

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

May 16, 2011

REVENUE MEMORANDUM CIRCULAR No. 24-2011

SUBJECT: Further Clarifications on Issues/Concerns in the Implementation of the Electronic Documentary Stamp Tax (eDST) System Pursuant to Revenue Regulations No. 7-2009

TO: All Internal Revenue Officials, Employees, and Others Concerned

This Circular is issued to clarify other issues/concerns on the use of the eDST System and to ensure that the said System is effectively implemented:

Q1: Is there any further deferment in the implementation of the eDST system?

A1: There will be no further extension or deferment of the full implementation of the eDST System. The BIR has already given the Users six (6) months within which to comply with the requirements on the mandatory enrolment and use of the System. In case the taxpayers falling under the specific industries specified in Revenue Regulations (RR) No. 7-2009 fail to enrol in the eDST System before June 30, 2010 and utilize the said System beginning July 1, 2010, they will be subjected to the appropriate penalties imposed under Revenue Memorandum Order (RMO) No. 19-2007 and other related issuances.

Q2: Are insurance cooperatives organized and registered under Republic Act (RA) No. 9520, or the Philippine Cooperative Code of 2008, exempted from paying the Documentary Stamp Tax (DST)? Are they included in the list of taxpayers mandated to use the web-based eDST System in the payment and remittance of (DST) and in the affixture of the prescribed documentary stamps on taxable documents?

A2: Under Chapter V, Article 61 of RA No. 9520, the subjectibility of transactions of cooperatives to DST are as follows:

- a. If the Insurance cooperative transacts exclusively with members, insurance policies issued are not subject to DST. Since said insurance cooperative and its members are not subject to DST, the insurance cooperative is not required to enrol in the eDST System;
- b. If the insurance cooperatives are transacting with both members and non-members and the accumulated reserves and undivided net savings of these

cooperatives are not more than Ten Million Pesos (P10,000,000.00), the transactions with members are exempt from DST. With respect to insurance policies issued to non-members, the subject non-members transacting with the said cooperatives are liable for the payment of the DSTs due on the said transaction. Thus, considering that the insurance cooperatives are required to collect the DSTs due from their transactions with non-members for remittance to the BIR, they are deemed included in the coverage of taxpayers mandated to enrol in the eDST System. The branch users of these cooperatives will exercise the options in the Utilization Menu of the eDST System as clarified in Q and A No. 54 of RMC No. 51-2010.

- c. If the insurance cooperatives are transacting with both members and non-members and their accumulated reserves and undivided net savings are more than Ten Million Pesos (P10,000,000.00), all transactions with both members and non-members shall be treated as taxable for DST purposes. Accordingly, they are under the mandatory coverage of the eDST System under RR No. 7-2009.

Q3: What is the basis for the computation of the DST for Personal Accident (PA) Insurance Policy? Is it based on the total sum insured or based on the premium?

A3: Under Section 183 of the Tax Code, as amended by Republic Act No. 10001, the basis for the computation of DST for PA Insurance Policy issued by insurance companies is the amount of insurance or the insurance coverage. This is the rule regardless of whether the issuer is a life or non-life insurance company because the transaction is in the nature of a life insurance policy.

Q4: For accident and health insurance policies issued by non-life insurance companies, should the graduated DST table be followed in the computation of DST?

A4: Yes, the graduated DST rate provided in RA No. 10001 and RMC No. 22-2010 should be applied by non-life insurance companies in the computation of DST due on accident and health insurance policies.

Q5: The deadline for the filing of the DST return, the payment of the DST due, and the affixture of the DST on the taxable documents has been set on or before the 5th day of the following month under RR No. 6-2001. Since it will take the Collection Programs Division (CPD) at least three (3) days within which to verify from the Integrated Tax System-Collection and Banks Reconciliation System (ITS-CBR) the DST payments made by taxpayers (assuming that there are no payment uploading problems) and post the same to the taxpayers' eDST account ledgers, the aforementioned deadline, including the prescribed affixtures of DST on the documents, is too tight for taxpayers using the eDST System; hence, the taxpayers have no choice but to make an estimate of its DST liabilities. Can the prescribed deadline for the affixture of the DST on the taxable documents via the eDST facility be moved from the fifth (5th) day to the tenth (10th) day after the close of each transaction month in order to avoid the use of estimates?

A5: No. Ever since August 18, 2001, when the Documentary Stamp Electronic Imprinting Machines (DSEIMs) are still being used for the affixture of documentary stamps on taxable documents, the due date for the filing of the DST return, the payment of the DST due, and the affixture of the documentary stamps on taxable documents, has been the fifth (5th) day of the following month after the taxable document was made, signed, accepted or transferred.

The eDST System did not introduce substantial change in the existing procedures on the filing of the DST return, payment of the DST due, and the affixture of the prescribed documentary stamp on the taxable document. In fact, the said System introduced certain features that provided operational efficiency for both the taxpayers and the BIR.

Since the basic information required in the eDST System for purposes of computing the correct DST can easily be extracted by the taxpayers from their existing databases; and that the additional information needed to successfully operationalize the eDST System, if any, is only minimal. Moreover, filing the DST return, paying the DST due, and affixing the documentary stamps on the documents for a particular month can be done any time between the actual dates of the transactions (i.e. making, signing, accepting or transferring of documents) up to the 5th day of the succeeding month, there is no need for the eDST user to wait until the end of each month within which to account all its monthly transactions, for purposes of computing the correct DST and the corresponding documentary stamps to be paid and affixed to the documents, respectively.

Q6: **What are the BIR implementing guidelines for the Alpha Numeric Tax Code (ATC) classification and DST computation on the following:**

- a. **Debt Instruments with significant higher interest without maturity – Tiered Deposits. Presently BIR computes DST on an annual basis, Bank computes on a daily basis; and**
- b. **Interbank Transfer Foreign Dollar on 3rd Currency Telegraphic Transfer (Peso Paid)**
 - b.1 **Local Peso Telegraphic Transfer (PDDTS or GSRT)**
 - b.2 **Local Dollar Telegraphic Transfer (Peso Paid GSRT)?**

A6: The ATC classifications of Tiered Deposits and Interbank Transfer Foreign Dollar on 3rd Currency Telegraphic Transfers (local and dollar) pursuant to RMO No. 16-2006, as well as the DST computations for these transactions are as follows:

- a. **Tiered deposits** are usually long-term bond notes that are being floated to the public to raise capital and the interest rates are usually fixed according to their capital brackets. These are considered as debt instruments subject to DST under Section 179 of the Tax Code upon placement of the deposit by the subscriber or upon renewal of the placement. The ATC for this debt instrument is **DS 106**.

All debt instruments are subject to DST of One peso (P1.00) on each Two Hundred (P200.00) or fractional part thereof, of the issue price of any such debt instrument.

If the term of the instrument is less than one (1) year, the DST is computed by taking

If the term of the instrument is less than one (1) year, the DST is computed by taking into consideration the number of days that the instrument is outstanding as a fraction of 365 days. The DST is then computed as follows:

$$\text{DST} = \frac{\text{issue price}}{200} \times P1.00 \times \frac{\text{term}}{365 \text{ days}} \text{ rounded off to the nearest centavo}$$

If the debt instrument has a term of one (1) year or longer, the DST due shall be computed based on the issue price of the debt instrument. The DST is then computed as follows:

$$\text{DST} = \frac{\text{issue price}}{P200.00} \times P1.00$$

- b. For Foreign Dollar or 3rd Currency Telegraphic Transfer (Peso Paid), Local Peso Telegraphic Transfer (PDDTS or GSRT) and Local Dollar Telegraphic Transfer (Peso Paid GSRT).

The following are the ATC classifications and the applicable DST computations for the above transactions:

Foreign Dollar or 3 rd Currency Telegraphic Transfer (Peso Paid)	Section 182 of the National Internal Revenue Code (NIRC)	DS 108	Foreign Bills of Exchange or Letters of Credit	P0.30 for every P200.00	P0.30 centavos on each 200 pesos or fractional part thereof of the face value of the instrument
Local Peso Telegraphic Transfer (PDDTS or GSRT)	Section 180 of the NIRC	DS 126	Bills Exchange or Drafts	P0.30 for every P200.00	P0.30 centavos on each 200 pesos or fractional part thereof of the face value of the instrument
Local Dollar Telegraphic Transfer (Peso Paid) (GSRT)	Section 181 of the NIRC	DS 126	Bills Exchange or Drafts	P0.30 for every P200.00	P0.30 centavos on each 200 pesos or fractional part thereof of the face value of the instrument

The DSTs due on the above fund transfers are not computed based on the fixed rate of P1.50 per transaction imposed on "bank checks, drafts, certificates of deposits not bearing interest and other instruments" under Section 178 of the Tax Code, as amended, but based on the values of the fund transfers under Sections 180, 181 and 182 of the same Code.

If the local dollar telegraphic transfer is expressed in dollar value, the same shall be translated to the local currency by using the prevailing exchange rate at the Philippine Dealing System (PDS) at the time of the acceptance of the said Bill of Exchange or Draft.

Q7: How will the eDST System compute the DST due? Is it by rounding off the tax base before multiplying it by the DST rate and term, or by straight computation?

A7 The eDST System computes the DST due based on the formula indicated in the National Internal Revenue Code (NIRC). It treats the fractional part of the tax base as one (1) and computes the DST by rounding off first before multiplying by the DST rate and term.

e.g. if Principal - P 366,755.00
DST Rate - 1/200
Term - 30 days

DST will be computed as follows:

$$\begin{aligned} \text{P } 366,755.00 / 200 &= 1,833.775 \text{ rounded to } 1,834 \text{ then multiplied by the} \\ \text{tax rate and term} &= 1,834 \times 1.0 \times 30 / 365 \\ &= \text{P } 150.739 = \text{P } 150.74 \end{aligned}$$

Q8: There are some branches of taxpayers that are encountering problems in their internet communication lines. Can the Head Office of these branches request for exemption from the BIR not to use the eDST facility? Can they just manually pay their DST liabilities at the nearest BIR Office within their area?

A8: Temporary exemption for the use of the eDST facility may be sparingly granted depending upon the circumstances surrounding the request. Thus, prior approval from the BIR is necessary before any branch user of the eDST System can avail of the said eDST branch user temporary exemption. If temporary exemption is allowed, the taxpayer can pay their DST liability at the Authorized Agent Bank (AAB) or if there is no AAB in the area, the designated BIR Revenue Collection Officer (RCO) under the jurisdiction of the RDO where the taxpayer is registered. The account owner may, at its option, temporarily delegate the responsibility of affixing documentary stamps on taxable documents to a designated branch user nearest the branch that is encountering problems in the internet communication lines or to centralize the same to the taxpayer's head office. For this purpose, the policies under Q and A 55 under RMC No. 51-2010 should be observed.

Q9: Can the BIR defer the generation by the taxpayer of the Reference File for multiple transactions as a requirement to enable the affixture of documentary stamps on these transactions?

A9: The BIR will not defer the use of the Reference File for multiple transactions because this is a requirement under the eDST System in order to compute the DST due. In order to comply with the said requirement without the need for manual re-encoding the mandatory field in the Reference File, the users must enhance their respective systems to

enable the extraction of data that can be converted to eDST Reference File. In the meantime, however, the users can use excel spreadsheet to generate the prescribed eDST Reference File with minimal data encoding via cut and paste procedure on their transaction files.

Q10: **Is there a module to rectify transactions/documents on which DSTs have already been affixed, in cases of over or under payment of the DST due, or in cases of occurrences of paper jams in the printing process?**

A10: There is a module in the eDST System to handle the adjustment of DST balance. However, the said module can be used only if the adjustment of DST balance is due to the replacement of a previously-affixed document in order to correct misspelled/incomplete names and other typographical errors. The eDST taxpayer/user must submit a request for adjustment with the BIR Office where he is registered. The procedures to be followed and documents to be submitted are prescribed in Q and A No. 57 of RMC 51-2010.

The eDST System has no existing module to handle under- or over-affixture of documentary stamps. Such being the case, the user must exercise extreme caution and care in the computation of the DST so that the correct amounts of documentary stamps are affixed on the taxable documents. However, the following courses of action may be taken by the concerned taxpayer in cases of erroneous affixture of stamps due to incorrect computation of the DST due, whichever is applicable:

- a. For overpayment, and consistent with the policy under Q and A 48 of RMC 51-2010, the taxpayer can recover any over-payment made by filing a claim for DST refund/credit with the RDO having jurisdiction over the concerned taxpayer;
- b. In case of underpayment of DST due, the eDST user can:
 - b.1. Invalidate the document where the erroneously computed documentary stamp was affixed, prepare another taxable document, compute the correct DST for affixture to the new document, affix the correctly computed documentary stamp thereon, and request for DST credit/refund on the originally issued but subsequently invalidated document; or
 - b.2. Retain the document where the erroneously computed documentary stamp was affixed. Pay the deficiency DST using the “A client will utilize the DST” if the error made was for a single transaction or the “Multiple clients will utilize the DST” option if the errors committed are for multiple clients. Indicate the particular transaction/s where the error/s was/were committed. Affix the additional documentary stamp on the same taxable document.

This option shall only be exercised for transactions involving straightforward computations of DST due and have no dependencies on the money value of the transactions (e.g. documents enumerated in Sections 178, 188, 192, 193, etc. of the NIRC).

Currently, the “reprint” module in the eDST System to reprint the documentary stamp which was not affixed/printed to the document due to printing failure, paper jam, interrupted internet connection, among others, is not yet deployed in the eDST System. In lieu of this, the Collection Programs Division (CPD) is currently issuing certifications, upon requests of eDST taxpayers/users, that a particular DST was paid, utilized and deducted from the eDST account of the user. These certifications, in turn, are being used by the eDST taxpayers as documentary proofs that the correct DSTs on the taxable documents were actually paid but not imprinted on the documents, when requested by other interested parties for whatever legal intents and purposes.

Q11: **Will there be an enhancement of the system administration module to strengthen security and devolve some administrative responsibilities from the BIR to the banks? These may include controls over system access, display of error messages in the event of the use of the same log-in Identification (ID), automatic deactivation of the ID of non-users beyond a certain period, and ability to appoint a secondary account owner.**

A11: Under the existing eDST System, the BIR has already transferred the responsibilities to the eDST users to perform the following administration rights :

- a. Creation of Branch Users
- b. Deactivation and Activation Branch Users
- c. Resetting of the Password/Challenge Question and Answer to the Challenge Question of the Branch User.

However, the eDST System will be enhanced to support display of error messages in the event the same log-in ID was used.

The automatic deactivation of the ID of the non-users beyond a certain period are not currently supported in eDST System. This can be provided via system enhancement.

The ability to provide a secondary account owner is also not supported in the existing system. This can be provided via system enhancement. However, the eDST System has more than adequate security in place even without these features.

Q12: **What is the turn-around time of the following processes:**

- a. Purchases/Payment of DST by the taxpayers with authorized collection agents (i.e. Accredited Agent Bank (AAB), Revenue Collection Agent (RCO), Electronic Fund Transfer Instruction System (eFTIS, etc.) and crediting of the same to the eDST ledger of the taxpayer.
- b. Processing of DST refund, in case of erroneous DST payment;
- c. Resolution of problems referred to the BIR Helpdesk; and
- d. Verification of Documentary Stamp Electronic Imprinting Machines (DSEIM) balances for transfer to the eDST System?

A12: Under normal circumstances, the BIR can process the above requests within the following time frame:

- a. From the time the taxpayer paid the DST for crediting to the eDST ledger, it will take the BIR about three to four (3 to 4) days from the payment date within which to credit the same to the taxpayer's eDST ledger, provided that such payment details are successfully uploaded in the ITS-CBR not later than the day immediately following the said DST payment date. Furthermore, this estimated eDST crediting time is also dependent on the concerned taxpayer's promptness in the submission of the necessary documents to facilitate the crediting of such DST payments to its eDST account ledger.
- b. The processing of refund/tax credit for erroneously paid DST will depend on how fast the concerned RDO/LTS Audit Division can audit the said erroneous DST payments and documentary stamps affixtures. Once these offices have determined the taxpayer's entitlement to such request for refund/credit and pursuant to Q and A 48 of RMC No. 51-2010, the BIR will issue cash refunds or Tax Credit Certificates (TCCs), as the case may be, and will not result to any re-crediting of the erroneously paid DST in the taxpayer's eDST ledger.
- c. The resolution of the problems/issues referred by taxpayers to the BIR Helpdesk will depend on the severity of the problems/issues raised by the users; hence, setting a fixed and generic resolution period may be difficult.
- d. The verification of DSEIMs by Large Taxpayer Collection Enforcement Division (LTCED)/concerned Revenue District Offices (RDOs) and DST Data Center (DST-DC) takes about 3 working days upon physical presentation of the DSEIMs by the taxpayer. However, due to voluminous requests for verification of DSEIMs due to unified due date within which to present and/or surrender the said machines to the BIR, the said Offices may take longer period to conduct the necessary verification. On the other hand, CPD will take effect the transfer of the DSEIM balances within five (5) working days after the receipt of the verification report of the unloaded/un-encoded DST balances and the submission of the "On-Line Verification Report" by the LTCED/concerned BIR Offices and DST-DC. This estimated period is also consistent with Q and A No. 46 in RMC No. 51-2010.

Q13: **Due to the problems reported by several users, there is a possibility of failure to meet DST affixture deadline due to system failures as well as delays that users may encounter in their request for crediting of DST payments/purchase to their respective eDST ledgers, and other operational requests from the BIR Helpdesk. Can the users' requests for waiver of penalties be granted until the eDST System stabilizes?**

A13: The eDST System is already stable. If the delay is not system-related and the same is attributable to the taxpayer, no waiver of penalty shall be granted. However, if the delay is system-related, the waiver of penalty may be granted but only upon conduct of prior investigation of the reported incident.

The system defects earlier reported by the concerned taxpayers such as inability to upload the Reference File have been already addressed by the BIR and necessary fixes are already introduced in the eDST System.

Q14: **Many non-life companies refuse to apply the computation of new DST and premium tax rates for PA Insurance Policies despite the effectivity of RA No. 10001, as they are still awaiting for the issuance of the implementing guidelines by the BIR. Are the insurance companies required to pay the DST and premium tax for PA Insurance Policies using the new rates even if they have actually collected the old rates?**

A14: RA No. 10001 was signed into law on February 23, 2010 and was published in a newspaper of general circulation on March 17, 2010. As such, the effective date for the implementation of the said law is on April 1, 2010. Even in the absence of the implementing rules by the BIR, RA No. 10001 is self-executory as there is no ambiguity in the provisions thereof; hence, the insurance companies should start computing the DSTs on the taxable transactions using the revised DST tax rates beginning April 1. 2010.

However, If an insurance company used the old DST rates as basis in computing and paying its DST liabilities on life insurance policies issued despite the effectivity of RA No. 10001, said insurance company can recover any over-payments made by filing a claim for DST refund/credit with the RDO having jurisdiction over its business within two (2) years from the payment of the tax pursuant to Section 229 of the Tax Code, as amended. Such request for refund/credit, however, is subject to thorough audit/verification upon presentation of sufficient and acceptable documentary proof evidencing the validity and propriety of such claim.

Furthermore, any over-payments made due to the late application of the provisions of the abovementioned law shall neither give rise to the direct offsetting of DST liability/ies in succeeding period(s) nor to the crediting of such overpayment to the taxpayer's eDST ledger.

Q15: **How will group insurance policy on PA be charged with DST? Will the maximum rate apply and will the group be considered as one or each member of the group will be charged individually? For additional enrollee(s), will they be treated separately such that additional DST will be imposed or will they be considered as part of the Group and will no longer be subject to DST?**

A15: The payment of DST on issued group insurance policies pursuant to Section 183 of the Tax Code, as amended by RA No. 10001, shall be based on the amount of insurance or insurance coverage on the "group master insurance policy". For individual certificates issued to each and every employee covered by the group insurance, considering that these individual certificates are separate and distinct from the issued group master insurance policy, DST are likewise imposed thereon pursuant to Section 188 of the Tax Code, as amended.

In case there are changes in the employees covered by the group insurance policy and/or the amount of insurance coverage, the following rules shall apply:

- a. If there is a reduction in the covered employees and the corresponding amount of insurance coverage, this will not give rise to the imposition of DST on the amended insurance coverage;

Illustrative Example:

Original group insurance coverage	:	P 50,000,000.00
Original number of employees covered	:	30
Amount of DST paid on Group Insurance Policy (Section 183 of NIRC, as amended)	:	P 100.00
Amount of DST paid on the certificates Of the 30 employees (P15.00 x 30) (Section 188 of NIRC)	:	P 450.00
Reduction in the number employees covered	:	5
Reduction in the amount of group insurance coverage	:	P 4,500,000.00
Amount of DST on amended/revised group insurance policy	:	none
DST on the individual Certificates of Cover	:	none

- b. If there is an increase in the covered employees as well as in the corresponding amount of insurance coverage and such increase is covered by the appropriate endorsement, this will result to imposition of the DST on the revised/amended group insurance policy under Section 183 of the Tax Code, as amended by RA No 10001, as well as the DST on new Certificates of Cover pursuant to Section 188 of the same Code;

Illustrative Example:

Original group insurance coverage	:	P 50,000,000.00
Original number of employees covered	:	30
Amount of DST paid on Group Insurance Policy (Section 183 of NIRC, as amended)	:	P 100.00
Amount of DST paid on the certificates Of the 30 employees (P15.00 x 30) (Section 188 of NIRC)	:	P 450.00
Number of additional employees covered	:	5
Amount of increase in group insurance coverage	:	P 4,500,000.00
Amount of DST on amended/revised group insurance policy	:	P 100.00
DST on the individual Certificates of Cover (P15.00 x 5)	:	P 75.00

- c. If there is no change in the covered employees but the amount of group insurance coverage increased and the amount of coverage per employee increased, this will result to imposition of DST on the revised/amended group insurance policy under Section 183 of the Tax Code, as amended by RA No 10001, as well as the DST on new Certificates of Cover pursuant to Section 188 of the same Code;

Illustrative Example:

Original group insurance coverage	:	P 50,000,000.00
Original number of employees covered	:	30
Amount of DST paid on Group Insurance Policy (Section 183 of NIRC, as amended)	:	P 100.00
Amount of DST paid on the certificates Of the 30 employees (P15.00 x 30) (Section 188 of NIRC)	:	P 450.00
Number of additional employees covered	:	none
Amount of increase in group insurance coverage	:	P 4,500,000.00
Amount of DST paid on amended/revised group insurance policy	:	P 100.00
DST on the individual Certificates of Cover indicating the revised employees' shares in the insurance cover (P15.00 x 30)	:	P 450.00

- d. If there is no change in the number of covered employees but there was a change in the composition of employees, this will result to imposition of DST on the new Certificates of Cover pursuant to Section 188 of the Tax Code. However, no DST on the group insurance policy under Section 183 of the same Code, as amended by RA No. 1001, shall be due since there was no change in the group insurance policy;

Illustrative Example:

Original group insurance coverage	:	P 50,000,000.00
Original number of employees covered	:	30
Amount of DST paid on Group Insurance Policy (Section 183 of NIRC, as amended)	:	P 100.00
Amount of DST paid on the certificates Of the 30 employees (P15.00 x 30) (Section 188 of NIRC)	:	P 450.00
Number of employees covered (10 new employees / 20 original employees)	:	30
Amount of increase in group insurance coverage	:	none
DST on the individual Certificates of Cover (P15.00 x 10)	:	P 150.00

The corresponding DST for each and every Certificate of Cover required to be issued shall be paid by the insurance company, whether or not the individual certificates are actually issued to the covered employees.

All concerned are hereby enjoined to give this Circular as wide a publicity as possible.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue