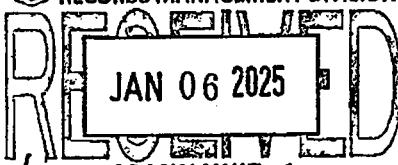




BUREAU OF INTERNAL REVENUE
QUEZON CITY
RECORDS MANAGEMENT DIVISION



REVENUE MEMORANDUM ORDER NO. 002-2025



December 02, 2024

SUBJECT : Policies, Guidelines and Procedures in the Processing and Issuance of Tax Clearance Certificate for Final Settlement of Government Contracts (TCFG)

TO : All Revenue Officials, Employees and Other Concerned

I. BACKGROUND

Executive Order (E.O.) No. 398 was issued on January 12, 2005 directing the timely and complete payment of taxes as a precondition for entering into, and as a continuing obligation in contracts with the government, its departments, agencies and instrumentalities.

Revenue Memorandum Order (RMO) No. 12-2015 was then issued on April 20, 2015 amending RMO No. 39-92 updating the procedures in the implementation of the Memorandum of Agreement between Department of Public Works and Highways (DPWH) and Department of Finance and decentralizing the processing of Application for Contractor's Final Payment Release Certificate (BIR Form No. 0217) across all BIR offices. RMO No. 12-2015 was then revoked by RMO NO. 57-2019 dated November 28, 2019 addressing the issues and concerns regarding the duplication of requirements being submitted by contractors to the Bureau of Internal Revenue (BIR) and DPWH and to align the process for the release of the final payment for contractors with Republic Act (RA) No. 11032 also known as the "Ease of Doing Business and Efficient Government Service Delivery Act of 2018".

The procedures in the decentralized processing and issuance of Tax Clearance for Bidding Purposes as required under RA No. 9184 and E.O. No. 398 was provided by RMO No. 46-2018.

Provisions of Section 3 of E.O. No. 398 show that the BIR tax clearance is not only required to be submitted by the contractor during the procurement process as an eligibility requirement but on a regular basis within the duration of the contract. RR No. 17-2024 prescribed the presentation of the updated tax clearance by the contractor to the concerned departments, therefore Tax Clearance Certificate for Final Settlement of Government Contracts (TCFG) is to be secured from the BIR and to be presented prior to final settlement of government contracts.

II. OBJECTIVES

This Order is issued to:

1. Ensure that taxes withheld from payee private contractors are paid and remitted on time by the government agencies;
2. Ensure that only tax compliant contractors are entitled for the final settlement of any goods, consulting services and infrastructure projects delivered;
3. Provide policies, guidelines and procedures in the application and issuance of TCFG; and
4. Define the duties and responsibilities of BIR officials and offices in the issuance of the TCFG.

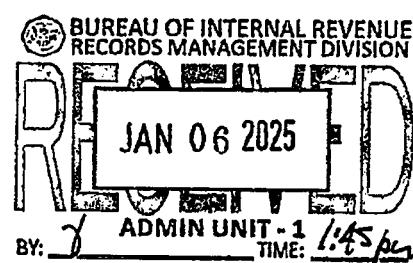
III. COVERAGE

1. Government contracts for any procurement done through public bidding process pursuant to RA No. 9184 otherwise known as the "Government Procurement Reform Act", as amended by RA No. 12009 shall be covered by the TCFG;
2. Government contracts for the procurement of goods, consulting services, and infrastructure projects pursuant to the scope and application as defined under RA No. 9184; and
3. The tax types covered shall be value-added tax (VAT), percentage and creditable withholding income tax.

IV. DEFINITION OF TERMS

For the purpose of this Order, the following words and/or phrases shall be defined as follows:

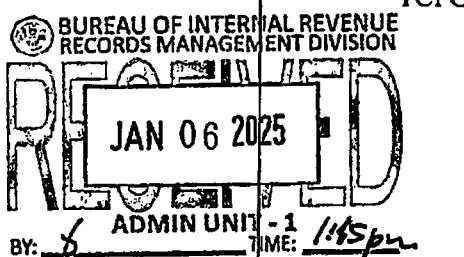
1. "**Tax Clearance Certificate for Final Settlement of Government Contracts (TCFG)**" – refers to the certificate to be secured by the contractor who have existing contracts with the government, its departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units which will be presented prior to the final settlement of the government contracts to ensure complete and timely payment and remittance of taxes.
2. "**Tax Compliance Verification Clearance for Final Settlement of Government Contracts (TCVC-FG)**" – refers to the certificate that is issued to all government contractors (individuals, partnerships, corporations, joint ventures, cooperatives, associations, whether taxable or non-taxable, etc.) classified as non-large taxpayers. This is a pre-requisite requirement for TCFG applications which will be secured by non-large taxpayers from concerned Revenue District Office.



V. GENERAL POLICIES

1. All persons, natural or juridical, local or foreign, who have any existing contracts with the government, its departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units for the supply of goods and services, including infrastructure projects, shall secure from the BIR an updated TCFG (*Annex "A" and "A.1"*) certifying that they have no outstanding tax liabilities and that they have duly filed the latest income and business tax returns and paid the corresponding taxes due thereon.
2. All government contractors (individuals, partnerships, corporations, joint ventures, cooperatives, associations, whether taxable or non-taxable, etc.) classified as *non-large taxpayers* who have existing contracts with the government are required to secure TCVC-FG (*Annex "B"*).
3. The issuance of TCFG shall be on a per contract basis.
4. The processing offices authorized to receive applications for TCVC-FG and TCFG are as follows:

Tax Clearance Certificate	Taxpayer Classification	Processing Office
TCVC-FG	Non-large taxpayers	Collection Section of the concerned RDO
	Non-large taxpayers	Tax Clearance Section (TCS) of the Regional Collection Division
	Large taxpayers	Large Taxpayers Division (LTD)-Cebu, LTD-Davao or Large Taxpayers Collection Enforcement Division (LTCED)
TCFG	Non-Resident Foreign Corporation (NRFC), Non-Resident Alien Not Engaged in Trade or Business (NRA-NETB), and other entities authorized by the CIR	Accounts Receivable Monitoring Division (ARMD)



5. All contractors, except for NRA-NETB, NRFC are required to submit one (1) original copy of *Certification of Collectible Final Payment* (*Annex "C"*) issued by the concerned government agency, duly approved by the Chief, Accounting/Finance Division or Treasurer of the said government agency disclosing the collectible final payment due to the contractor and one (1) photocopy of government agency's issued ID of the signatory reflecting the signature or specimen signature for ID without reflected signature. The certification shall form part of the documentary requirements to be submitted to the concerned Large Taxpayers Audit Division/Large Taxpayers District Office (LT Office) or RDO whose principal place of business or branch office falls within the jurisdiction of the concerned LT Office/RDO.

6. Only applications with complete documentary requirements, as enumerated in the Checklist of Documentary Requirements (CDR) (*Annexes "D", "D.1" and "D.2", whichever is applicable*), shall be received and processed by the authorized processing office.
7. Only duly accomplished Application Form for TCVC-FG (*Annexes "E" and "E.1"*) and Sworn Application Form for TCFG (*Annexes "E.2", "E.3" and "E.4"*) with complete documentary requirements shall be accepted by the BIR-processing office. The said form shall be accomplished and signed by the applicant himself/herself for individuals, or by any one of the partners, or by any authorized officer/individual whose authority to act as such is contained in a Board Resolution, as shown by a Secretary's Certificate of the minutes/contents of said Board Resolution for corporations, cooperatives, associations and other non-individuals' taxpayer-applicants.
8. The following criteria must be satisfied by the taxpayer-applicant before the TCVC-FG and TCFG is issued:

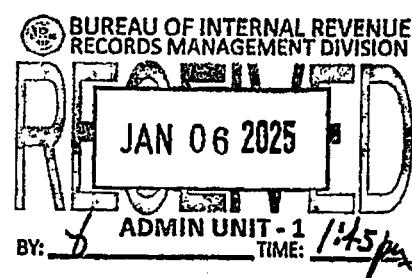
For the issuance of TCVC-FG/TCFG:

- 8.1 No open valid "stop-filer" cases;
- 8.2 A regular user of the BIR's Electronic Filing and Payment System (eFPS) from the time of enrollment up to the time of filing of the renewal of TCFG for those with previously issued TCFG. The regular usage of eFPS shall not apply to new applicants. The submission of the new applicant's latest income tax and business tax returns not filed and paid through the Bureau's eFPS shall suffice;
- 8.3 Not tagged as "Cannot Be Located (CBL)" taxpayer;
- 8.4 No Accounts Receivable/Delinquent Account (ARDA). However, applicants with delinquent accounts may still be issued TCVC-FG and TCFG, provided the tax liabilities involved were the subject of a pending application/s for compromise settlement and/or abatement of penalties pursuant to Section 204 of the Tax Code, as amended. Provided, further, that the applicant has fully paid the amount offered for payment upon filing of the application for compromise settlement or abatement of penalties;

Additional Condition for the Issuance of TCFG:

- 8.5 No pending criminal information filed in any court of competent jurisdiction arising from any tax or tax-related cases.
9. The following processing time shall be observed by the concerned processing offices for received TCVC-FG and TCFG applications:

Tax Clearance Certificate	Processing Time
TCVC-FG	Two (2) working days
TCFG	Two (2) working days



10. The TCVC-FG and TCFG shall have a validity period as illustrated below unless sooner revoked for valid reasons and shall be signed / approved by the following BIR officials:

Tax Clearance Certificate	Taxpayer Classification	Approving Revenue Official	Validity Period
TCVC-FG	Non-large taxpayers	Revenue District Officer	Ninety (90) Days
TCFG	Non-large taxpayers	Chief, Collection Division of the Revenue Regional Office	One (1) Year
	Large taxpayers	Chief, LTD - Cebu/Chief, LTD - Davao/Chief - LTCED	
	Non-Resident Foreign Corporation (NRFC), Non-Resident Alien Not Engaged in Trade or Business (NRA-NETB), and other entities authorized by the CIR	Chief, ARMD	

11. In the absence of the aforesaid officials, the next in rank shall sign / approve the Tax Clearance. For instances that the abovementioned signatories are not available due to official business or leave of absence, the Chief, Assessment Section and Chief, Tax Clearance Section may sign the TCVC-FG and TCFG, respectively provided that there is a memorandum or approved Continuity Plan for Alternate Signatories issued.

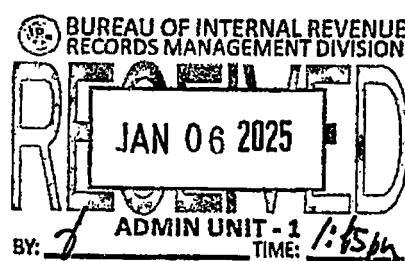
12. The TCVC-FG/TCFG shall be prepared in duplicate to be distributed as follows:

Original Copy – to the applicant/taxpayer/prospective bidder; and
 Duplicate Copy – to be retained to TCVC-FG/TCFG issuing office for record purposes.

The TCVC-FG/TCFG-issuing office shall maintain a database of all its issued Tax Clearances with corresponding registered Tax Clearance Control Number for monitoring and record purposes.

13. TCFG shall only be valid after the same have been posted in the BIR Website. The information that shall be posted in the BIR website shall only include the taxpayer's name, TIN, the RDO where the taxpayer is registered, the Tax Clearance's Control Number and the Date of Issuance.

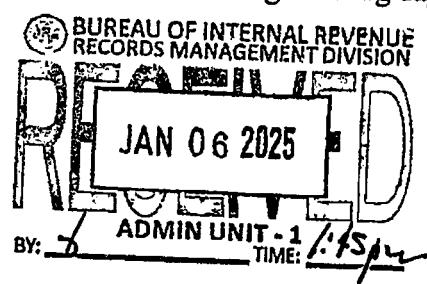
14. TCFG shall be verified for authenticity from the List of Tax Clearances Issued through the Bureau's website <https://www.bir.gov.ph/Tax-Clearance-List-Issued-TCC>.



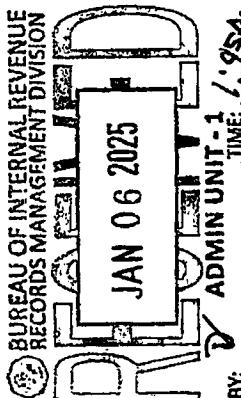
VI. PROCEDURES

1. Collection Section of the Revenue District Office shall:

- 1.1 Receive application for TCVC-FG from taxpayer-applicant;
- 1.2 Verify and validate if the taxpayer-applicant submitted the complete documentary requirements;
- 1.3 The concerned Revenue Officer shall issue a claim stub (*Annex "F"*) to the taxpayer-applicant if he/she/it submitted the complete documentary requirements as listed on the Checklist of Documentary Requirements (CDR) (*Annex "D"*) for all TCVC-FG applications;
- 1.4 In case the taxpayer-applicant fails to complete and satisfy the documentary requirements set forth on the CDR, the Revenue Officer shall not accept the application and inform the concerned taxpayer of the lacking requirements using the duly acknowledged *taxpayer's copy* of the CDR and require taxpayer applicant to submit compliance thereof before the same may be accepted and processed;
- 1.5 An Evaluation Sheet for application of TCVC-FG (*Annex "G"*) shall be routed by the concerned Revenue Officer from Collection Section to the Client Support Section, Compliance Section and Collection Section to verify and validate if the taxpayer applicant has satisfied all the criteria set forth per Section V.8 of this Order;
- 1.6 Issue a "Compliance Notice" (*Annex "H"*) for TCVC-FG applications indicating the lacking documentary requirements and/or the prescribed criteria not satisfied for final approval of the Revenue District Officer. In the absence of the concerned official, the next in rank shall initial/sign/approve the Compliance Notice for TCVC-FG;
- 1.7 For compliant applications, issue the corresponding TCVC-FG (*Annex "B"*) within two (2) working days from receipt of the application signed by the Revenue District Officer or any of his authorized representative as shown by a Delegation Order issued by the said Revenue District Officer in which a copy shall be forwarded to the concerned Collection Division of the Revenue Region for monitoring purposes;
- 1.8 Advise taxpayer-applicant to proceed to the Regional Office's Tax Clearance Section (TCS) of the Collection Division for the issuance of TCFG; and
- 1.9 Record all issued TCVC-FG and submit the Daily List of Issued TCVC-FG to the concerned Collection Division of Revenue Regional Offices and copy furnished ARMD using the prescribed format (*Annex "I"*) to armd_tcs@bir.gov.ph, the official e-mail-address, the following working day.



- 2. Tax Clearance Section (TCS) of the Collection Division of the Regional Office/LTD-Cebu/LTD-Davao/LTCED of LTS shall:**
- 2.1 Receive application for TCFG from taxpayer-applicant;
 - 2.2 Verify and validate if the taxpayer-applicant submitted the complete documentary requirements;
 - 2.3 The concerned Revenue Officer shall issue a claim stub (*Annex "F"*) to the taxpayer-applicant if he/she/it submitted the complete documentary requirements as listed on the Checklist of Documentary Requirements (CDR) (*Annex "D.1"*) for all TCFG applications;
 - 2.4 In case the taxpayer-applicant fails to complete and satisfy the documentary requirements set forth on the CDR, the Revenue Officer shall not accept the application and inform the concerned taxpayer of the lacking requirements using the duly acknowledged *taxpayer's copy* of the CDR and require taxpayer applicant to submit compliance thereof before the same may be accepted and processed;
 - 2.5 Revenue Officer from the Tax Clearance Section (TCS) of the Collection Division of the Regional Office shall route the TCFG application using an Evaluation Sheet (*Annex "G.1"*) to the Collection Division for validation and verification of the existence of Accounts Receivable/Delinquent Accounts and to Legal Division for the existence of pending criminal information files in any court of competent jurisdiction arising from any tax or tax-related cases;
 - 2.6 In case the taxpayer-applicant fails to complete and satisfy the requirements and criteria set forth herein, inform the taxpayer-applicant of the lacking documentary requirements and criteria using the prescribed format (*Annex "J"*) and require the taxpayer-applicant to submit compliance thereof before the same may be accepted and processed;
 - 2.7 For compliant applications, issue the TCFG within two (2) working days from the date of receipt of the application using the prescribed format hereto attached (*Annex "A" and Annex "A.I"*) with control number following the sequence numbers as follows:
- TCFG NO. RR/LT-RDO-MM-DD-Series-YYYY**
- 2.8 The Daily List of Issued TCFG (*Annex "K"*), including those with ground for revocation (*Annex "K.1"*), as the case may be, shall be submitted by the Collection Division of the Revenue Regional Office/LTD-Cebu/LTD-Davao/LTCED of LTS to ARMD, Attention: Tax Clearance Section through e-mail at e-mail address: **armd_tcs@bir.gov.ph** the following working day for posting to the BIR Portal/Website; and
 - 2.9 Validate the authenticity of the TCFG, and in case of official request of any government procuring agency, prepare the letter reply using the (*Annex "L"*). If found spurious, the name of the taxpayer (bidder/contractor) using (*Annex*



"M") shall be forwarded to the Regional Investigation Division for taxpayers under the Regional Office and Prosecution Division for taxpayers under the LTS, for the filing of appropriate criminal charges, copy furnish the ARMD.

3. Tax Clearance Section of the Accounts Receivable Monitoring Division shall:

- 3.1 Receive and process application for Tax Clearance with complete documentary requirements from NRFC and NRA-NETB and other entities authorized by the CIR;
- 3.2 Receive the Daily List of Issued TCFG (*Annex "K"*) sent by e-mail to armd_tcs@bir.gov.ph from the concerned Collection Division of Revenue Regional Offices, LTD-Cebu, LTD-Davao and LTCED of LTS;
- 3.3 Maintain a Master List of Issued TCFG, for records and monitoring purposes;
- 3.4 Update BIR Portal on the List of Tax Clearances Issued; and
- 3.5 Transmit to concerned RID/NID the copies of alleged spurious/fake Tax Clearance submitted by any government procuring agency or spurious documents submitted by the taxpayer-applicant, for preliminary investigation.

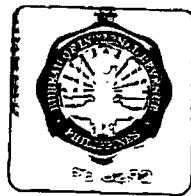
VII. REPEALING CLAUSE

All issuances which are inconsistent herewith are hereby amended, modified or repealed accordingly.

VIII. EFFECTIVITY

This order shall take effect immediately.

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A handwritten signature in black ink, appearing to read "ROMEO D. LUMAGUI, JR.", is placed next to the title. Below the signature, the text "Commissioner of Internal Revenue" is printed in a smaller, sans-serif font.
ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

