

Headline	A look at 2017 from the eyes of a taxpayer		
MediaTitle	The Philippine Star		
Date	26 Dec 2017	Language	English
Section	Business	Journalist	Eugene Pulga
Page No	B3	Frequency	Daily



A look at 2017 from the eyes of a taxpayer

The Bureau of Internal Revenue (BIR), under the leadership of commissioner Caesar R. Dulay, started the year 2017 with the issuance of Revenue Memorandum Circular (RMC) No. 05-2017 enumerating its priority programs to achieve the following principal objectives: (1) Attain collection targets. (2) Improve taxpayer satisfaction. And (3) Protect revenues and recapture public trust.

As a taxpayer, focus is made on the "Improve Taxpayer Satisfaction" objective of the BIR. To address this, BIR is to review and recall, if warranted, revenue issuances which impose unnecessary burden on taxpayers and to adhere with the commitment to ease doing business.

TOP OF MIND



EUGENE PULGA

With this in mind, we take a look into the various issuances of the BIR in 2017 that eased doing of business and/or unburdened the taxpayer, and have come up with the following, among others

- Revenue Memorandum Order (RMO) No. 08-2017 – This RMO provided the new procedures in claiming preferential

tax treaty benefits on dividends, interest and royalty income of non-residents. The existing RMO No. 72-2010 requires the filing of a Tax Treaty Relief Application (TTRA) before the first taxable event, together with a long list of documentary requirements. With the new RMO, although limited only to dividends, interest and royalty income at the moment, there is still a need to file a Certificate of Residence for Tax Treaty Relief (CORTT) form. But, unlike the TTRA, only a Certificate of Residency of the country of residence of the non-resident income recipient shall be attached to the CORTT form.

For dividend purposes, the CORTT form shall be valid for two years from date of issuance. For interest and royalty income purposes, the CORTT form shall be valid per contract. Thus, if another dividend payment is made within the two year period or interest and royalty payment is made within the term of the contract, the non-resident income recipient does not have to secure another Certificate of Residency, but would only be required to submit an updated part II portion of the CORTT form.

Withholding agents or income payors can, at the time of remittance, already avail/withhold the reduced rate or exempt the non-resident income recipient based on the duly accomplished CORTT form. The CORTT form is required to be filed within 30 days after payment of the withholding tax due on dividend, interest and royalty income of non-resident based on the applicable tax treaty.

- RMC No. 100-2017 – This RMC clarified the sanction in case there is proper filing of monthly remittance return and

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payment of the taxes due, but there is failure/non-filing of alphabetical list of employees / payees, or the failure to submit the complete or corrected alphabetical list. In this situation, the BIR clarified that it would not result to the non-deductibility of the expense considering that the taxes corresponding thereto were already withheld and remitted. However, a compromise penalty of P1,000 shall be imposed for each failure to make, file or submit the said information return, which aggregate amount to be imposed for such failures during the calendar year shall not exceed P25,000. Payment of the compromise penalty does not, however, relieve the withholding agent from the submission of the required alphabetical list or the complete or corrected alphabetical list.

- RMC No. 027-2017 – This RMC clarified the basis for the imposition of tax on sale, exchange or other disposition of real property, whether classified as capital asset or ordinary asset. For purposes of imposing the tax, it has been provided in Sections 24(D)(1) and 27(D)(5) of the 1997 Tax Code, as amended, and as implemented by Revenue Regulations Nos. 02-98 and 07-2003, that it shall be based on the gross selling price or current fair market value (FMV) as determined in Section 6(E) of the code, whichever is higher. For this purpose, the current FMV of real properties in accordance with Section 6(E) of the 1997 Tax Code, as amended, shall be, whichever is higher of: (1) The FMV as determined by the Commissioner, or (2) The FMV as shown in the schedule of values of the provincial and city assessors.

The BIR emphasized that nothing in the code or any of its implementing guidelines provide for the application of a comparative sale or any other tax base. Thus, the BIR reiterated that in no case shall revenue officials or employees apply any other basis for the imposition of capital gains tax / income tax / withholding tax on sale, exchange or other disposition of real property except as provided in this RMC.

We appreciate the BIR's adherence to improve taxpayers' satisfaction in 2017. We look forward in 2018 for its continued commitment to unburden and ease the taxpayers' doing of business in the Philippines.

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