REQUIRING ALL REVENUE DISTRICT OFFICERS TO CONDUCT SPOT CHECKING/VERIFICATION ON COMPLIANCE BY GOVERNMENT AGENCIES AND INSTRUMENTALITIES ON THE WITHHOLDING TAX LAWS AND REGULATIONS

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This order is issued to maximize compliance with withholding tax rules and regulations by all government agencies and instrumentalities on government money payments pursuant to Republic Act No. 1051 and Republic Act No. 7469 as implemented by Revenue Regulations (RR) No. 4-88 and 10-93, respectively, as well as the creditable withholding taxes on Compensation (RR 4-93) and Expanded, (RR 6-85 as amended) and Final withholding taxes pursuant to Section 50 (a) of the Tax Code in relation to Sec. 21, 22, 24 and 25 of the same code are correctly and efficiently implemented considering that there are so many infrastructure projects that are being undertaken by concerned government offices, like the large amount spent at Mt. Pinatubo and other infrastructure projects coming from the funds (CDF) of Congressmen and Senators.

For this purpose, all Revenue District Officers, through the supervision of the Regional Directors, are hereby required to undertake the following activities during the remaining four (4) months of the calendar year and succeeding year/s thereafter which shall be included as part of their programs pursuant to Revenue Memorandum Order No. 65-94.

Activities

1) Conduct dialogue/seminars with officials of government agencies (i.e. Chief Accountants for National Government and Government-Owned or Controlled Corporations; Treasurers in cities, municipalities and provinces; and the Barangay Captains), giving particular attention to the following withholding taxes:

Type of Withholding Taxes

Give Emphasis to

a. COMPENSATION

Compliance year-end adjustment "TAX DUE = TAX WITHHELD scenario"(RR 6-82 as amended by RR 4-93)

b. EXPANDED WITHHOLDING TAXES

1% withholding on Government Contracts (RR No. 6-85) 1% withholding on Government Purchases (RR No. 12-94)

c. FINAL WITHHOLDING TAXES

30% Final withholding on payments made to non-resident alien individual and 35% on payments made to non-resident foreign corporation not doing business in the Philippines. (e.g. CONSULTANTS)

d. GOVERNMENT MONEY-PAYMENTS

1. Percentage Taxes Contractors tax of 2% for NON-VAT taxpayers

2. Value Added Tax Withholding (RR 10-93) For VAT taxpayers withhold:

3% on sale of goods

6% on sale of services

2. Meet with the City, Provincial and Municipal Treasurers and request for listings of names of Government Contractors, to verify if these Contractors are complying with the requirements of withholding taxes (i.e. registration using BIR Form 1556A) and monthly remittances (using BIR Form Nos. 1743-W and 750 AV and filing of the annual information return - BIR Form No. 1743IR), invoking the Memorandum of Agreement between the Bureau of Local Government Finance (BLGF) and the Bureau of Internal Revenue per Revenue Memorandum Circular No. 19-95, where the BLGF agreed to assist and provide us with necessary information to help increase our tax collection.

3. Submit a list of Government offices which did not comply with the aforesaid requirements, identify violations and indicate what necessary actions you have undertaken.

4. Report compliance by Government offices indicating the total amount of remittances by type of withholding taxes.

5. Require the immediate processing of all withholding tax returns specially those filed by government offices and issue corresponding notices to officials charged with the obligation to deduct/withhold and remit withholding taxes, pursuant to Sections 73, 247, 271 of the same code as implemented by RR 1-87.

You are further required to accomplish a monthly report using the attached format and submit the same on or before the 10th day of the following month to your respective regional directors who, in turn, shall transmit said reports to the Chief, Withholding Agents Monitoring Division, of the Collection Service, National Office, every 15th day of the following month, for monitoring and evaluation purposes and submission to the Commissioner.

For strict compliance.

Adopted: 8 Aug. 1995

(SGD.) LIWAYWAY VINZONS CHATO
Commissioner

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