant, Head of Accounting, or Financial Officer of the Agency/Office (Annex B); or

b. For Private Withholding Agents — the registered individual owner, corporation, or partnership (Annex C).

6. In the event that the Withholding Agent fails to respond to the written notice of penalties incurred within fifteen (15) days from receipt of said notice, the Revenue Officer concerned shall immediately report the assessment as an audit case, following standard audit reporting procedures and requirements.

7. The Head of the Assessment Unit in each Revenue District Office, shall supervise the implementation of this Order, and shall report to the Revenue District Officer concerned any developments therein.

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8. This activity must be concluded not later than Friday, August 29, 1997.

IV

REPORTING REQUIREMENTS

All Revenue District Officers must submit to the Office of the Assistant Commissioner (Collection Service), copy furnished the Regional Director having jurisdiction over their respective Districts, a Consolidated Report (Annex D) on each District Office's accomplishments under Operation "Even Returns" on or before Monday, September 8, 1997.

V

EFFECTIVITY

This Order shall take effect immediately.

Adopted: 17 July 1997

(SGD.) LIWAYWAY VINZONS-CHATO
Commissioner of Internal Revenue

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