

REPUBLIC OF THE PHILIPPINES DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**  
Quezon City

January 10, 2018

**REVENUE MEMORANDUM ORDER NO. 2-2018**

**SUBJECT** : Prescribing the Guidelines and Procedures in Implementing Republic Act (RA) No. 10693, Otherwise Known as the “Microfinance NGOs Act”

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

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**I. BACKGROUND**

Republic Act (RA) No. 10693 (An Act Strengthening Non-Government Organizations (NGOs) Engaged in Microfinance Operations for the Poor), otherwise known as the “Microfinance NGOs Act” was signed into law on November 3, 2015. The Act is in pursuance to the policy of the State to pursue a program of poverty eradication wherein poor Filipino families shall be encouraged to undertake entrepreneurial activities to meet their minimum basic needs including income security. To achieve this policy, the State shall support and work in partnership with qualified NGOs in promoting financially inclusive and pro-poor financial and credit policies and mechanisms since the State recognizes the indispensable role of NGOs in fostering local enterprise development and social entrepreneurship, including the provision of microfinance services to microenterprises.

The Implementing Rules and Regulations (IRR) of RA No. 10693 were duly approved by the concerned government agencies on August 16, 2016 and Bureau of Internal Revenue being one of the concerned government agencies, issued Revenue Regulations (RR) No. 3-2017 on February 24, 2017 to implement Section 20-Taxation of Microfinance NGOs of RA No. 10693.

**II. OBJECTIVES**

This Order is issued to:

1. Provide the policies, guidelines and procedures in the implementation of RA No. 10693;
2. Define the roles and responsibilities of all concerned offices;
3. Ensure that all Microfinance NGOs registered or to be registered with BIR shall be tagged to reflect their accreditation as Microfinance NGOs; and
4. Ensure the timely generation of collections of 2% Preferential Tax Rate on Microfinance NGOs.

**III. POLICIES AND GUIDELINES**

The following policies and guidelines shall be observed by all concerned in the implementation of RA No. 10693:

1. Microfinance NGOs with duly issued Certificate of Accreditation from the Microfinance NGO Regulatory Council (or “Council”) shall be eligible to avail of the 2% gross receipt tax on income from microfinance operations in lieu of all national taxes;
2. Preferential tax treatment shall be accorded only to NGOs whose primary purpose is microfinance and only on their microfinance operations catering to the poor and low-income individuals in alignment with the main goal of the Act to alleviate poverty;
3. Certificate of Accreditation issued by the Council shall be an essential requirement for granting the 2% preferential tax treatment of Microfinance NGOs;
4. The word “Microfinance” shall be included in the corporate and trade name of the Microfinance NGO;
5. The preferential rate of 2% tax based on gross receipts from microfinance operations should only refer to lending activities and insurance commission which are bundled and forming integral part of the qualified lending activities of the Microfinance NGOs;
6. All other income by the Microfinance NGOs which are not generated from the lending activities and insurance commissions, shall be subject to all applicable taxes;
7. Duly registered and accredited Microfinance NGOs, as well as their clients, shall be required to have a Taxpayer Identification Number (TIN);
8. Microfinance NGOs already registered with the BIR shall update their registration with the concerned Revenue District Office (RDO) using BIR Form No. 1905 to reflect their accreditation as Microfinance NGOs;
9. Every Microfinance NGO shall maintain books of accounts and other pertinent records and shall be subject to periodic examination by revenue enforcement officers of the BIR. In case Microfinance NGO engages in other businesses, it shall maintain separate books of accounts for the same;
10. Every Microfinance NGO shall apply for Authority to Print (ATP) Receipts/Invoices (BIR Form No. 1906). In case Microfinance NGO engages in other business, it shall apply for ATP for use of the other business.
11. Microfinance NGOs shall use BIR Form No. 2551M (Monthly Percentage Tax Return) in filing and paying the 2% preferential tax rate; and
12. Microfinance NGOs shall be constituted as a withholding agent for the government if they act as an employer and that any of their employees received compensation income subject to withholding tax on compensation, or if they make payments to individuals or corporations subject to withholding taxes at source.

#### **IV. PROCEDURES**

## A. Microfinance NGOs

### 1. Registration with BIR

#### a. As Newly Registrant Microfinance NGOs

- i. Fill-up BIR Form No. 1903
- ii. Attach the following documentary requirements:
  - Photocopy of SEC Certificate of Incorporation with the word “Microfinance” included in the corporate and trade name of the Microfinance NGO
  - Articles of Incorporation and By-Laws that specifically state the Microfinance NGO is a “non-stock and non-profit” and it has the primary purpose of implementing a microenterprise development strategy and providing microfinance programs, products, and services for the poor;
  - Photocopy of Mayor’s Business Permit or duly received Application for Mayor’s Business Permit, if the former is still in process with the Local Government Unit (LGU);
  - New sets of permanently bound books of accounts; ☐ Duly accomplished BIR Form No. 1906; and
  - Final and clear sample of Principal Receipts.
- iii. Register the Microfinance NGO to the RDO which has jurisdiction over the location of the principal place of business.

#### b. Updating records as Accredited Microfinance NGOs, including those deemed accredited as Microfinance NGOs

- i. Fill-up BIR Form No. 1905
- ii. Attach the following documentary requirements:
  - Amended SEC Registration Certificate with the word “Microfinance” in the corporate or trade name of the Microfinance NGO
  - Amended Articles of Incorporation and By-Laws that specifically state the Microfinance NGO is “non-stock and non-profit”
  - Certificate of Accreditation as a Microfinance NGO issued by the “Council”
- iii. Update the registration with their concerned RDO to reflect their accreditation as Microfinance NGO

Likewise, clients of Microfinance NGOs are required to have Taxpayer Identification Number (TIN). The documentary requirements for the application of TIN are provided under RMC No. 93-2016, as amended by RMC No. 137-2016. List of clients capturing the information mandatorily required in TIN issuance shall be provided using the matrix below:

#### LIST OF MICROFINANCE NGOs (MF-NGOs) CLIENTS

Name of MF-NGOs: \_\_\_\_\_

Taxpayer Identification No.: \_\_\_\_\_

Address: \_\_\_\_\_

Client’s Full Name (Last Name, First Name, Middle Name)	Complete Address	Birthdate (MM/DD/YYYY)	Type of Document Presented
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1.			
2.			
3.			

Submitted by:

\_\_\_\_\_  
Authorized Officer

## **2. Filing and Payment of Taxes**

### **a. As Microfinance NGOs but not yet accredited by the Council**

#### ***i. Forms to be used***

- Monthly payment of Percentage Tax (BIR Form No. 2551M) – using the applicable rate as a regular taxpayer
- Quarterly Income Tax (BIR Form No. 1702Q)
- Annual Income Tax (BIR Form No. 1702RT)
- Monthly Remittance Return of Income Taxes Withheld on Compensation (BIR Form No. 1601C), if with employee
- Annual Information Return of Income Taxes Withheld on Compensation (BIR Form No. 1604-CF), if applicable
- Monthly Remittance Return of Creditable Income Taxes Withheld Expanded (BIR Form No. 1601E), if with payments to individuals or corporations subject to withholding tax at source
- Annual Information Return of Creditable Income Taxes Withheld (Expanded) (BIR Form No. 1604E), if applicable

#### ***ii. Where to File and Pay***

- Online filing and payment of taxes due for Electronic Filing and Payment System (eFPS) taxpayer
- Online filing thru Electronic Bureau of Internal Revenue Forms (eBIRForms) and online payment thru GCash, Landbank Electronic Payment Service or BIR-DBP PayTax Online for non-eFPS taxpayer
- Online filing thru eBIRForms and manual payment via over-the-counter of the Authorized Agent Banks (AABs) under the jurisdiction of the RDO where the non-eFPS taxpayer is registered
- Manual filing and payment via over-the-counter of AABs under the jurisdiction of the RDO where the non-eFPS taxpayer is registered

### **b. As Accredited Microfinance NGOs with Certificate of Accreditation from the Council, including those deemed accredited Microfinance NGOs**

#### **1) Accredited Microfinance NGOs with no other business**

#### ***i. Forms to be used***

- Monthly payment of Percentage Tax (BIR Form No. 2551M) – using the Alphanumeric Tax Code (ATC) PT118 with preferential tax rate of 2%

- Monthly Remittance Return of Income Taxes Withheld on Compensation (BIR Form No. 1601C), if with employee
- Quarterly Income Tax Return (BIR Form No. 1702Q)
- Annual Income Tax Return (BIR Form No. 1702-EX)
- Annual Information Return of Income Taxes Withheld on Compensation (BIR Form No. 1604-CF), if applicable
- Monthly Remittance Return of Creditable Income Taxes Withheld Expanded (BIR Form No. 1601E), if with payments to individuals or corporations subject to withholding tax at source
- Annual Information Return of Creditable Income Taxes Withheld (Expanded) (BIR Form No. 1604E), if applicable

**ii. Where to File and Pay -**

- Online filing and payment of taxes due for eFPS taxpayer
- Online filing thru eBIRForms and online payment thru GCash, Landbank Electronic Payment Service or BIR-DBP PayTax Online for non-eFPS taxpayer
- Online filing thru eBIRForms and manual payment via over-the-counter of AABs under the jurisdiction of the RDO where the noneFPS taxpayer is registered
- Manual filing and payment via over-the-counter of AABs under the jurisdiction of the RDO where the non-eFPS taxpayer is registered

**2) Accredited Microfinance NGOs with other business/es**

**i. Forms to be used**

- Monthly payment of Percentage Tax (BIR Form No. 2551M) – using the Alphanumeric Tax Code (ATC) of PT118 with preferential tax rate of 2% (for Microfinance NGOs business)
- Monthly payment of Percentage Tax (BIR Form No. 2551M) – using other applicable ATC e.g. PT010, (for business other than Microfinance NGO) for Non Value-Added Tax (VAT) taxpayer
- Monthly VAT Declaration/payment (BIR Form No. 2550M) and Quarterly VAT Return (BIR Form No. 2550Q) (for business other than Microfinance NGO) for VAT registered taxpayer
- Monthly Remittance Return of Income Taxes Withheld on Compensation (BIR Form No. 1601C), if with employee
- Quarterly Income Tax Return (BIR Form No. 1702Q)
- Annual Income Tax Return (BIR Form No. 1702-MX)
- Annual Information Return of Income Taxes Withheld on Compensation (BIR Form No. 1604-CF), if applicable
- Monthly Remittance Return of Creditable Income Taxes Withheld Expanded (BIR Form No. 1601E), if with payments to individuals or corporations subject to withholding tax at source
- Annual Information Return of Creditable Income Taxes Withheld (Expanded) (BIR Form No. 1604E), if applicable

**ii. Where to File and Pay -**

- Online filing and payment of taxes due for eFPS taxpayer
- Online filing thru eBIRForms and online payment thru GCash, Landbank Electronic Payment Service or BIR-DBP PayTax Online for non-eFPS taxpayer
- Online filing thru eBIRForms and manual payment via over-the-counter of AABs under the jurisdiction of the RDO where the non-eFPS taxpayer is registered
- Manual filing and payment via over-the-counter of AABs under the jurisdiction of the RDO where the non-eFPS taxpayer is registered

Considering that the new ATC PT118 is not yet reflected/included in the existing BIR Form No. 2551M in the eFPS and eBIRForms, taxpayers are directed to file and pay manually via over the counter of the AABs until the time that the revised BIR Form No. 2551M with the new ATC is uploaded/included in the eFPS and eBIRForms

**B. Concerned Revenue District Office (RDO)/Large Taxpayers Division (LTD)**

**1. Registration/Update of Records of the Microfinance NGO**

**Client Support Section (CSS) of RDO/Registration Section of LTD shall -**

- a. Receive from the taxpayer the filled-up BIR Form No. 1903 or 1905 together with the documentary requirements;
- b. Check the completeness of the documentary requirements;
- c. Check if the Corporate or Trade Name has the word “Microfinance”;
- d. Check the Articles of Incorporation and By-laws which specifically state that the Microfinance NGO is “non-stock and non-profit”;
- e. Register the Microfinance NGO with no Certificate of Accreditation from the Council as regular taxpayer and shall have the following tax types:
  - i. Income Tax
  - ii. Percentage Tax
  - iii. Withholding compensation – if with employee
  - iv. Withholding expanded – if with payments subject to withholding tax at source
- f. Tag Microfinance NGO with Certificate of Accreditation from the Council as “Microfinance NGO” to qualify for the two percent (2%) tax based on its gross receipts from microfinance operations in lieu of all national taxes and shall have the following tax types:
  - i. Income Tax, for form type purposes only
  - ii. Percentage Tax
  - iii. Withholding compensation – if with employee
  - iv. Withholding expanded – if with payments subject to withholding tax at source

- g. Microfinance NGO with other business shall be subject to regular taxes applicable to the business activity;
- h. Stamp/Register the set of book of accounts presented by the taxpayer. If the Microfinance NGOs has other business, another set of books accounts shall be stamped/registered; and
- i. Process the Application for Authority to Print Receipts/Invoices (BIR Form No. 1906) presented by the taxpayer. However, if the Microfinance NGOs has other business, another set of official receipts shall be printed for use of the other business.

## **2. Processing of Submitted/Filed Returns**

### **Document Processing Division (DPD) - shall**

- a. Scan and follow the existing DPD guidelines for data capture of the documents received from the AABs which are filed and paid over-the-counter of the AABs.
- b. No need to scan the documents which are filed online thru eBIRForms (forms/returns with attached "Tax Return Receipt Confirmation") and paid over the counter of the AABs

### **C. System Development Division (SDD)/Information System Development and Operation Service (ISDOS)**

- 1. Create/Add "Microfinance NGO" in the list of values of special codes for tagging purposes in ITS and eTIS.

## **V. REPEALING CLAUSE**

All revenue issuances or portions thereof inconsistent herewith are hereby repealed, modified or amended accordingly.

## **VI. EFFECTIVITY**

This Order takes effect immediately.

(Original Signed)  
**CAESAR R. DULAY**  
Commissioner of Internal Revenue