

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG RENTAS INTERNAS

February 16, 2005

REVENUE REGULATIONS NO. 4-2005

SUBJECT : Rules and Regulations Implementing Bangko Sentral ng Pilipinas (BSP) Circular No. 472 Series 2005 Section 1 requiring all bank borrowers and co-makers to submit latest Income Tax Return (ITR), and Financial Statement (FS) received by BIR.

TO : All Internal Revenue Officers and Others Concerned

1.0 Background

Section 1 of BSP Revised Circular No. 472 Series 2005 amending Subsection X304 of the Manual Regulations for Banks (MORB) provides among others:

- 1.1 In addition to the usual information sheet about the borrower, banks and financial institutions shall require from the credit applicant a statement of his assets and liabilities and of his income and expenses together with the following:
 - 1.1.1 A copy of the latest Income Tax Return (ITR) of the borrower, co-maker, endorser, surety and/or guarantor, if applicable, duly stamped as received by the Bureau of Internal Revenue (BIR);
 - 1.1.2 Except as otherwise provided by law and other regulations, if the borrower is engaged in business, a copy of the borrower's latest financial statements as submitted for taxation purposes to BIR;
 - 1.1.3 A waiver of confidentiality of client information and/or an authority of the bank to conduct random verification with the BIR in order to establish the authenticity of the ITR and accompanying financial statements submitted by the client.
- 1.2 The consistency of the data/ figures in said ITR and statements shall also be checked and considered in the evaluation of the financial capacity and creditworthiness of credit applicants and co-makers.

2.0 Objectives

- 2.1 Provide a System through which banks can faithfully discharge their responsibility under Revised Circular 472-2005 and ensure that only tax compliant applicants are allowed to apply for credit, act as co-maker, endorser, surety and/or guarantor.
- 2.2 Provide a simple, systematic and convenient way by which tax compliant applicants can obtain the required documents and comply with the submission requirements of BSP Circular No. 472 Series 2005 Section 1.
- 2.3 Ensure the authenticity of the Income Tax Return and accompanying financial statements or other documents submitted by the credit applicants and co-makers.

3.0 Definitions

3.1 Electronic Filing and Payment System (EFPS)

The internet-based system of BIR for the paperless filing of tax returns, the payment of taxes due thereon, and the submission of information such as Financial Statements, Balance Sheets and Summary Lists of Sales and Purchases, etc. This system is available through the BIR Portal www.my.bir.gov.ph.

3.2 Latest Income Tax Return (ITR)

For participants already with an Annual ITR, latest ITR shall refer to the ITR for the preceding Tax Year be it on a calendar or fiscal year. For new establishments which, therefore, have no annual ITRs yet, it shall refer to the most recent quarter's ITR.

3.3 Financial Statements (FS)

Financial Statements shall include the balance sheet, the statement of income, statement of changes in equity, and the statement of cash flows, together with all notes to the statements.

Starting 2005 and for taxpayers with total assets of more than 15 Million, only financial statements audited by external auditors accredited by the Securities and Exchange Commission (SEC) shall be acceptable.

4.0 General Provisions

4.1 EFPS Filing of ITR to Facilitate Loan Evaluation

- 4.1.1 To facilitate the bank's ITR and FS verification as required under the circular, all prospective credit applicants and co-makers are strongly advised to file their income and financial statement and other information required electronically using the Electronic Filing and Payment System (EFPS).
- 4.1.2 A copy of the EFPS-filed ITR may be downloaded from the BIR Portal by the applicant while the bank may verify its authenticity following the process in 4.2.1 below
- 4.1.3 Returns filed with AABs or thru EFPS with corresponding reference number shall be deemed duly stamped and received by the BIR

4.2 Procedure for Authenticating ITRs of the credit applicants and co-makers

- 4.2.1 EFPS-generated or printed Income Tax Returns, must be checked for authenticity either by telephone to the BIR Contact Center Tel 981-8888 or through the BIR Portal.
- 4.2.2 For Non-EFPS tax returns, a copy of the tax return must be faxed to BIR Contact Center with a covering letter-request stating the name of the bank, the contact person, the bank's telephone number and/or fax number, the applicant's/ co-maker's name and TIN, his/her telephone/fax numbers. The Center will handle the verification to the Region/district concerned and will respond to the requesting bank accordingly.

4.3 Procedure for Authenticating Financial Statements

Supporting FS are required to be presented to a Revenue District Office after filing and paying either thru EFPS or manually thru the AAB's for stamping. To verify the authenticity of FS presented to support loan applications, banks must fax a Authenticity Verification Request to the BIR Contact Center (Tel 981-8888) attaching thereto the FS to be verified. The fax request must contain the following information: bank name, contact person, fax number, telephone number, name and TIN of credit applicant and total revenues in FS.

5.0 Effectivity

These regulations shall take effect fifteen (15) days after publication in any newspaper of general circulation.

(Original Signed)
CESAR V. PURISIMA
Secretary of Finance

Recommending Approval:

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue