

ANNEX "D.2"

PROCEDURES AND DOCUMENTS TO BE PREPARED/ATTACHED TO THE CASE DOCKET OF TAX CREDIT/REFUND CLAIMS ON CREDITABLE WITHHOLDING TAXES (CWT) ON INCOME FILED UNDER SECTION 76(C) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED (TAX CODE) - FOR TAXPAYERS THAT HAVE CEASED OR DISSOLVED BUSINESS -

A. PROCEDURES

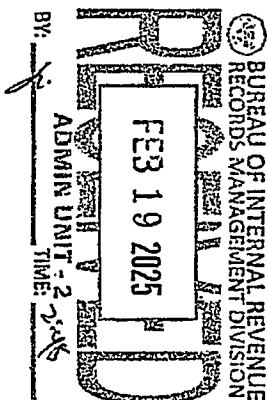
1. The assigned Revenue Officer (RO) shall conduct the following preliminary procedures:

- a. Ascertain completeness and authenticity of the documentary requirements submitted by the taxpayer-claimant, as check-listed by the RO of the Day. Should there be lacking or deficiencies in the documents submitted, this may cause the denial of the claim, either fully or partially.

Note that the two (2)-year prescriptive period to decide on the application and refund the excess taxes shall commence from the submission of the Application for Registration Information Update/Correction/Cancellation (BIR Form No. 1905) together with the complete documentary requirements set by the BIR for the closure of business and the refund of excess income taxes due to cessation or dissolution of business under Section 76(C) of the Tax Code.

- b. Ascertain that the taxpayer-claimant is not included in the list of Cannot-Be-Located (CBL) taxpayers.
- c. Secure/print copies of the following documents available at the records/database of the BIR:
 - i. Number of branches and facilities with corresponding locations;
 - ii. Tax types duly registered for the branches and facilities;
 - iii. Registered books of accounts for the principal office and branches;
 - iv. Relevant tax returns/data covering all taxable years commencing from the period where the excess income taxes showed up:

Documents to be Verified/Printed	Source/s of Data/Information
Letters of Authority Issued covering all internal revenue taxes together with the result of investigation (printouts of the result of audit from the IRIS-CMS, if available, or attach the copies of the LOA, result of audit and/or termination letter, if any)	eLAMs or IRIS-CMS RDO/LTS if not available from the said systems
Annual Income Tax Returns (AITR) with Summary Alphalist of Withholding Agents of Income Payments Subjected to Withholding Tax at Source (SAWT)	IRIS-RFP, eFPS, eBIRForms or ITS. To be requested from RDO/LTS if the AITR is not available from the said systems.



Documents to be Verified/Printed	Source/s of Data/Information
Audited Financial Statements (AFS)	eAFS if claimant submitted thru the facility
<u>For BIR Form No. 2307</u> BIR Form No. 1604-E with the Alphabetical List of Payees-submitted by the withholding agents of the claimant	For the BIR Form No. 1604-E – IRIS-RFP, eFPS, eBIRForms or ITS. To be requested from RDO/LTS if the tax return is not available from the said systems. For the Alphabetical List of Payees –RDO/LT-DPQAD having jurisdiction over the withholding agent or NODC/RDC/MOMD
<u>For BIR Form No. 1606</u> BIR Payment Certifications in accordance with the format prescribed under RMO No. 7-2016	Revenue Accounting Division (RAD)/Collection Section, RDO/LTDPQAD, LT Divisions Davao and Cebu, whichever is applicable or NODC/RDC

v. Only those tax returns filed on or before the filing of the application for tax credit/refund or the service of the eLA, whichever comes first, shall be considered in the processing of the claim.

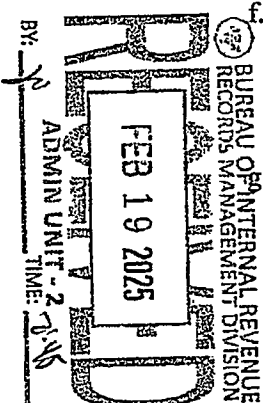
vi. The assigned ROs may also verify or request other relevant information available in the BIR records.

d. In cases where the authenticity of the documents submitted can be verified electronically or online [e.g., through “quick-response” (QR) codes], the assigned evaluator shall attach to the docket, a printout or screenshot of the result of the verification from the facility hosting the electronic/online system/application with the duly-signed notation that the same has been verified through the said system.

e. Analyze the AFS to determine the accounting method of sales and income recognition, accounting period, existence in the asset account of the claimed CWT, and other relevant information.

f. Conduct interviews, where necessary, with responsible and authorized finance, accounting, sales and other personnel to further familiarize with business operations related to sales and purchases, as well as other activities that may relate to the claim.

Request for books of accounts and other relevant accounting records, as necessary, to determine recording of the claim and reconcile findings and discrepancies noted.

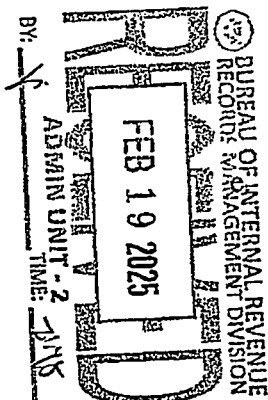


2. **Ascertain the legal basis of the claim.** The assigned RO shall prepare roll-forward analysis of income tax returns filed commencing from the taxable year where the excess income taxes paid showed up until the last period (short-period return, if applicable) following Annex "B.1". With this, the following can be checked:
 - a. Verify the options selected by the taxpayer-claimant as marked in the AITR, for its excess/unutilized CWT whether tax credit, tax refund or to be carried-over, in compliance with Section 76 of the Tax Code. Options where tax credit or refund were chosen shall be properly checked and disallowed from claim, if necessary, to avoid double claim.
 - b. Ascertain accuracy of the carried-forward balances. Make the necessary adjustment/reduction from claim if inconsistencies or discrepancies were noted.
3. **Ascertain that the income upon which the taxes were withheld must be included as part of the gross income declared in the AITR of the recipient.** If any of the taxable years covered have already been subjected to audit of all internal revenue taxes, verification as to whether or not the taxes withheld are included as part of the gross income declared in the AITR of the taxpayer-claimant shall no longer be necessary for the taxable year covered by the LOA. In this regard, the assigned RO shall attach printouts of the result of audit from the IRIS-CMS, if available, or attach the copies of the LOA, result of audit and/or termination letter, if any.

In case there is a need to establish such, the following rules shall govern upon comparing the aggregate amounts of the submitted BIR Form No. 2307/1606 and the summary of revenues/income declared per AITR:

- a. The taxpayer-claimant must be clearly identified as the payee in the withholding tax certificate.
- b. If the income aggregate taxes withheld by a certain withholding agent per submitted BIR Form No. 2307/1606 is equal to the computed withholding taxes in the summary of revenues/income declared per AITR, allow the CWT claimed.
- c. If the aggregate taxes withheld by a certain withholding agent per submitted BIR Form No. 2307/1606 is less than the computed withholding taxes in the summary of revenues/income declared per AITR, allow the variance. This could possibly be a timing difference or failure of the withholding agent to withhold the remaining amount.
- d. If the aggregate taxes withheld by a certain withholding agent per submitted BIR Form No. 2307/1606 is higher than the summary of revenues/income declared per AITR, disallow the variance. The corresponding income tax due from the difference of the income payments declared by the withholding agent and the aggregate sales per SAWT shall be assessed and may be deducted from the amount sought to be refunded/credited or incorporated to the on-going audit of all internal revenue taxes for possible collection of the deficiency taxes due, including Value-Added Tax (VAT), if any.

If the withholding agent appearing on the BIR Form No. 2307/1606 does not appear on the summary of revenues/income declared per AITR of the taxpayer-claimant for the taxable year covered by the claim, do not allow the amount of



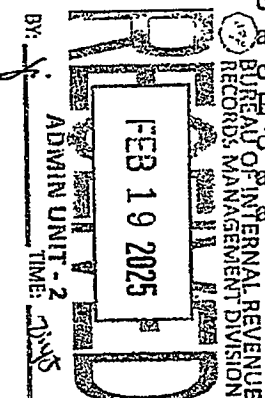
CWT claimed and the corresponding income tax due shall be assessed and may be deducted from the amount sought to be refunded/credited or incorporated to the on-going audit of all internal revenue taxes for possible collection of the deficiency taxes due, including Value-Added Tax (VAT), if any.

4. **The fact of withholding is established by a copy of the withholding tax certificate duly issued by the payor (withholding agent) to the payee showing the amount of income payment and the amount of tax withheld.** The assigned RO shall at all times establish the fact of withholding, the existence, and veracity of the supporting documents for the CWT claimed starting from the year where the excess tax credits emerged.

Proof of withholding is incumbent upon the taxpayer claiming for the income tax credit/refund. No income tax refund shall be granted unless the authenticity and veracity of the BIR Form No. 2307/1606 is verified. The following rules shall govern upon comparing the CWT Claimed per SAWT and the Alphalist of Payees as attached in the BIR Form No. 1604E submitted by the withholding agents of the taxpayer-claimant:

- a. If the CWT claimed per SAWT is equal to the taxes withheld appearing on the Alphalist in the BIR Form No. 1604E submitted by the withholding agent, allow the CWT claimed
- b. If the CWT claimed per BIR Form No. 2307/1606/SAWT is less than the taxes withheld appearing on the Alphalist in the BIR Form No. 1604E submitted by the withholding agent, allow the CWT claimed therefrom but investigate further if the variance is an under-declaration of sales that would warrant deficiency tax assessments.
- c. If the CWT claimed per SAWT is more than the taxes withheld appearing on the Alphalist in the BIR Form No. 1604E submitted by the withholding agent, disallow the variance.
- d. If upon verification, there appears creditable taxes withheld by a withholding agent but the taxpayer claimant failed to declare or claim the corresponding CWT therefrom including declaring the same in its AITR for the taxable year covered by the claim, do not allow the amount of CWT appearing on the alphalist and the corresponding income tax due shall be assessed and may be deducted from the amount sought to be refunded/credited or incorporated to the on-going audit of all internal revenue taxes for possible collection of the deficiency taxes due, including Value-Added Tax (VAT), if any.

5. For items 3 and 4, the assigned ROs shall prepare a comparative matrix of CWT claimed following the pro-forma matrix marked as Annex "C.2" of this Order. The assigned RO shall only allow the lowest amount between the aggregate amounts claimed per BIR Form No. 2307/1606, Schedule of CWT Claimed, Alphalist of Payees submitted by the withholding agents of the taxpayer claimant, etc. If the disallowance exceeds the amount sought to be refunded, recommend for denial and assess the deficiency tax due. The said lists are not exclusive as the assigned RO may also find other findings other than the above enumerations.

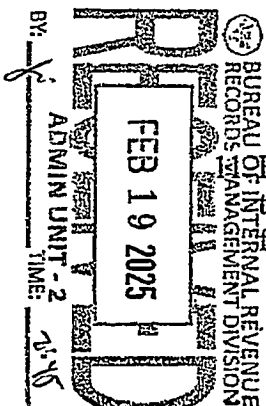


6. The approved refund, if any, shall be released only after completion of the mandatory audit of all internal revenue tax liabilities covering the immediately preceding year and the short period return and full settlement of all tax liabilities relative to cessation or dissolution of the business and any existing tax liabilities prior to the cessation or dissolution of the business.

B. DOCUMENTS REQUIRED TO BE ATTACHED TO THE DOCKET

1. Table of Contents;
2. Copy of Electronic Letter of Authority (eLA) or Electronic Tax Verification Notice (TVN), whichever is applicable;
3. All documentary requirements under Annex "A.2";
4. **For BIR Form No. 2307.** - BIR Form No. 1604-E together with the Alphabetical List of Payees filed by the taxpayer-claimant's respective withholding agents or results of verification from the RDO/LT-DPQAD having jurisdiction over the withholding agent or NODC/RDC/MOMD;
5. **For BIR Form No. 1606.** - BIR Payment Certifications in accordance with the format prescribed under RMO No. 7-2016;
6. ITR with SAWT and AFS covering the taxable period/s of claim;
7. Annual and Quarterly ITR of the succeeding taxable year(s);
8. Roll-forward analysis of income tax returns filed for all relevant taxable years or period following Annex "C.1";
9. Matrixes showing the revenues/income declared per ITR summarized per customer/client, income payment and corresponding taxes withheld per BIR Form No. 2307/1606, in accordance with the format prescribed under Annex "C.2";
10. Memorandum Report by the RO signed by Revenue District Officer/LTAD stating the following:
 - a) The business undertaking of the taxpayer;
 - b) The legitimacy and actual existence of the business;
 - c) The factual basis of the claim;
 - d) The legal basis of the claim;
 - e) Findings/result of investigation by the RDO;
 - f) The reason(s) for denial/disallowances, if any,
 - g) Statement recommending the approval/disapproval of the claim which shall include the discussion and verification on the fact of withholding and that the amounts of creditable withholding tax per final income tax return should be related to the declared gross sales/revenue; i.e., all income for which taxes withheld are claimed should be reflected in gross sales/revenues;

For claims filed in the RDOs, a memorandum report of the reviewing office, if there are review findings that will warrant adjustment to the amount recommended for credit/refund, shall be prepared.



12. In addition to the documents submitted by the taxpayer-claimant, the following shall be prepared and shall form part of the docket of the claim:

Document to be Prepared	Annex	If Claim is Filed in	
		Revenue Region	LTS
Tax Credit/Refund Covering Sheet	"E.1"/ "E.2"	RDO	LTAD
Authority to Issue Income Tax Refund/Tax Credit Certificate	"F"	RDO and/or AD if with review findings	LTAD
BIR Form No. 0500 series generated from the IRIS-CMS	"G"	RDO and AD if with review findings	LTAD
Budget Utilization Request and Status (BURS)	"H"	RDO and AD if with review findings	LTAD
Disbursement Voucher (DV)	"I"	RDO and AD if with review findings	LTAD
Notice of Approval of Income Tax Credit/Refund Notice of Denial of Income Tax Credit/Refund	"J.1" "J.2"	RDO and/or AD if with review findings	LTAD
Tax Credit Certificate	"K"	AD	LTAD

13. Working papers and other schedules necessary to process the tax credit/refund; and
14. Other requirements as may be prescribed by law or revenue issuances.

