

PRESCRIBING THE PROCEDURES ON THE PROCESSING OF TAXABLE BREAK-EVEN, EXEMPT AND REFUNDABLE INDIVIDUAL INCOME TAX RETURNS (1701A) AND NON-RESIDENT CITIZEN INCOME TAX RETURNS (1701...

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I

Objectives

This Order is issued to:

1. Prescribe the procedures on the processing of taxable break- even, exempt and refundable 1701A and 1701C returns;
2. State clearly the delineation of functions of Collection and Assessment Units of RDOs and the Foreign Return Processing Section (FRPS) of the International Tax Affairs Division (ITAD) relative to the processing of the aforementioned returns.
3. Clarify the procedures on the numbering of tax returns.

II

Policies and Guidelines

1. Original copies of tax returns as batched by the Offices of Collection Officer - (Per Section A.2 of RMO 43-91) together with the corresponding BCS-A/BCS-B reports shall be forwarded to RISSI by RDO without segregating and numbering the taxable break-even, exempt and refundable Income Tax Returns (1701A) and Non-Resident Citizen Tax Returns (1701C) and all other income tax returns. Henceforth, the returns as originally batched shall remain intact and undisturbed.
2. Pre-audit of refundable 1701A and 1701C by RDO, as well as the preparation of necessary refunds shall be based on the triplicate copies of the said returns.
3. Taxable break-even and exempt 1701As and 1701Cs shall no longer be audited. The triplicate copies thereof, shall be filed for future reference. However, the RDO shall be authorized to pre-audit aforementioned returns with very evident errors.
4. The triplicate copies of Income Tax Returns (ITRs) shall be numbered following the guidelines under RMO 9-91;

DLN for ITRs: RDO Code - Type/Kind of ITR Filed - Year of the Return - Serial Number

WHEREAS,

The triplicate copies of other tax returns shall be assigned DLN as follows:

DLN for other returns: Bank Branch Code - BCS Number - Line Number of taxpayer on BCS

III

Procedures

The following shall be the new procedures in the processing of taxable break-even, exempt and refundable 1701A and 1701C returns and the reiteration of the procedures for processing other returns and documents:

A. Collection Unit, RDO

1. Receive the following documents from offices/units concerned:

- quadruplicate copies of BCS-As with triplicate copies of tax returns/ATAPs
- from accredited bank branches

Note: Quadruplicate copies of BCS-As shall be processed in accordance with RMO 16-92.

- duplicate copies of BCS-Bs with triplicate copies of tax returns/ATAPs except 1701A and 1701C returns with no cash/check payment
- from accredited bank branches

Note: 1. Returns with no cash/check payment refer to returns which are refundable, exempt, break-even (tax due = tax withheld) and those with first installment fully covered by withholding tax.

2. Duplicate copies of BCS-Bs shall be processed in accordance with RMO 16-92.

- original and duplicate copies of BCS-Bs with their corresponding batches of original and triplicate copies of 1701A and 1701C returns with no cash/check payment.
- from Offices of the Collection Officer
- original and duplicate copies of BCS-As and BCS-Bs with their corresponding batches of original and triplicate copies of tax returns/ATAPs
- from Offices of the Collection Officer/ deputized Municipal Treasurers in places where there are no accredited banks

2. Number in accordance with RMO 31-91 original and duplicate copies of the following:

- BCS-As separately from BCS-Bs received from Offices of the Collection Officer/deputized Municipal Treasurers in places where there are no accredited banks
- BCS-Bs for 1701A and 1701C returns with no cash/check payment received from Offices of the Collection Officer;

3. Segregate original copies of BCS reports (with original copies of tax returns/ATAPs) from duplicate copies of the same (with triplicate copies of tax returns/ATAPs);

4. Forward the numbered original copies of BCS-A and BCS-B with the attached original copies of tax returns/ATAPs including original copies of 1701A and 1701C returns which are refundable and with no cash/check payment to Revenue Information Systems Services, Inc. (RISSI);

Note: Do not indicate Document Locator Number (DLN) on the attached original copies of the tax returns with special emphasis on 1701A and 1701C returns.

5. Process all quadruplicate and/or duplicate copies of BCS-As and duplicate copies of BCS-Bs in accordance with Section III A.2. to A.5 of RMO No. 16-92 dated March 4, 1992;

6. Process the corresponding triplicate tax returns of the above BCS-As and BCS-Bs in the following manner:

- Indicate on triplicate copies of tax returns except ITRs and ATAPs the DLN specified in paragraph II.4 of this memorandum;

Note: Triplicate copies of ITRs shall be numbered by Assessment Unit following the provisions under RMO 9-91.

- Segregate the returns according to type of tax and forward to the following units concerned:

Assessment Unit - Income Tax Returns (BIR Forms 1701, 1701A, 1701C, 1702, 1702Q, 1702A-1 and 1704)

VAT Unit - VAT returns (BIR Form 2550)

Withholding Tax Unit Withholding Tax Returns (BIR Forms 1743-W, 1745 and 750A)

- Retain Percentage Tax Returns (BIR Forms 2551 and 2529A-Q) for processing.

B. Assessment Unit, RDO

1. Receive triplicate copies of Income Tax Returns from Collection Unit;

2. Classify the Income Tax Returns into:

- Individual (including estates and trusts)

BIR Form No. 1701

BIR Form No. 1701A

BIR Form No. 1701C

- General Professional Partnership (BIR Form No. 1704)

- Corporations

BIR Form No. 1702

BIR Form No. 1702Q

BIR Form No. 1702A-1

3. Subclassify the above returns into:

- Taxable

a.1. Taxable Break-even a.2. Taxable Collectible

- Exempt

- Refundable

c.1. Refundable Taxable

c.2. Refundable Exempt

4. Assign and indicate a Document Locator Number (DLN) on the triplicate copies of the ITRs as prescribed under RMO 9-91;

DLN Composition

No. of Digits

a. Revenue District Code

3

b. Classification Code

2

c. Year of the Return

2

d. Serial Number

6

5. Prepare in four copies a " Monthly Summary of Tax Returns Filed" (Annex C of RMO 16-92) consolidating therein the reports on the number of returns filed, transmitted by VAT/Withholding Tax/Collection Unit;

6. Post tax returns on the TIN Master received from RISSI to establish stop-filers/non-filers;

7. Prepare List of Stop-Filers/Non-Filers by type of Income Tax and forward the same to the Administrative Unit for transmittal to MIDCSD not later than thirty (30) days from the deadline of filing the returns;

Original - MIDCSD

Duplicate - RDO copy

Triplicate - file copy

8. Take the appropriate action on stop-filers/non-filers, as prescribed under Section A.7 to A.12 of RMO 16-92;

9. Update List of Stop-Filer/Non-Filer by type of income tax based on the results of Reminder Letters sent and transmit a copy of the said List to MIDCSD not later than the 5th working day of each month;

10. Prepare in two copies transmittal list of taxable break-even or exempt 1701A/1701C returns indicating therein the name of taxpayers and their corresponding TINs:

original - Administrative Branch

duplicate - file copy

11. Forward triplicate copies of taxable break-even or exempt 1701A/1701C returns together with the original copy of transmittal list to Administrative Branch for safekeeping and future reference; retain duplicate copy of transmittal list for file;

12. Pre-audit triplicate copies of the refundable 1701A and 1701C following the procedures prescribed in RMO No. 1-85;

13. Prepare transmittal list of pre-audited refundable 1701A and 1701C returns in three copies indicating therein the names of taxpayers and the corresponding DLNs; attach the original copy of transmittal list to triplicate copies of pre-audited refundable returns;

Original - Revenue Information Systems Services Inc. (RISSI)

Duplicate - Tax Credit/Refund Division (TC/RD)

Triplicate - Office copy

14. Forward triplicate copies of pre-audited refundable 1701A and 1701C with the attached transmittal list to RISSI weekly or sooner if number of returns reached 5,000; forward the duplicate of transmittal list to TC/RD for reference purposes; file triplicate for office copy;

15. Forward the pre-audited triplicate copies of 1701A and 1701C which resulted into deficiency taxes together with a transmittal list to Collection Unit/Branch for issuance of the necessary collection letters/notices not later than sixty days (60) from the end of the month when the returns were received.

C. Foreign Returns Processing Section, ITAD

The pertinent and applicable provisions of this RMO shall apply to the procedures to be followed by ITAD in processing 1701C returns received from the designated Collection Officers abroad, thru the mails and tax returns of non-resident citizens with foreign addresses. In summary, these include classification of income tax returns, assignment of DLNs, pre-audit of refundable 1701C, transmittal of said returns to RISSI and Records Division (per RMO No. 11-92) and provisions that taxable break-even and exempt 1701C shall no longer be audited.

IV

Repealing Clause

All issuances and/or portions thereof inconsistent herewith are hereby repealed and amended accordingly.

V

Effectivity

This Order shall take effect upon approval.

Adopted: 9 June 1992

(SGD.) JOSE U. ONG

Commissioner of Internal Revenue

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