TAX MANAGEMENT ASSOCIATION
OF THE PHILIPPINES, INC.

FOR PRESS RELEASE:

For more information, please call Rina R. Manuel
President, Tax Management Association of the Phils. (TMAP)
Tel. No. **+63 918 9492000**
Email: **rina.manuel@tmap.org.ph**

TMAP appeals new BIR alphalist requirements, mandatory electronic submission by SMEs

February 24, 2014

The **Tax Management Association of the Philippines (TMAP)** filed with the Bureau of Internal Revenue (BIR) last February 21, 2014 its position paper to appeal the new alphalist requirements under BIR Revenue Regulations (RR) No. 1-2014, which mandates the electronic submission and the use of a prescribed format for alphalists attached as an integral part of the Annual Information Returns. Under said BIR regulations, non-compliance with these mandatory reportorial requirements will be considered by the BIR as non-submission and will not qualify as a deductible expense for income tax purposes.

While TMAP recognizes the BIR's thrust to computerize its database for the more effective and efficient matching of taxes withheld by withholding tax agents versus the taxes declared by income recipients, TMAP raised the following issues, which involve taxpayer rights, in general:

- The disallowance of deductions from gross income of withholding agents for non-compliance with the prescribed alphalist format is not a valid exercise of the BIR's quasi-legislative powers because it expanded the deductibility requirements under the Tax Code. Also, the The Tax Code only provides for administrative penalties in case of non-compliance with reportorial requirements, such as the alphalist. By imposing the penalty of disallowance of deductions, the measure becomes oppressive and confiscatory, and violates the due process principle.
- The penalty of non-deductibility of expense for simple failure to comply with the prescribed reportorial format is an undue additional burden on the part of withholding tax agents, who merely act as agents of the tax authority in the advance collection of taxes.
- The requirement for mandatory electronic submission (either through the eFPS, the electronic submission via BIR website, or the electronic mail) of the alphalist reports, even for business establishments with less than ten (10) employees and other small and micro business operators, is discriminatory given the state of internet accessibility in the country.

With these issues in mind, TMAP recommended the following measures to the BIR:

1. Withdraw the provision imposing the penalty of disallowance of expense deduction on withholding tax agents; and
2. Continue to allow manual submission for small and micro business enterprises, including those with less than 10 employees. Mandatory electronic submission should be made only for those under the EFPS.

TMAP is an association of tax consultants and corporate tax practitioners, which aims to professionalize tax practice and provide a channel by which the private sector may actively participate in the drafting of tax laws, rules and regulations. TMAP seeks greater fairness in the tax system by upholding taxpayer rights and promoting taxpayer responsibilities in order for the Philippines to achieve higher level of compliance among taxpayers.
