

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Revenue Memorandum Circular No. 82-2010

Subject: **Clarification on the Filing of BIR Form No. 1947 pursuant to the provisions of Revenue Regulation No. 11-2010 dated October 28, 2010**

To: All Revenue Officials, Revenue Employees and Others Concerned

For the information and guidance of all concerned this Circular is being issued to clarify the provisions of Revenue Regulations No. 11-2010 dated October 26, 2010 with reference to the filing of BIR Form No. 1947 - **Declarations of Employees' Availment of the 15% Preferential Income Tax Rate** on compensation received by qualified managerial or technical employees employed by Regional or Area Headquarters (RHQs) or Regional Operating Headquarters (ROHQs).

Q1: When and where was Revenue Regulations No. 11-2010 published?

A1: Revenue Regulations No. 11-2010 dated October 26, 2010 was published in Manila Bulletin last October 28, 2010.

Q2: When is the deadline for filing BIR Form No. 1947?

A2:

a. *For those currently employed:*

Pursuant to Section 7 of Revenue Regulations No. 11-2010, qualified managerial or technical employees currently employed by any Regional or Area Headquarters (RHQs) or Regional Operating Headquarters (ROHQs) who opt to be taxed at the fifteen percent (15%) preferential income tax rate on their salaries are required to file BIR Form No. 1947 fifteen (15) days from the effectivity of the Revenue Regulations, thus, the deadline would be **on or before November 12, 2010**. In filing BIR Form No. 1947, it is important to "tick" the box marked "Original" to indicate original or first time filing of BIR Form No. 1947.

b. For those still to be employed:

Pursuant to Section 7 of Revenue Regulations No. 11-2010, qualified managerial or technical employees still to be employed by any Regional or Area Headquarters (RHQs) or Regional Operating Headquarters (ROHQs) who opt to be taxed at the fifteen percent (15%) preferential income tax rate on their salaries are required to file BIR Form No. 1947 fifteen (15) days from date of their employment. For example, if a managerial or technical employee is employed on December 1, 2010 in an RHQ or ROHQ and said managerial or technical employee opts to avail of the fifteen percent (15%) preferential income tax rate on his salary, the deadline for filing BIR Form No. 1947 would be on or before December 16, 2010 or fifteen (15) days from date of employment. In filing BIR Form No. 1947, it is important to “tick” the box marked “Original” to indicate original or first time filing of BIR Form No. 1947.

Included in this classification of *“those still to be employed”* are managerial or technical employees who qualify as such while being employed in an the RHQ or ROHQ by virtue of an increase in compensation package or by virtue of a promotion in position or rank in the same RHQ or ROHQ. Thus, they refer to employees of RHQs or ROHQs who will qualify for the first time as a manager or technical employee in accordance with the provisions of Section 3 of Revenue Regulations No. 11-2010. For example, if a managerial or technical employee currently employed in an RHQ or ROHQ gets a salary increase or rank promotion effective on December 1, 2010 and such qualifies said manager or technical employee to exercise the option to be taxed at fifteen percent (15%) preferential income tax rate pursuant to Section 3 of Revenue Regulations No. 11-2010, the deadline for filing BIR Form No. 1947 would be on or before December 16, 2010 or fifteen (15) days from effectivity date of the salary increase or date of effectivity of the promotion. In filing BIR Form No. 1947, it is important to “tick” the box marked “Original” to indicate original or first time filing of BIR Form No. 1947.

c. For those who previously filed BIR Form No. 1947 in accordance with the deadline set in Revenue Regulations No. 11-2010:

Pursuant to Section 7 of Revenue Regulations No. 11-2010, after a qualified managerial or technical employee filed his declaration to avail of the fifteen percent (15%) preferential income tax rate on compensation, said managerial or technical employee would be required to re-file a new BIR Form No. 1947 or a new declaration whenever there would be any changes in his employment status such as change in the RHQ or ROHQ employer, changes in salary package or compensation. In which case the deadline for filing an amendment to an already filed BIR Form No. 1947 is January 31st

of the succeeding year. For example, if a manager or technical employee after complying with the original filing of BIR Form No. 1947 on November 12, 2010 as prescribed under RR 11-2010 changes employer effective December 1, 2010 and said employer is another RHQ or ROHQ; or receives a salary increase effective December 1, 2010, the deadline for his filing of an amendment to originally filed BIR Form No. 1947 would be on or before January 31, 2011. In filing BIR Form No. 1947, it is important to “tick” the box marked “Amendment” to indicate that the managerial or technical employee already previously filed a BIR Form No. 1947 and the current filing is not his first time to file BIR Form No. 1947.

Q3: How often will qualified managers or technical employees of an RHQ or ROHQ be required to file BIR Form No. 1947?

A3: a. *Original filing of BIR Form No. 1947*

With the initial implementation of Revenue Regulations No. 11-2010, all currently qualified managers or technical employees of any RHQ or ROHQ and all “*those still to be employed*” in an RHQ or ROHQ, who opt to avail of the fifteen percent (15%) preferential income tax rate on their compensation are required to file the BIR Form No. 1947 on the deadline set in the said Revenue Regulations only once. However, the said filing is valid for as long as there are no changes in his employment status.

b. *Amendment filing of BIR Form No. 1947*

A managerial or technical employee who already filed BIR Form No. 1947 in the past will be required to file an amendment to said form whenever there are changes in his employment status like change in employer, change in salary package or promotion.

Q4: Where will a qualified manager or technical employee file his BIR Form No. 1947? Where can a filer get a copy of BIR Form No. 1947?

A4: All qualified managers or technical employees through their RHQs or ROHQs are required file duly accomplished BIR Form No. 1947 with the RDO or LT Assistance or Regulatory Division/LTDOs where the RHQ or ROHQ is registered.

BIR Form No. 1947 - **Declarations of Employees’ Availment of the 15% Preferential Tax Rate** is downloadable from the Bureau of Internal Revenue's website - www.bir.gov.ph, as Annex A to Revenue Regulations No. 11-2010.

The form shall be accomplished in triplicate, the original copy to be filed with the BIR, duplicate copy to be retained by Personnel or Human

Resource Department/Office of the RHQ or ROHQ and the triplicate to serve as the personal copy of the concerned qualified manager or technical personnel.

Q5: What is the effect of non-filing of BIR Form No. 1947?

A5: a. *For the initial implementation of RR 11-2010 covering calendar year 2010:*

A qualified managerial or technical employee who fails to timely file a declaration of availment of the fifteen percent (15%) preferential income tax rate on their compensation is deemed to have opted to be taxed at the regular income tax rate under Sec. 24 of the Tax Code, as amended, and thus, will be covered by the rules on regular withholding on compensation for his compensation covering calendar year 2010.

However, the said qualified managerial or technical employee may still exercise the option to be taxed at fifteen percent (15%) preferential income tax rate for the succeeding calendar years, meaning starting calendar year 2011, by filing duly accomplished BIR Form No. 1947 on or before January 31, 2011.

b. *For subsequent years after the initial implementation of RR 11-2010:*

When a qualified manager or technical employee failed to timely file a declaration of availment of the fifteen percent (15%) preferential income tax rate in any taxable calendar year where he qualifies either by virtue of employment into an RHQ or ROHQ, increase in salary or promotion, he is deemed to have opted to be taxed at the regular income tax rate under Sec. 24 of the Tax Code, as amended, and thus, will be covered by the rules on regular withholding on compensation for his compensation covering that calendar year.

However, the said qualified managerial or technical employee may still exercise the option to be taxed at fifteen percent (15%) preferential income tax rate for the succeeding calendar years by filing duly accomplished BIR Form No. 1947 on or before January 31 of the succeeding year.

Q6: What is required from the RHQs or ROHQs employers with reference to the initial reporting requirements under Section 7 of RR No. 11-2010?

A6: All RHQs or ROHQs are expected to assist their qualified managerial or technical employees to duly accomplish BIR Form No. 1947, collate and

submit them to the RDO or LT office where the RHQ or ROHQ is registered for an organized and centralized filing of all the declarations of availment of the 15% preferential tax rate on compensation.

Thereafter, meaning on or before January 31, 2011, the RHQ or ROHQ are required to file the following sworn declarations as required by Revenue Regulations No. 11-2010; to wit:

- a. Employer's sworn declaration, stating under oath:
 - i. the names of its employees who received, or are due to receive, under an employment contract, a gross annual compensation equivalent to or more than PhP 975,000.00 or its adjusted amount;
 - ii. the inclusive dates for the relevant calendar year when the employee received, or are due to receive, gross annual compensation equivalent to or more than PhP 975,000.00 or its adjusted amount;
 - iii. that the employees received compensation solely from the ROHQs or RHQs and not from the company of which it is a branch, or from any other entity which may be an affiliate or subsidiary of the said company; and
 - iv. that such employees exercise managerial or technical functions.
- b. Employee's sworn declaration, stating under oath:
 - i. his complete name, Taxpayer Identification Number (TIN);
 - ii. job title and brief job description and responsibility;
 - iii. the equivalent amount of gross annual compensation which he received or is due to receive must be at least PhP 975,000.00 or its adjusted amount;
 - iv. the inclusive dates of the calendar year when he received or is due to receive gross annual compensation of at least PhP975,000.00 or its adjusted amount;
 - v. that he is exclusively employed by the ROHQ or RHQ;
 - vi. that he does not have any other employer other than the ROHQ or RHQ;
 - vii. that he does not receive compensation from sources other than the ROHQ or RHQ where he is employed; and
 - viii. that he exercises managerial or technical functions.

Likewise, all RHQs or ROHQs are reminded that Monthly Remittance Return of Final Income Taxes Withheld (BIR Form No. 1601-F) and Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF) shall be filed within the applicable time periods and in the manner set

forth in Sections 2.58(A)(1)&(2) and 2.83.2 of RR No. 2-98, as amended. The employer's Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF) shall have an additional schedule to reflect declaration of information pertaining to employees covered by the fifteen percent (15%) preferential tax regime. The revised format of BIR Form 1604-CF shall be covered by a separate Revenue Memorandum Order (RMO).

In case of amendments, kindly attach a photocopy of previously filed BIR Form No. 1947 for easy reference.

All internal revenue officers are hereby enjoined to give this Circular a wide publicity as possible.

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