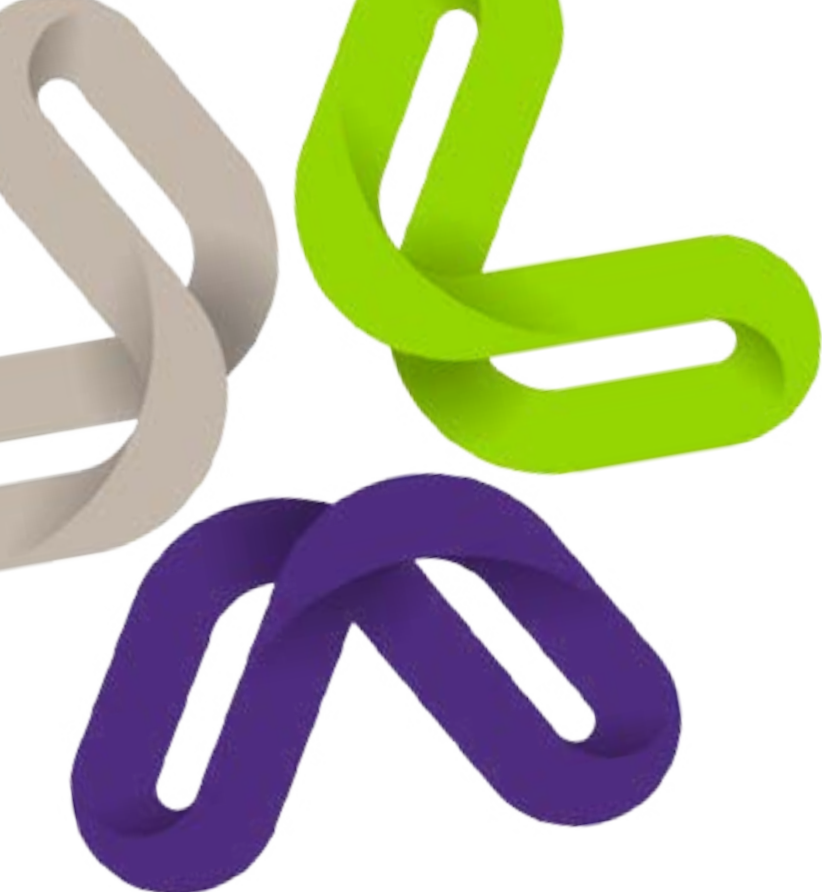




Tax brief

August 2018





BIR ISSUANCES

RR 17-2018

RMO 28-2018

RMO 29-2018

RMO 30-2018

Valuation of gifts made in property

New and modified ATCs for individual income tax

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Policies and procedures in the issuance of ATCA

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Amended guidelines and procedures on the use of corporate and partnership names

BIR Issuances

Valuation of gifts made in property

(Revenue Regulations No. 17-2018, July 10, 2018)

Gifts in the form of property shall be valued at (1) Fair Market Value (FMV) as determined by the Commissioner, or (2) FMV as shown in the schedule of values fixed by the provincial and city assessors, whichever is higher, at the date when the donation is made.

In the case of shares of stocks, the FMV shall depend on whether the shares are listed or unlisted in the stock exchanges.

- Unlisted common shares are valued based on their book value while unlisted preferred shares are valued at par value. In determining the book value of common shares, the appraisal surplus and the value assigned to preferred shares, if any, shall not be considered. The Adjusted Net Asset Method as provided RR No. 06-2013 shall not be applied in the valuation of shares.

- Listed shares' FMV shall be based on the arithmetic mean between the highest and lowest quotation at a date nearest the date of donation, if none is available on the date of donation.

FMV of units of participation in any association, recreation or amusement club (golf, polo, similar clubs), shall be the bid price nearest the date of donation published in any newspaper or publication of general circulation.

In the case of right to usufruct, use or habitation, as well as that of annuity, the probable life of the beneficiary in accordance with the latest basic standard mortality table shall be taken into consideration.

New and modified ATCs for individual income tax

(Revenue Memorandum Order No. 28-2018, July 3, 2018)

The following new and modified Alphanumeric Tax Codes (ATCs) shall be used in BIR Form 1701 (Annual Income Tax Return for Self-Employed Individuals, Estates and Trusts) and 1701Q (Quarterly Income Tax Return for Individuals, Estates and Trusts):

Newly created ATCs for taxpayers availing 8% income tax, in lieu of regular income tax and percentage tax

ATC	Description	BIR Form
11015	Business Income - 8% Income Rate	1701/1701Q
11016	Mixed Income - 8% Income Tax Rate	
11017	Income from Profession - 8% Income Tax rate	

Modified ATCs for taxpayers subject to regular income tax

ATC	Description	BIR Form
11011	Pure Compensation	1701/1701Q
11012	Business Income	
11013	Mixed Income	
11014	Income from Profession	

BIR Issuances

New ATCs for selected excise taxes

(Revenue Memorandum Order Nos. 29-2018 and 31-2018, July 3 and 10, 2018)

The following new Alphanumeric Tax Codes (ATCs) shall be used in remitting excise tax:

ATC	Description	Legal Basis	BIR Form
XP105	Naphtha and pyrolysis gasoline (used as raw materials)	RA 10963	2200-P
XP085	Pyrolysis gasoline		
XP165	Liquefied petroleum gas		
XP200	Petroleum Coke		
XP210	Petroleum Coke when used as feedstock		
XG065	Hybrid Vehicles		2200- AN
XG068	Purely Electric Hybrid Vehicles		
XG055	Pick-ups		2200-C/0605
XG010	Invasive cosmetic procedures		
XP220	Additives for lubricating oils and greases		

Venue for refund of CWT/ CGT on sale of real properties

(Revenue Memorandum Order No. 30-2018, July 10, 2018)

To align with the venue for payment of the CWT/CGT on sale of real properties, the processing of claims for refunds of erroneously paid CWT/ CGT on sale of real properties shall now be under the RDO having jurisdiction over the place where the subject property is located. The rule applies regardless of whether or not the claimant is a registered taxpayer in the said RDO.

Audit program for "small" category taxpayers

(Revenue Memorandum Order Nos. 32 and 34-2018, July 11, 2018)

Pursuant to Revenue Memorandum Order (RMO) No. 32-2018, as amended by RMO 34-2018, electronic Letters of Authority (eLAs) shall be issued to taxpayers with the following amount of gross sales/receipts declared in the tax returns for taxable year 2017:

Areas	Gross Sales/ Receipts
RDOs under RRs 5, 6 (except RDO 36- Puerto Princesa), 7, and 8	P 10 Million Pesos and below

RDOs under RRs 1, 4, 9A (except RDO Nos. 35- Romblon, 37- Occidental Mindoro and 63- Oriental Mindoro), 9B (except RDO No. 62- Marinduque), 11, 12, 13, 16, and 19	P 5 Million Pesos and below
RDO No. 36	P 3 Million Pesos and below
RDOs under RRs 2, 3, 10, 14, 15, 17, 18, 35, 37, 62 and 63	P 2 Million Pesos and below

Below are the relevant audit policies and guidelines for the audit:

- Issuance of eLA shall be limited to taxpayers who have not been audited/investigated for the last three (3) years.

- One eLA shall be issued for each taxable year. The eLA shall include examination of all internal revenue tax liabilities of the taxpayer, except when a specific tax type had been previously examined (e.g. VAT audit).

- The eLA, together with the Notice for the Presentation/Submission of Documents/Records with checklist of requirements shall be personally delivered by a BIR employee to the taxpayer, or delivered through a courier company.



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BIR Issuances

- The taxpayer shall have 10 days to submit the required documents/records. Failure to submit within the 10-day period shall result to issuance of a reminder letter giving an additional 5 days to comply. Failure to submit within the 5-day period shall result to issuance of Subpoena Duces Tecum. No further extension to submit documents shall be allowed.

- The audit shall be conducted without field investigation. The report of investigation shall be submitted by the Revenue Officers (RO) to the Review and Evaluation Section in the Assessment Division within 90 days from the issuance of the eLA.

Thus, submission of the supporting documents/records and reconciliations must be completed prior to the end of the 90-day period.



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SEC Issuances

Amended guidelines and procedures on the use of corporate and partnership names

(SEC Memorandum Circular No. 9 s. 2018, July 18, 2018)

Pursuant to the revised guidelines on the use of corporate and partnership names, the name of an international government organization may not be used as part of a corporate or partnership name unless duly authorized or allowed by the commission. The prohibited names include “International Criminal Police Organization” (INTERPOL), “International Monetary Fund” (IMF), and “International Labour Organization” (ILO).

The amendment is to prevent formation of bogus organizations that could potentially misrepresent itself as an affiliate of an international governmental organization.

Highlight on P&A Grant Thornton services

Tax Opinions and Studies

We conduct tax studies and provide advice to clients on the tax implications of specific transactions based on relevant laws, regulations, court decisions, rulings, and other relevant issuances. We likewise provide recommendations to address or mitigate tax issues arising from said transactions.



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We welcome your suggestions and feedback so that the Tax brief may be made even more useful to you. Please get in touch with us if you have any comments and if it would help you to have the full text of the materials in the Tax brief.

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