NATIONAL ADMINISTRATIVE REGISTER · AUGUST 7, 1992

# PRESCRIBING THE GUIDELINES AND PROCEDURES IN THE PROCESSING OF TAX CREDIT/REFUND OF EXCESS WITHHOLDING TAX/OVERPAYMENT OF INDIVIDUAL INCOME TAX FOR 1991 (COVERING BIR FORM NOS. ...

*BIR REVENUE MEMORANDUM ORDER NO. 32-92, August 07, 1992*

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I
Scope and Objectives
This Revenue Memorandum Order is issued to govern tax credit/refund covering 1701 and 1701A returns for 1991 (exempt, refundable, taxable break-even and taxable) and to:

A. Facilitate the processing of tax credit/refund of excess withholding/overpayment of tax for 1991;

B. Further improve BIR-Taxpayer relation through more expeditious action on said tax credit/refund.

II
Policies

A. Any excess income tax payments made by employees in 1701A returns for 1991 shall be refunded/credited through their employers.

B. The pre-audit of 1701A returns as provided for under RMO No. 25-92 shall be suspended for 1991 returns only.

C. All triplicate copies of refundable, taxable break-even, and taxable 1701 returns for 1991 shall be pre-audited to consider the increased personal and additional exemptions as provided for under R.A. 7167.

D. Exempt 1701 returns shall not be pre-audited.

E. The Revenue Information Systems Services, Incorporated (RISSI) shall prepare the corresponding Tax Refund Notice (TRN) in accordance with existing procedures for 1701 returns which remained/became refundable after pre-audit.

F. Employees who derived purely compensation income but who failed to file income tax return (ITR) for 1991 are required to file 1701A income tax returns with their respective RDOs using the increased personal and additional exemptions prescribed under R.A. 7167.

G. Employees separated from the service of their employees and have filed their 1991 income tax returns, using the old personal and additional exemption rates, shall submit their written claim for refund of any excess withholding tax, together with the certified true copy of the ITR and withholding tax statement to the Tax Credit/Refund Division.

H. In case of multiple employment, the main employer (employer paying the higher/highest wage) shall recompute any excess income tax payments made by employees on their 1701A returns.

III
Guidelines and Procedures

Hereunder are the guidelines and procedures on the processing of 1701A and 1701 returns for 1991 only.

A. Employers (hereinafter referred to as Withholding Agents)

- Require employees who used the old personal exemptions (P6,000 for single persons, 7,500 for HF and 12,000 for married persons) and additional exemption of P3,000 for each qualified dependent child, to present duplicate file copies of their 1991 1701A ITR, duly stamped received by the Bureau of Internal Revenue.

- Recompute the tax due for each return presented adopting the increased basic personal and additional exemptions under Section 29(1) of the NIRC, as amended by R.A. 7167, viz:

(a) Basic Personal Exemption -

For single individual or married individual judicially decreed as legally separated with no qualified dependents

P9,000

For head of family

P12,000

For married individual

P18,000

Husband and wife electing to compute their income tax separately shall be entitled to a personal exemption of P9,000 each.

(b) Additional Exemption - Taxpayers with dependents - A married individual or a head of family shall be allowed an additional exemption of Five thousand pesos (P5,000) for each qualified dependent child, provided that the total number of dependents for which additional exemptions may be claimed shall not exceed four (4) dependents:

The additional exemption for dependents shall be claimed by only one of the spouses in the case of married individuals electing to compute their income tax liabilities separately.

A dependent means a legitimate, recognized natural or legally adopted child chiefly dependent upon and living


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with the taxpayer if such dependent is not more than twenty-one (21) years of age, unmarried and not gainfully employed or if such dependent, regardless of age, is incapable of self-support because of mental or physical defect.

c. Special Additional Personal Exemption - If the gross compensation income of a single, married or legally separated individual, or head of family does not exceed the aggregate (combined compensation income of husband and wife) amount of Twenty Thousand Pesos (P20,000), he is further entitled to a special additional personal exemption of Four Thousand Pesos (P4,000).

- Prepare an Amended Alpha List of all Employees whose 1991 income tax were recomputed indicating the name, TIN of employees, adjusted refundable/collectible amount as computed hereunder and other information shown in accordance with the attached format (Annex "A"[*]).

a. Recomputation of 1991 Income Tax
Gross compensation income (1991)
Less: Personal and additional exemptions (use
updated exemptions under RA 7167)
Taxable Income
Adjusted Tax due
Less: tax withheld (1991)
Excess Tax Withheld/collectible amount
Add/Deduct Tax Paid per 1991 ITR, if any
Adjusted, refundable/collectible amount

b. IN THE CASE OF HUSBAND AND WIFE WHO FILED CONSOLIDATED INCOME TAX RETURNS FOR PURELY COMPENSATION INCOME, THE "ADJUSTED TAX DUE" REFERS TO THE TAX DUE OF EACH ON THEIR RESPECTIVE TAXABLE COMPENSATION INCOMES PER CONSOLIDATED RETURN; AND THE "TAX PAID PER 1991 ITR IF ANY," SHALL BE ADDED TO THE EXCESS TAX WITHHELD OR DEDUCTED FROM THE COLLECTIBLE AMOUNT DUE TO/FROM EACH OF THEIR RESPECTIVE TAXABLE COMPENSATION INCOMES. (See Sample Computation, Annex "B"[**])

- Adjusted Refundable Cases

a. Allow Credit for adjusted refundable amount (excess of taxes withheld over the adjusted tax due and tax paid in 1991) against the tax required to be withheld from the compensation of the employee beginning September, 1992 and the succeeding months.

b. If employee has no tax due to be withheld for 1992 (employee becomes exempt under the new exemptions) refund adjusted refundable amount (excess of taxes withheld over adjusted tax due and tax paid in 1991) to employee immediately but not later than January 10, 1993. In turn, the total amount, actually refunded by the employer to the employee, shall be repaid from the remittable amount of taxes withheld for the current month in which refund was made and in succeeding months until the overwithheld tax is fully repaid.

- Adjusted Collectible Cases - If upon recomputation, the employee is still liable to pay additional income tax, the amount thereof should be reflected in the Alpha List of Employees.

- Transmit to the RDO under whose jurisdiction the withholding agent is located, said list not later than October 30, 1992 for verification of the correctness of the mathematical computation made by said employer together with the following supporting documents:

a. Copy of BIR Form W-3 (ANNUAL RETURN OF INCOME TAX WITHHELD ON COMPENSATION) duly received by the BIR showing details of payment of taxes withheld and remitted for 1991.


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b. Copy of monthly Withholding Tax Return (BIR Form 1743W) for September, 1992 where credit of excess taxes withheld for 1991 was initially made duly validated by the bank or in places where there are no accredited banks, a certified copy of the Revenue Official Receipt (ROR).

c. Copy of 1991 income tax returns of employees duly stamped received by the BIR.

E. Revenue District Office

- For 1701A returns

a. Receive from withholding agents three 3 copies of Alpha List of Employees in the prescribed format (Annex "A"), together with the required documents specified in paragraph III A, 6 a-c above:

Original - RISSI
Duplicate - RDO file copy
Triplicate - Withholding Tax Division

b. Verify the correctness of the mathematical computation made per Alpha List of Employees;

c. Assess upon review of Alpha List of Employees, taxpayers/withholding agents relative to collectible amounts as a result of withholding agents recomputation;

d. Transmit the original copy of Alpha List of Employees to RISSI not later than November 30, 1992, for date capture/reconciliation. Retain duplicate copy of lists and transmittals for audit/review; furnish Withholding Tax Division, National Office with the duplicate copy of transmittal list and triplicate copy of Alpha List, for monitoring and review.

- For 1701 returns

a. Pre-audit all triplicate copies of refundable, taxable and taxable break-even 1701 returns after classifying and assigning a Document Locator Number (DLN).

b. Prepare Pre-Audit Sheet (Annex "C")[*] in two copies:

Original - attached to the triplicate copy of 1701 return, for transmittal to RISSI

Duplicate - RDO's file copy, for future reference

NOTE: "OTHER TAX CREDITS" IN THE PRE-AUDIT SHEET SHALL NOW MEAN "TAX PAID PER 1991 ITR", IF ANY.

c. Transmit to the following offices concerned the 1701 returns attached with the corresponding Pre-Audit Sheets:

RISSI - All triplicate copies of refundable 1701 returns

Collection Unit/Branch - triplicate copies of 1701 returns with deficiency tax (for issuance of necessary collection letter)

- 1701A and 1701 returns with 2nd Installment - The Revenue District Office shall recompute tax due from taxpayer upon payment of second installment. If any amount is still due said office shall issue Authority to Accept Payment (ATAP). If any amount is to be refunded or the return became exempt, it shall be processed in accordance with the aforementioned procedures.

**C. R I S S I**

- For 1701 returns

a. Receive pre-audited refundable 1701 returns together with their corresponding Pre-Audit Sheets (Annex "C"[*]) from RDO.

b. Conduct computer audit preparatory to the preparation of tax refund;

c. Segregate from the batches, defective refundable returns after computer audit and prepare Report of Defective Refundable Returns;

d. Prepare/Generate the corresponding Tax Refund Notice (TRN) for all refundable 1701 returns and all the necessary reports in accordance with RMO No. 28-89;

e. Forward to the respective RDOs the corresponding triplicate copies of refundable 1701 returns together with the Pre-Audit Sheet for detailed audit;

f. Forward to TC/RD the following:

f.1. Report of Defective Refundable Returns with the corresponding defective returns for appropriate action;

f .2. TRN Transmittal List together with the TRNs and all the necessary reports required under RMO No. 28-89 for review and transmittal to General Services Division (GSD) which will then issue the said TRNs to taxpayer/s.

- For 1701A returns

a. Receive the amended Alpha List for 1991 from various RDOs.

b. Reconcile the amount of 1991 credit/refund show in the amended Alpha List with the credits made against remittances beginning September, 1992 and succeeding months.

c. Print the following not later than December 31, 1992:

c.1. List of employers who filed the amended Alpha List of employees for 1991.

c.2. Statistics showing total amount of Adjustments made by employers in terms of credited/refunded amounts to employees.

c.3. List of discrepancies between credited, refunded amounts and the amount required to be remitted for a particular month.

d. Transmit said lists, as follows:

Original - Administrative Branch, Region

Duplicate - Revenue District Office

Triplicate - Withholding Division

V
Effectivity

This Order shall take effect immediately.

Adopted: 7 Aug. 1992

(SGD.) JOSE U. ONG


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Commissioner of Internal Revenue

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[*] See Appendix “3” Amended Alphabetical List for 1991 on p. 404.

[**] See Appendix “2” Sample Computation on pp. 401-403.

[*] See Appendix “4” Pre-Audit Sheet on p. 405.

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