

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

June 28, 2013

REVENUE MEMORANDUM CIRCULAR NO. 48-2013

SUBJECT : Tax Compliance Reminders under the May 13, 2013 Midterm Elections

TO : All Internal Revenue Officers and Others Concerned

This Circular is being issued to remind everyone, particularly those who ran as candidates or participated in any other manner in the last midterm elections held last May 13, 2013, of their obligations under pertinent revenue issuances.

I. ON INCOME TAX

Revenue Regulations No. 07-2011 provides for the following income tax treatment of political contributions-

“1. As a general rule, campaign contributions are not included in the taxable income of the candidate to whom they were given, the reason being that such contributions were given not for the personal expenditure/enrichment of the concerned candidate, but for the purpose of utilizing such contributions for his/her campaign. Thus, to be considered as exempt from income tax, these campaign contributions must have been utilized to cover a candidate's expenditures for his/her electoral campaign.

2. Unutilized/excess campaign funds, that is, campaign contributions net of the candidate's campaign expenditures, shall be considered as subject to income tax, and as such, must be included in the candidate's taxable income as stated in his/her Income Tax Return (ITR) filed for the subject taxable year.

3. Any candidate — winning or losing — who fails to file with the COMELEC the appropriate Statement of Expenditures required under the Omnibus Election Code, shall be automatically precluded from claiming such expenditures as deductions from his/her campaign contributions. As such, the entire amount of such campaign contributions shall be considered as directly subject to income tax.”

Thus, individual candidates, political parties and party-list groups falling under items No. 2 and 3 above shall file the proper income tax return and pay as follows:

- a. In the case of a candidate registered as a self-employed individual, such unutilized/excess/unreported funds coming from contributions/donations shall be declared for the quarter ending June 30, 2013 not later than August 15, 2013 using BIR Form No. 1701Q. It should be noted that no further deduction, either itemized or optional, should be made against this taxable income;
- b. In the case of a candidate who is purely a compensation income earner within the year 2013, such taxable income shall be declared in BIR Form No. 1700 for taxable year 2013 not later than April 15, 2014;
- c. In the case of a candidate who is neither a self-employed individual nor a compensation income earner as of May 13, 2013, he/she shall declare said taxable income by filing a short-period return, for the period from January 1, 2013 to May 13, 2013, using BIR Form No. 1700 not later than August 15, 2013; and
- d. In the case of political parties or party-list groups, the above taxable income shall be reported in the manner by which domestic corporations are required to file returns and pay taxes. Accordingly, the above taxable income shall be declared for the second quarter ending June 30, 2013 not later than August 29, 2013 using BIR Form No. 1702Q.

The above returns shall be filed and the income tax shall be paid in any of the authorized agent banks (AABs) or through the Revenue Collection Officer/s, in places where there are no AABs, within the jurisdiction of the Revenue District Office (RDO) where the candidate, political party or party list group is registered,

II. ON CREDITABLE WITHHOLDING TAX (CWT)

Pursuant to Section 2.57.2(X) of RR No. 2-98, as amended by RRs No. 08-09 and 10-09, *income payments made by political parties and candidates of local and national elections of all their purchase of goods and services as campaign expenditures, and income payments made by individuals or juridical persons for their purchases of goods and services intended to be given as campaign contribution to political parties and candidates shall be subject to a creditable withholding tax at the rate of five percent (5%)*. The obligation to withhold 5% is uniform in both payments for goods and services and, likewise, there is no distinction whether the source is through donations/contributions or from the personal funds of the payor, or elsewhere. Thus, payments for various media services, printing jobs, talent/entertainment fees, rentals of both real and personal property and the like are among those covered by the CWT herein.

Whether or not a candidate/payor/withholding agent is **engaged in business or practice of profession**, he/she/it is a regular taxfiler and, thus, required to remit the 5%

CWT, along with the other CWT, not later than the 10th day of the month following the month of payment/disbursement, using BIR Form No. 1601-E through the authorized agent banks (AABs) or Revenue Collection Officers (RCOs) under the jurisdiction of the BIR office where the withholding agent is registered. As withholding agents, they are required to attach the Monthly Alphalist of Payees (MAP).

The payor/withholding agent, who may be an individual, candidate or otherwise, a political party or a party list group, or any other juridical entity, is **further** required to file with the BIR Office where he/it is registered as withholding agent, on or before March 1, 2014, an *Annual Information Return of Creditable Taxes Withheld (Expanded)/Income Payments Exempt from Withholding Tax (BIR Form No. 1604E)* as well as the *Statement of Contributions and Expenditures* duly stamped “*Received*” by the Commission on Elections (COMELEC). For those withholding agents for a limited time during the election period only, the due date to file the aforesaid documents is on August 12, 2013.

Expenses from which the above 5% creditable withholding tax were not deducted, remitted or reported as herein required are not considered utilized campaign funds for purposes of Section I above.

III. OTHER MATTERS

Pursuant to Revenue Memorandum Circular (RMC) No. 15-2013, candidates, political parties and party list groups are reminded of the following:

1. Their registration with the BIR as special withholding agents under the just concluded midterm elections automatically ended last June 12, 2013. *However*, those who are engaged in business or practice of profession, including political parties and party list groups, remain to be regular withholding agents;
2. They are required to file report of utilization of BIR-issued Non-VAT official receipts as well as surrender to the BIR the unused Non-VAT official receipts not later than August 15, 2013; and,
3. They shall preserve the Cash Receipts and Disbursements Journals, including the official receipts and other supporting documents, and withholding tax returns until May 13, 2016.

Everyone is hereby enjoined to give this Circular as wide a publicity as possible.

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