



# Tax *brief*

April 2019  
(March Issuances)





#### **BIR ISSUANCES**

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RMC 35-3019

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# BIR Issuance



> BIR Issuance

## Compliance requirements for excise tax on invasive cosmetic procedures

(Revenue Regulations No. 02-2019, March 19, 2019)

Starting January 1, 2019, invasive cosmetic procedures, surgeries and body enhancements directed solely towards improving, altering, or enhancing the patient's appearance and do not meaningfully promote proper functions of the body or prevent or treat illness or disease are excisable.

The excise tax shall be equivalent to 5% based on gross receipts derived from the performance of services, net of excise tax and VAT. Excise tax imposed shall not apply to, (1) procedures necessary to ameliorate a deformity, (2) cases and treatment covered by the National Health Insurance Program, and (3) non-invasive cosmetic procedures.

Any person, whether natural or juridical, performing invasive procedures, surgeries and body enhancements shall file a monthly return using BIR Form 2200-C (Excise Tax Return on Invasive Cosmetic Procedures) within 10 days following the close of the month, showing its gross receipts together with the Monthly Summary of Cosmetic Procedures Performed. In cases where non-invasive procedures were performed during the period, hence no excise tax due, the same form shall still be filed with the Excise taxpayers in NCR or Excise Tax Area (EXTA) in the Regional Offices for taxpayers outside NCR.

The Official Receipts(OR) to be issued shall include the following:

- a. The total amount to be paid including excise tax and VAT
- b. The amount of VAT as a separate item. The VAT base shall include the excise tax.
- c. Discounts
- d. If the procedures are not subject to excise tax, the tem "Exempt from Excise Tax" should be shown on the OR.
- e. If the fees cover both excisable and exempt procedures, separate ORs may be issued.

The taxpayer must also maintain subsidiary ledger containing the following information:

1. Name of patient
2. Tax Identification Number
3. OR number and date of issue
4. Invasive cosmetic procedure performed with an explanation if exempt
5. Non-invasive cosmetic procedure performed
6. Gross receipts for non-invasive (net of VAT)
7. Gross receipts for invasive proceed
8. Excisable (net of VAT and excise)
9. Excisable (VAT-exempt)
10. Non-excisable (net of VAT)
11. 5% excise tax due
12. 12% VAT due
13. Total amount collected from client

All individual practitioners and juridical entities, including medical clinics and hospitals performing invasive cosmetic procedures shall update their COR to include

the tax type- excise tax. Those performing non-invasive procedures shall be required to execute and submit a Sworn Statement stating that only non-invasive cosmetic procedures are being performed. Sworn Statements of juridical entities shall be executed by the President/ CEO of the company.

## Bar-coded eCAR for transfer of real properties

(Revenue Regulations No. 03-2019, March 28, 2019)

TheBIR has prescribed the use of Electronic Certificate Authorizing Registration (eCAR) with barcode in the registration and transfer of real properties and improvements, including shares of stocks involved therein. The eCAR system with barcode shall initially be limited for the use of the BIR and the Land Registration Authority (LRA). The BIR will upload its data to the LRA's Philippine Land Registration Information System (PHILARIS) to ensure secured and accurate exchange of information.

The eCAR shall have a system generated Barcode Reference Number (BRN) printed below the barcode which may be encoded in case the latter is unreadable by the scanner used at the Register of Deeds (RD). A system-generated information, such as eCAR number, date of eCAR issuance, amount paid, date of payment and signature of the authorized signatory of eCAR shall be indicated or stamped on the reverse side of each page of the original copies of the transfer document.



# BIR Issuances

One eCAR shall be issued per title in case of registered land and/or improvements and one eCAR per tax declaration in case of unregistered properties. A separate eCAR shall be issued for all personal properties. The eCAR shall be valid for five years from date of issuance. A new eCAR may be generated and issued upon request of the taxpayer. All manually-issued CARs not yet presented to the RD shall be considered expired and should be applied for replacement with an eCAR.

The RD shall inscribe on the newly issued TCT the following information:

1. eCAR Number
2. Date of Issuance of eCAR
3. RDO Number
4. Amount and Date of payment per tax type

Transfers of property shall not be effected if there is no eCAR in the database.

## **Submission of inventory list by sellers of VAT-exempt medicine**

(Revenue Memorandum Circular No. 34-2019, March 04, 2019)

Starting January 1, 2019, sale of drugs prescribed for diabetes, high cholesterol and hypertension, as certified by the Food and Drug Administration, are VAT exempt. The VAT exemption shall cover sales made by manufacturers, distributors, wholesalers and retailers. Importation of these drugs, however, shall be subject to VAT.

Since the input tax attributable to VAT-exempt sale shall be closed to cost or expense, that the BIR required the submission of an inventory list of such drugs on hand, imported or locally manufactured, as of December 31, 2018 by all manufacturers, wholesalers, distributors and retailers regardless of whether or not there is an excess input tax.

The format of the inventory list is prescribed in the RMC. Filing shall be done with the Large Taxpayer Service/ Revenue District Office where the taxpayer is registered on or before April 25, 2019 as an attachment to the Quarterly VAT declaration form (BIR Form 2550Q) for the first quarter of 2019.

As sales of the VAT-exempt medicine are made, the corresponding input tax shall be deducted from the taxpayer's allowable input tax and shall be closed to cost or expense accounts.

## **Definition of Accounts Receivable and Delinquent Accounts for purposes of tax clearance**

(Revenue Memorandum Circular No. 35-2019, March 14, 2019)

The clarifications are issued to provide for the uniformity in the understanding of outstanding tax liabilities also known as Accounts Receivable/ Delinquent Accounts (AR/DAs) by all processing offices. It has been observed that some processing offices mistakenly consider some record of tax liabilities which are not yet considered final and executory, such as those which are still

protested, those which are only subjects of preliminary notices, or those which are only mere computations by certain Revenue Officers, thereby resulting to difficulties for taxpayers in securing Delinquency Verification Certificate (DVC) or tax clearance.

Based on the definition in RMO 11-2014, "open stop-filer cases" and deficiency tax assessments which were timely protested, subject of reconsideration/ re-investigation, or pending appeal with the Appellate Division or the Court of Tax Appeals (CTA) or the Supreme Court (SC), shall not be considered as AR/DAs. These shall not be a ground for the non-issuance of a clear DVC or tax clearance.

Existence of the outstanding AR/DAs shall generally be verified through the Accounts Receivable and Management System (ARMS). Manually-maintained AR/DA records shall first be added or created in the ARMS before denying the application for tax clearance or before issuing a DVC reflecting the said AR/DA.



# BIR Issuances



> BIR Issuance

## **Supplementary list of Top Withholding Agents**

(Revenue Memorandum Circular No. 36-2019, March 18, 2019)

The Bureau of Internal Revenue (BIR) on March 18, 2019 published a supplementary list of additional and delisted Top Withholding Agents (TWA).

Under Revenue Regulations No. 11-2018, the publication shall serve as the “notice” to the TWAs to deduct and remit to the BIR 1% and 2% creditable withholding tax (CWT) from regular suppliers of goods and services, respectively effective on April 1, 2019.

Taxpayers that cannot be found in any of the lists of inclusions published in October 2018 and March 2019 are deemed to have been excluded and therefore, are not required to withhold as TWAs. The list can be accessed from the link below.

**<https://www.bir.gov.ph/index.php/top-taxpayers/top-withholding-agents/supplementary-list-of-top-withholding-agents-published-on-march-18-2019.html>**

## **Enhanced BIR Form 1701 for individuals engaged in business/profession, mixed income earners, estates and trusts**

(Revenue Memorandum Circular No. 37-2019, March 19, 2019)

The enhanced BIR Form 1701 shall be used by individuals engaged in business or practice of profession, mixed income earners, estates and trusts in filing the annual income tax return and paying the income tax due starting for taxable year 2018 which is due on or before April 15, 2019.

Under the TRAIN Law, income subject to final tax are no longer required to be reported in the income tax return. Thus, required supplemental information on income subjected to final withholding tax and income exempt from income tax is no longer included in the newly issued enhanced BIR Form 1701.

The new return is already available manually and can be downloaded from the BIR website. However, this is not yet available in the Electronic BIR Form (eBIRForm) and Electronic Filing and Payment System (EFPS). Thus, eFPS/eBIR-Forms filers shall use manual return in filing and paying the income tax due thereon.

## **Extended VAT refund/credit procession deadline**

(Revenue Memorandum Circular No. 38-2019, March 25, 2019)

Due to the considerable number of pending inventories of VAT refund/credit claims filed prior to the effectivity of RMC No. 54-2014 at the regional offices and the National Office, the deadline for the processing of pending VAT refund/ credit claims is further extended from March 29, 2019 to July 31, 2019.

Concerned revenue officers and officials who fail to comply with the new deadline shall be issued a “Show-Cause Order” and may be imposed appropriate sanctions.

# Highlight on P&A Grant Thornton services

## **Tax Advocacy**

We actively participate in consultation and public hearings conducted by the Bureau of Internal Revenue on proposed tax rules and regulations, serving as a bridge between our clients and the BIR. Our advocacy work focuses on clarifying the interpretation of laws and regulations, suggesting measures to increasingly ease tax compliance, and protecting taxpayer's rights.

## **Tax seminars and training**

We offer seminars and training on tax-related developments and special issues of interest to taxpayers. Upon request, we provide customized in-house tax training – designed jointly by P&A Grant Thornton and the client – that directly addresses the specific issues of the client's industry and the training needs of its personnel.

If you would like to know more about our services

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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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