

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

April 25 , 2007

REVENUE MEMORANDUM ORDER NO. 7-2007

**TO : All Assistant Commissioners, Regional Directors,
Revenue District Officers and Other Officers Concerned**

**SUBJECT : Allocation of the CY 2007 BIR Collection Goal
By Implementing Office**

I. CY 2007 Overall Collection Goal

The overall CY 2007 collection goal of the Bureau as set by the Department of Finance (DOF) is ₱ 765,859 million. This is 17.33% higher than CY 2006 actual collection of ₱ 652,750 million. Out of the ₱ 765,859 million, ₱ 730,470 million is for BIR Operations and ₱ 35,389 million is for Non-BIR Operations. Under BIR Operations, ₱ 27,549 million accounts for the goal on Republic Act (RA) No. 9337 (New VAT Law) based on the National Government Revenue Program (NGRP) run date February 14, 2007.

The breakdown of the goal, by major tax type, is as follows:

TAX CLASSIFICATION	CY 2007 Goals (in Millions)		
	Total	BIR Operations	Non-BIR Operations
TOTAL	₱ 765,859	730,470	35,389
I. INCOME TAXES	433,424	403,033	30,391
II. EXCISE TAXES	58,720	58,720	
III. VALUE - ADDED TAXES	183,254	183,254	
IV. PERCENTAGE TAXES	46,778	46,778	
V. OTHER TAXES	43,684	38,686	4,998

II. Data Used

The following data were used in the computation of the final goal allocation:

- A. Actual CY 2006 collection based on BIR Form 12.09 reports from the Revenue Accounting Division (RAD) dated March 13, 2007;

B. Collection Data Considered as Refinements:

1. Reconciled CY 2006 Collection data on Enlisted/Delisted Large Taxpayers by Revenue District Office as of April 20, 2007 (Sources: Regional Offices and Large Taxpayer Service);
2. Tax payments of *transferred taxpayers* (regular transfers) in CY 2006 (100% considered) per reports of implementing offices;
3. Special Taxes: Tax on Treasury Bills, Travel Tax, Excise Taxes for CY 2006 (Source: RAD report, March 13, 2007);
4. Income Tax collections (corporate and branch profit remittance taxes) for CY 2006 from MALAMPAYA Consortium (Sources: RDO 53-Las Piñas & Muntinlupa, RDO 44-Taguig & Pateros, Large Taxpayers Service (LTS));
5. Non-recurring transactions for CY 2006, each of which accounts for at least 10% of the district's total collection for a particular month, per report (with supporting documents) of implementing offices;
6. Tax payments of *closed establishments* in CY 2006 per reports of implementing offices (100% considered);
7. Withholding Taxes of Local Government Units (LGUs) for CY 2006 by implementing office (Source: Withholding Tax Division, report dated February 21, 2007);
8. Withholding taxes on Wages (WW) for CY 2006 (Source: BIR Form 12.09 report, RAD, March 13, 2007);
9. Early payments in CY 2006 that have an effect in 2007 collection trend per reports of implementing offices;
10. Taxes from Independent Power Producers (IPPs) net of MALAMPAYA Consortium for CY 2006 per reports of implementing offices;
11. Withholding Taxes of National Government Agencies (NGAs) for CY 2006 paid thru Tax Remittance Advice (TRA), by implementing office (Source: RAD, February 27, 2007);
12. Tax subsidies thru Special Allotment Release Orders (SARO) for CY 2006 per reports of implementing offices; and
13. Other available data peculiar to selected implementing offices that may adversely affect their collection trends: Cost of Damages to Agricultural Sector by typhoons "Milenyo" and "Reming" as of Dec. 16, 2006 (Source: National Disaster Coordinating Council and Department of Agriculture); The amount considered as refinements is 10% of the total cost of Agricultural damages exceeding ₱100 million, from either typhoon "Milenyo" or "Reming," whichever is higher.

C. Other Data Considered:

1. Estimates of Tax Subsidy of GOCCs / Commissaries for CY 2007 from National Tax Research Center (NTRC) as of April 2, 2007 report;
2. List of corporations registered with the Board of Investments (BOI) and Philippine Economic Zone Authority (PEZA) with expired Income Tax Holidays (ITH) for CY 2006 and CY 2007. Income tax potential was processed by the Statistics Division based on the CY 2005 income tax returns filed by said corporations and reviewed/validated by the Policy and Planning Service, as of April 10, 2007 (Sources: BOI, PEZA, Audit Information Tax Exemption and Incentives Division, various BIR implementing Offices);
3. National Government Revenue Program (NGRP) dated February 14, 2007 from the Department of Finance (DOF);
4. CY 2007 Excise Taxes monthly allocation by product as provided by the LTS dated April 12, 2007; and
5. CY 2007 monthly program on the volume of issuance and corresponding taxes (Documentary Stamp Tax and Final Withholding Tax) on government securities as provided by the Bureau of Treasury (BTr) dated January 15, 2007.

III. Goal Allocation Methodology

A. General Methodology

1. The provisions in the Implementing Rules and Regulations of the Lateral Attrition Act served as the guide for the CY 2007 goal allocation.
2. The BIR goal was divided into BIR Operations and Non-BIR Operations. BIR Operations refer to the collection goal on which the Bureau has direct control to collect revenues, while the Non-BIR Operations refer to the collection goal on which the Bureau has no control to be able to collect revenues. CY 2007 goal for BIR operations is ₱ 730,470 million, computed as follows:

Total CY 2007 BIR Goal ₱ 765,859 M

Less: CY 2007 Goal on Non- BIR Operations:

Final Income Tax on T-Bills	₱ 30,391M	
DST on T-Bills	4,488 M	
Travel Taxes	<u>510 M</u>	<u>35,389</u>
CY 2007 Goal on BIR Operations		₱ 730,470 M

3. CY 2006 collections of implementing offices were refined by using the data enumerated in Section II.B. See Annex D.
4. Goals for CY 2007 (Annex D-1) were derived as follows:
 - a) Selected data in Section II.B were given the applicable growth rates for CY 2007, as follows: LGUs -14%; withholding tax on wages-12%; early payments-0%; IPPs-10%; and TRAs-12%;
 - b) Non-recurring collections for CY 2006 were given zero percent (0%) growth for LTS and on the total for all Revenue Regions and was attributed as "Goal from Other Sources, Including Non-Recurring" for CY 2007. The total goal for Revenue Regions on this item was allocated among the Regions proportionately to their goals on regular cash collections.
 - c) Excise tax goal of ₱ 58,720 M was taken from the NGRP and was allocated as follows: ₱58,578 million was allocated to LTS and the remaining ₱142 million on mining and quarrying was allocated to implementing offices, where applicable, based on ratio and proportion of their CY 2006 actual collection;
 - d) *CY 2007 Goal on MALAMPAYA* of ₱ 9,897 million taken from the NGRP (consisting of corporate income tax and branch profit remittance taxes) was allocated to the LTS; and
 - e) Potential collections due to the expiration of ITH that have revenue impact in CY 2007, as well as estimated revenues from tax subsidy, were allocated directly to the implementing units where these corporations are registered.
5. A resulting balancing growth rate was applied to the refined/regular cash collections for all implementing offices to arrive at the total goal for BIR operations.
6. MANCOM's independent assessment of the revenue potential by identified regions, taking into account the emerging economic developments therein.

B. Goal Allocation by Major Tax Type

CY 2007 total BIR goal by major tax type, from existing measures and administrative measures were based on the NGRP with run date February 14, 2007, as provided by the DOF (See Annex A).

The breakdown of the goal for RA No. 9337, for each specific measure under said law, is shown in Annex B. Specific line items

attributable to particular implementing offices were allocated directly to concerned offices.

C. Goal Allocation by Quarter and by Major Tax Type (Annex C)

1. Quarterly goal allocation for Excise Taxes was provided by the LTS.
2. CY 2007 Quarterly allocation for DST and Final Withholding Tax on T-bills was based on the monthly goal provided by the BTr.
3. Total goal for Travel Tax culled from the NGRP was equally allocated among the four (4) quarters.
4. For the remaining tax types, goal allocation was based on the 2006 actual quarterly collections and adjustments for likely CY 2007 collection trend due to the impact of non-recurring transactions in CY 2006 and CY 2007 work programs.

D. Goal Allocation by Implementing Offices

1. Balancing Growth Rate

Following the general methodology in Section III.A above, a balancing growth of 26.63% was arrived at using the following formula:

$$\begin{aligned}\text{Balancing Growth Rate} &= [(A-B)/B] \times 100\% \\ &= [(\text{₱ } 460,318 \text{ M} - \text{₱ } 363,512 \text{ M}) / \text{₱ } 363,512 \text{ M}] \times 100\% \\ &= 26.63\%\end{aligned}$$

Where: **A** = 2007 Total Goal on regular Cash collections from BIR Operations

B = 2006 Regular cash collections from BIR Operations.

This balancing growth rate was applied to each of the implementing offices' total regular cash collections for CY 2006 to arrive at their corresponding goals on regular cash collections for CY 2007.

2. Quarterly Allocation of Goal by Implementing Office

The CY 2007 overall goal by implementing office (LTS and Revenue Regions) was allocated by quarter and by major tax type using ratio and proportion method based on the adjusted actual CY 2006 quarterly collections (net of CY 2006 tax subsidies, non-recurring collections which passed the 10% threshold, and aligned with the transfers of taxpayers). Details of quarterly allocations by

major tax type and by implementing office are presented in Annexes E-1 to E-7.

3. Total Goal Allocation by Revenue District Office

Presented in Annex F is the Total CY 2007 goal allocation by Revenue District Office (RDO), including the offices under the Large Taxpayers Service, using the same methodology shown in Annexes D and D-1 and MANCOM's assessment of the revenue potential of the revenue districts.

The Implementing Offices shall prepare the breakdown by revenue district office, by period and by tax type following the goals in Annexes E-2 to E-7. This breakdown shall be submitted to *The Assistant Commissioner, Policy and Planning Service, Attention: Chief, Statistics Division* for consolidation *not later than May 4, 2007*.

IV. Crediting of Collections due to External Policy Changes and Transfer of Taxpayers Effected During the Year Affecting the Baseline for Goal Allocation

A Memorandum on the crediting of collections due to transfer of taxpayers effected during the year and external policy changes beyond the control of the Bureau which will affect the collection performance of the concerned implementing offices shall follow immediately upon approval of this Order.

V. List of Annexes

Annex A	Collection Goal By Major Tax Type, CY 2007
Annex B	Details of Goal for R.A. No. 9337 (New VAT Law), CY 2007
Annex C	Quarterly Collection Goal By Major Tax Type, BIR Operations and Non-BIR Operations, CY 2007
Annex D	CY 2006 Collection Refinements for CY 2007 Goal Allocation By Implementing Office
Annex D-1	Collection Goal Allocation By Implementing Office, CY 2007
Annex E-1	Quarterly Collection Goal Allocation By Implementing Office and Major Tax Type, CY 2007
Annex E-2	Quarterly Total Collection Goal By Implementing Office, CY 2007
Annex E-3	Quarterly Collection Goal For Income Taxes By Implementing Office, CY 2007
Annex E-4	Quarterly Collection Goal For Excise Taxes By Implementing Office, CY 2007
Annex E-5	Quarterly Collection Goal For Value-Added Tax By Implementing Office, CY 2007
Annex E-6	Quarterly Collection Goal For Percentage Taxes By

	Implementing Office, CY 2007
Annex E-7	Quarterly Collection Goal For Other Taxes By Implementing Office, CY 2007
Annex F	Total Collection Goal By Revenue District Office, CY 2007

VI. Effectivity

This Order takes effect immediately.

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

B-3