

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS

July 13, 2006

REVENUE MEMORANDUM ORDER NO. 13-2006

SUBJECT: Prescribing Policies and Procedures in Monitoring the Local Government Units' (LGUs) Compliance with Withholding Tax Rules and Regulations

TO: All Regional Directors , District Officers and Others Concerned

I. BACKGROUND

Based on reports by field personnel and the number of abatement cases filed by designated officials of LGUs required to withhold and remit taxes with the Technical Working Committee on Abatement, it has been gathered that a number of LGUs have been remiss and/or are delayed in remitting withheld taxes, thereby resulting in the non-compliance by the LGUs with the withholding tax rules and regulations.

II. OBJECTIVES

This Order is issued:

1. To ensure efficient compliance by designated withholding agents in the LGUs with existing withholding tax laws, rules and regulations and other related issuances.
2. For the effective collection of the amount under the account "Due to BIR" reflected in the LGUs' Financial Reports duly audited by the Commission on Audit (COA).
3. To ensure efficient implementation and monitoring of monthly withholding tax collections from LGUs.

III. GUIDELINES AND PROCEDURES

A. REGIONAL DIRECTORS thru the Collection Division shall:

1. Receive quarterly report of LGUs and monitor compliance;
2. Make necessary communication and appeal to the local executives for the immediate collection of delinquent accounts, including proper and timely remittance of taxes withheld by LGUs; and
3. Recommend and make strategic analysis based on data and reports received to ensure proper compliance with the withholding tax rules and regulations by LGUs under their respective Regions.

B. REVENUE DISTRICT OFFICERS shall:

1. Ensure registration of all LGUs (provincial, city municipalities, including barangays) within their respective jurisdictions with the BIR;
2. Require the updating of names of incumbent government officials charged with the duty to correctly withhold and timely remit taxes withheld on compensation, expanded, final withholding and government money payments as provided

for under Revenue Regulations No. 8-2003 which include the Governor, the Provincial Treasurer and Provincial Accountant for provinces; City/Municipal Mayor, Treasurer and Accountant for cities/municipalities and Barangay Captain and the Barangay Treasurer for barangays using Annex "A" of RMO 8 -2003. The aforesaid officials shall be equally liable to the penalties prescribed in Title X of the NIRC and the responsibility and liability shall not be delegated to subordinate officials or employees. They shall be personally liable for the additions to the tax prescribed in accordance with the NIRC and upon conviction for each act or omission, be fined in a sum of not less than five thousand pesos (P5,000), or imprisonment for a term of not less than six months and one day but not more than two years, or both;

3. Prepare a Masterlist of Government Officials personally charged with the duty to deduct, withhold and remit taxes and submit copies of said lists annually to the Chief, Withholding Tax Division on or before August 31 of each year;
4. Conduct information dissemination and take other appropriate actions to effectively implement laws, rules and regulations on withholding taxes emphasizing on the duties and obligations of government withholding agents;
5. Inform concerned LGU officials of their tax liabilities and facilitate the immediate settlement thereof. It shall be incumbent upon the RDOs to conduct dialogue or conferences with concerned LGU officials with delinquent accounts to facilitate the immediate settlement of the LGU's tax liabilities;
6. Prepare a complete and consolidated district Quarterly Report of LGU Compliance on Withholding Taxes indicating details of compliance following the format in Annex "A" hereof, submitted in diskette or email: wtd.reports@bir.gov.ph on or before the 15th day following the end of calendar quarter to the Assistant Commissioner (Collection Service), Attention: The Chief, Withholding Tax Division, Rm. 207, BIR National Office Building, Diliman, Quezon City, and copy furnish to The Chief, Collection Division of the Region. However, for initial data required for the months of January to June, 2006, it shall be submitted on or before August 31, 2006. The RDO shall ensure completeness of information for the effective monitoring of LGU's compliance;
7. Send reminder letters to LGUs who failed to file and remit or are late in filing and remitting withholding taxes, including the submission of information return (e.g. BIR Form Nos. 1604-CF with alphalist of employees, 1604-E with alphalist of payees etc.);
8. Conduct periodic field investigation of LGU's internal revenue tax compliance following existing issuances on audit and investigation;
9. Require the periodic presentation and submission of the Audited Annual Financial Report including the Notes to the Financial Statements by the auditor of the Commission on Audit (COA) not later than March 15th of each year, and for the second quarter Financial Report, not later than on or before July 31 of each year, and collect the amount due under the account "Due to BIR" reflected in the said Financial Reports/Statements;
10. Collate data from other government agencies (e.g. Internal Revenue Allotment) in order to ascertain the possibility of the collection of appropriate internal revenue taxes; and

11. Impose the necessary penalties to those who upon verification, failed or fails to comply with the provisions of the NIRC.

C. WITHHOLDING TAX DIVISION shall:

1. Receive from the RDOs their Quarterly Reports on LGU's Compliance with Withholding Taxes laws, rules and regulations (Annex "A");
2. Receive from the RDOs the Masterlists of Government Officials charged with the duty to deduct, withhold and remit taxes withheld on or before August 31 of the following year and make available the information required from time to time;
3. Prepare and submit a consolidated Regional Collection of LGUs to the Assistant Commissioner- Collection Service for purposes of setting out and recommending management policies and directives;
4. Prepare a Masterlist of LGUs registered as withholding agents;
5. Send follow-up letters to RDOs who failed or fail to submit reports on time or with incomplete details;
6. Coordinate with the Department of Budget and Management (DBM) for the possibility of providing on a periodic basis the Internal Revenue Allotment (IRA) issued for LGUs to be used as baseline in the collection of internal revenue;
7. Transmit relevant data gathered to the concerned RDOs for purposes of monitoring the collection of taxes from LGUs; and
8. Conduct information dissemination and other appropriate action to effectively implement laws, rules and regulations on withholding taxes emphasizing the obligations of government withholding agents, specifically at the barangay level.

IV. REPEALING CLAUSE:

The provisions of existing RMOs and other issuances inconsistent with the foregoing are hereby amended, modified or repealed accordingly.

V. EFFECTIVITY

This Order shall take effect immediately.

(Original Signed)
JOSE MARIO C. BUÑAG
Commissioner of Internal Revenue