

MCC TAX AND OTHER RELEVANT UPDATES

Period Covered: January 2024



MORFE, CENETA & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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A. REVENUE REGULATIONS

RR. No. 1-2024 (January 15, 2024)

TAX ADMINISTRATION

Further amends Section 2, Sub-section 4.109-1(B)(p) of RR No. 4-2021, as amended by RR No. 8-2021, to implement the **adjustment of the selling price threshold** of the sale of house and lot, and other residential dwellings for **Value-Added Tax** exemption purposes

B. REVENUE MEMORANDUM CIRCULARS

RMC No. 3-2024 (January 10, 2024)

TAX ADMINISTRATION

Circularizes RA No. 11976 (**Ease of Paying Taxes Act**) and the Veto Message of President Ferdinand R. Marcos Jr.

RMC No. 5-2024 (January 10, 2024)

TAX ADMINISTRATION

Further **clarifies the proper tax treatment of cross-border services** in light of the Supreme Court En Banc Decision in Aces Philippines Cellular Satellite Corp. v. Commissioner of Internal Revenue, GR. No. 22668

RMC No. 7-2024 (January 11, 2024)

TAX ADMINISTRATION

Reverses the **Value-Added Tax exemption** of transactions specified under Section 109 (BB) of the National Internal Revenue Code (Tax Code) of 1997, as amended

RMC No. 8-2024 (January 15, 2024)

TAX ADMINISTRATION

Clarifies the provisions of Revenue Regulations No. 16- 2023 imposing **Withholding Tax on gross remittances** made by electronic marketplace operators and digital financial services providers to sellers/merchants

RMC No. 9-2024 (January 15, 2024)

TAX ADMINISTRATION

Clarifies **surcharge** computed in the filing of an amended return in the electronic Filing and Payment System (eFPS)

RMC No. 10-2024 (January 22, 2024)

TAX ADMINISTRATION

Announces the availability of Branch Account Registration in **Online Registration and Update System**

C. HOME DEVELOPMENT MUTUAL FUND

Circular No. 460 (January 15, 2024)

Guidelines on the **Pag IBIG** Fund's Implementation of **Increase in the Maximum Fund Salary** (MFS) effective **February 2024**.



IMPORTANT UPDATES

A. REVENUE REGULATIONS

REVENUE REGULATIONS 1-2024

The Bureau of Internal Revenue has issued Revenue Regulations 1-2024 dated January 15, 2024, amending the provisions of Section 2, Subsection 4.109.1(B) of Revenue Regulations 4-2021, increasing the threshold of selling price for the sale of houses and lots and other residential dwellings for exemption from Value- Added Tax under Section 109 of the National Internal Revenue Code, as amended.

The selling price threshold for the sale of houses and lots and other residential dwellings has been increased from Php3,199,200.00 to Php3,600,000.00. and may be re-adjusted after three (3) years using the Consumer Price Index published by the Philippine Statistics Authority (PSA).

Under Section 4.109.1(A) of Revenue Regulations 16- 2005 or the Consolidated Value-Added Tax Regulations, VAT Exempt Transactions refer "to the sale of goods or properties and/or services and the use or lease of properties that are not subject to VAT (output tax) and the seller is not allowed any tax credit of VAT (input taxes) on purchases."

The seller selling items considered VAT-exempt transactions cannot pass on to his/her/its customers a 12% VAT because it is exempt from this imposition.

For more information on this issuance, you may refer to this link: [RR No. 1-2024.pdf \(bir.gov.ph\)](#)

B. REVENUE MEMORANDUM CIRCULAR

REVENUE MEMORANDUM CIRCULAR 3-2024

On January 10, 2024, the Bureau of Internal Revenue issued Revenue Memorandum Circular 3-2024 to circularize the copy of the Ease of Paying Taxes (EOPT) Act signed into law by President Ferdinand R. Marcos, Jr. last January 5, 2024. To access the pertinent files for your reference, you may click on the following link provided in the table below:

Signed Ease of
Paying Taxes Act

[bir.gov.ph/images/bir_files/internal_communications_2/RMCs/2024 RMCs/RMC No. 3-2024 Annex A.pdf](https://bir.gov.ph/images/bir_files/internal_communications_2/RMCs/2024%20RMCs/RMC%20No.%203-2024%20Annex%20A.pdf)

VETO Message of
the President

[RMC No. 3-2024 Annex B.pdf \(bir.gov.ph\)](https://bir.gov.ph/images/bir_files/internal_communications_2/RMCs/2024%20RMCs/RMC%20No.%203-2024%20Annex%20B.pdf)

REVENUE MEMORANDUM CIRCULAR 3-2024 (cont.)

The Ease of Paying Taxes (EOPT) Act introduces numerous reforms in administering the country's tax system. Some are the salient features of the Ease of Paying Taxes Act:

1. Abolition of paying the Php500.00 Annual Registration Fee on or before January 31 of each year;
2. Categorization of taxpayers as micro, small, medium, and large based on the company's annual gross sales;
3. Filing and Payment of taxes anywhere in the Philippines either manually or electronically;
4. Providing certain arrangements applicable only to micro taxpayers such as:
 - a. The Income Tax Return of Micro Taxpayers shall consist of only two (2) pages;
 - b. The surcharges are reduced to 10% from the normal rate of 25%;
 - c. Reduction of interest rate imposed on unpaid taxes from 12% to 6%
 - d. A reduced fine of Five Hundred Pesos (Php500.00) as a penalty for failure to file certain information returns as provided under Section 250 of the Tax Code

REVENUE MEMORANDUM CIRCULAR 5-2024

The Bureau of Internal Revenue (BIR) has issued Revenue Memorandum Circular 5-2024 dated January 10, 2024, clarifying the tax treatment of cross-border transactions in the light of the decision rendered by the Supreme Court of the Philippines in the case of *Aces Philippines Cellular Satellite Corp. v. Commissioner of Internal Revenue* (G.R. 226680, dated August 30, 2022).

1. Non-Resident Foreign Corporations (NRFC) is taxable only on income derived from sources within the Philippines;
2. The Court, in determining whether the income was derived from sources within the Philippines, applied a two-step approach:
 - a. Identifying the Source;
 - b. Identifying the Situs
3. In identifying the status – We must inquire into the property, activity, or service that produced the income or where the inflow of wealth originated. It is insufficient to identify just any property, activity, or service. The subject may only be regarded as an income source if the particular property, activity, or service causes an increase in economic benefits, which may be in the form of an inflow or enhancement of assets or a decrease in liabilities with a corresponding increase in equity other than that attributable to a capital contribution.
4. As regards the situs of taxation, it is settled that where the inflow of wealth and/or economic benefits proceeds from and occurs within the Philippine territory, it enjoys the protection of the Philippine government. Considering such protection, the flow of wealth should share the burden of supporting the government and, thus, is subject to tax.

REVENUE MEMORANDUM CIRCULAR 5-2024 (cont.)

5. If the property, activity, or service that produces the income is located in the Philippines, then the income is subject to tax in the Philippines for being sourced within the Philippines.

Thus, in the said case, if the activity that generates the income emanates from sources (activity, property, service) within the Philippines, the same shall be subject to Final Withholding Tax.

For your complete reference, please refer to the following link:
[RMC No. 5-2024.pdf \(bir.gov.ph\)](#)

REVENUE MEMORANDUM CIRCULAR 7-2024

The Bureau of Internal Revenue, under Section 109(BB) of the National Internal Revenue Code, has issued Revenue Memorandum Circular 7-2024, which effectively reverses the Value-Added Tax Exemption of the sale of the following products/commodities:

(i) Capital equipment, its spare parts and raw materials, necessary for the production of personal protective equipment components such as coveralls, gown, surgical cap, surgical mask, N-95 mask, scrub suits, goggles and face shield, double or surgical gloves, dedicated shoes, and shoe covers, for COVID-19 prevention; and [106]

(ii) All drugs, vaccines, and medical devices specifically prescribed and directly used for the treatment of COVID-19; and [106]

(iii) Drugs for the treatment of COVID-19 approved by the Food and Drug Administration (FDA) for use in clinical trials, including raw materials directly necessary for the production of such drugs

Thus, the above shall now be subject to twelve percent (12%) Value-Added Tax beginning January 1, 2024.

For more details, you may refer to [RMC No. 7-2024.pdf](#) (bir.gov.ph)

REVENUE MEMORANDUM CIRCULAR 8-2024

The Bureau of Internal Revenue has issued Revenue Memorandum Circular 8-2024 clarifying the provisions of Revenue Regulations 16-2023 which took effect last January 11, 2024. Said Revenue Regulations imposes withholding tax on Gross Remittances made by Electronic Marketplace Operators and Digital Financial Services Providers (DFSP) to sellers or merchants. Electronic Marketplace Operators and Digital Financial Services Providers shall now be required to withhold taxes from income paid by buyers to the sellers made through them.

As defined under Revenue Regulations 16-2023, Electronic Marketplace shall refer to a digital service platform whose business is to connect online buyers/consumers with online merchants/sellers, facilitate and conclude the sales, process the payment of the products, goods, or services through such digital platform, or facilitate the shipment of goods or provide logistics services and post-purchase support within such platforms, and otherwise retains oversight over the consummation of the transaction.

On the other hand, the term Digital Financial Services Platform shall refer to the financial technology provided by digital financial service providers that are capable of offering a wide array of services of a financial nature that are made available to the public through the internet, mobile applications or other similar means, including banking services, payment and money transmission services, and other similar or related services.

For a detailed discussion, you may refer to the following link:
[RR No. 16-2023 3.pdf \(bir.gov.ph\)](#)

REVENUE MEMORANDUM CIRCULAR 9-2024

The Bureau of Internal Revenue has recently issued Revenue Memorandum Circular 9-2024, dated 15 January 2024, informing the public that surcharges automatically computed by the Electronic Filing and Payment System (EFPS) on the amended filing of returns during its enhancement must be disregarded if an initial return was filed. On the other hand, if the amended return resulted in additional tax to be paid, pay only the basic tax, the computed interest, and the compromise as long as the initial return was filed on or before the set deadline.

Please refer to the link for complete discussion: [RMC No. 9-2024.pdf \(bir.gov.ph\)](#)

REVENUE MEMORANDUM CIRCULAR 10-2024

Revenue Memorandum Circular 10-2024 was issued on January 22, 2024, announcing the availability of branch account registration via the Online Registration and Update System (ORUS) through <https://orus.bir.gov.ph/> effective January 15, 2024.

Taxpayers are advised to register via <https://orus.bir.gov.ph/> as a new registration and follow the succeeding instructions to avail of the services. The ORUS account for the branch is separate from the ORUS of the head office.

Reference: [RMC No. 10-2024.pdf \(bir.gov.ph\)](#)

REVENUE MEMORANDUM CIRCULAR 14-2024

Pursuant to the Ease of Paying Taxes Act, the Bureau of Internal Revenue has released Revenue Memorandum Circular 14-2024 dated January 24, 2024 stating that it will no longer collect the Php500.00 Annual Registration Fee, which is due every January 31 for existing business and upon registration for new business, effective January 22, 2024. An advisory regarding this matter was released earlier.

Meanwhile, taxpayers are advised that Certificates of Registration bearing the Annual Registration Fee remain valid and can change or update the same until January 31, 2024, by surrendering the old COR at the Revenue District Office where they are registered.

Note: For taxpayers transacting through a representative, aside from the Original Certificate of Registration to be surrendered with the RDO, be ready for a Special Power of Attorney (for individual taxpayers) or Secretary's Certificate or Board Resolution (for non-individual/ corporations) as a separate Revenue Memorandum Circular requires this issued prior.

Reference: [RMC No. 14-2024.pdf \(bir.gov.ph\)](#)

A. HOME DEVELOPMENT MUTUAL FUND

CIRCULAR NO. 460

The Home Development Mutual Fund (HDMF) has issued Circular 460 which will govern the implementation in the increase in Maximum Salary Fund to be effective beginning February 2024.

The current contributions being paid by the employer and employee to the Home Development Mutual Fund is peg at Php100.00 each as the Maximum Fund Salary being previously followed is Php5,000.00. The old contribution rate is at 2% of the Maximum Fund Salary.

With the implementation of Circular No. 460, however, the Maximum Fund Salary has been increased from Php5,000.00 to Php10,000.00. This means that beginning February 2024, the employee shall pay a monthly contribution of Php200.00 and the employer shall pay as well the same amount as its share in the Pag IBIG Contribution. That represents 2% of the Maximum Fund Salary.

For full details, please visit: [Circular No. 460 - Guidelines on the Pag-IBIG Fund's Implementation of Increase in the MFS Effective February 2024.pdf \(pagibigfund.gov.ph\)](#)

*****Nothing Follows*****