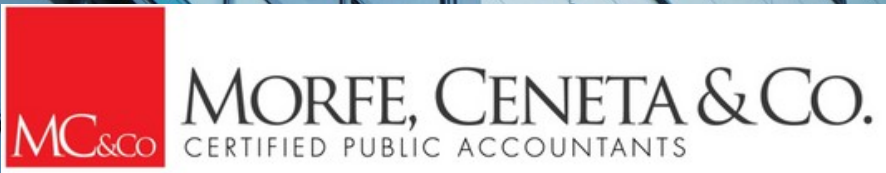


MCC TAX AND OTHER RELEVANT UPDATES

March 2026



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IMPORTANT UPDATES:

| ISSUANCE DATE ISSUED | SUMMARY |
|---|--|
| RR 2-2026 March 17, 2026 | RR No. 2-2026 implements the tax incentive provisions of Section 38 of the Philippine Natural Gas Industry Development Act by granting VAT exemption on the sale and use of indigenous natural gas , aggregated gas (limited only to the indigenous component), and power generated from these sources, while also allowing qualified Philippine Downstream Natural Gas Industry facilities to avail of Title XIII Tax Code incentives if included in the SIPP and registered with the BOI. Availment of the VAT exemption is subject to strict documentary requirements , including DOE endorsements and certifications attached to the quarterly VAT return, proper declaration of the legal basis under RA No. 12120, and a clear prohibition against double availment of incentives for the same activity, with effectivity 15 days from official publication. |
| RMO 6-2026 March 4, 2026 | RMO No. 6-2026 refines the implementation of the Single-Instance Audit Framework by setting revised deadlines for the consolidation of electronic Letters of Authority and the phase-out of VAT Audit Sections and the Large Taxpayers VAT Audit Unit, while ensuring continuity in VAT refund processing during the transition. It introduces absolute prohibitions against consolidation at advanced assessment stages, mandates taxpayer consent and valid waivers for allowable consolidations, and updates the criteria for mandatory eLA coverage in tax clearance cases, all aimed at streamlining audits while safeguarding taxpayer rights. |
| RMC 14- 2026 March 4, 2026 | RMC No. 14-2026 clarifies the mechanics of the Single-Instance Audit Framework by providing detailed rules on the automatic consolidation of overlapping audits into a single replacement eLA, protection against re-assessment of previously settled liabilities, and limitations on the scope of replacement audit authorities. It affirms the continued validity of previously issued audit instruments, strictly restricts the expansion of verification cases without new authorization, prescribes proper service of replacement eLAs, and formally transfers ongoing VAT audit cases to regular investigative offices following the cessation of VATAS and LTVAU audit functions. |
| RMC 20- 2026 | RMC No. 20-2026 prescribes mandatory electronic filing and payment procedures for 2025 Annual Income Tax Returns |

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| <p>March 16, 2026</p> | <p>due on or before April 15, 2026, limiting manual filing and payment to exceptional circumstances and reinforcing the use of eFPS, eBIRForms, and authorized payment channels. It provides special guidelines for micro and small taxpayers, removes the requirement for manual receipt stamping, mandates electronic submission of attachments through eAFS, and offers limited in-person assistance via BIR eLounges, thereby strengthening digital compliance and filing efficiency.</p> |
| <p>RMC 24-2026 March 30, 2026</p> | <p>RMC No. 24-2026 clarifies the taxation of cross-border services in line with the Supreme Court's ruling in <i>Aces Philippines</i>, emphasizing that such services are not automatically taxable in the Philippines and that taxability depends on the source of income and location of economic benefit. It outlines the conditions under which income from services may be considered Philippine-sourced, places the burden of proof on taxpayers to substantiate foreign-sourced income through competent documentation, and confirms that obtaining prior BIR rulings is optional and not a prerequisite to applying the correct tax treatment.</p> |

DISCUSSION OF UPDATES

A. REVENUE REGULATIONS

REVENUE REGULATIONS 2-2026

The Bureau of Internal Revenue has issued Revenue Regulations 2-2026 relative to grant and availment of incentives under Section 38 of Republic Act 12120, otherwise known as the Philippine Natural Gas Industry Development Act.

1. Scope of Fiscal Incentives

The regulations provide two primary categories of tax incentives:

- Value-Added Tax (VAT) Exemption: This applies to the purchase and sale of indigenous natural gas, aggregated gas, and power generated by facilities using these sources.
 - Limitation: For aggregated gas (a mix of indigenous and imported gas), the VAT exemption is strictly limited to the proportion of indigenous natural gas contained in the mixture.
 - Eligible Transactions: Includes sales by aggregators, resellers, and suppliers to facilities used in electricity generation or end-users, as well as the sale of electricity or ancillary services produced using these gases.
- Title XIII Tax Code Incentives: Facilities certified as Philippine Downstream Natural Gas Industry (PDNGI) Facilities (such as LNG storage, regasification terminals, and transmission/distribution systems) may avail of tax incentives under Title XIII of the Tax Code.
 - Condition: These facilities must be included in the Strategic Investment Priority Plan (SIPP) and duly registered with the Board of Investments (BOI).

2. Requirements for Availing VAT Exemption

To qualify for the VAT exemption, specific documentation must be attached to the Quarterly VAT Declaration (BIR Form No. 2550Q):

- For Participants (Suppliers/Aggregators/Resellers):
 1. An Endorsement from the DOE's Oil Industry Management Bureau (OIMB) confirming engagement in the sale of indigenous natural gas.

2. A DOE-OIMB Certification indicating the specific volume and percentage of indigenous natural gas sold during the taxable quarter.
- For Generation Facilities:
 1. An Endorsement from the DOE's Electric Power Industry Management Bureau (EPIMB) confirming the facility uses indigenous natural gas.
 2. A DOE-EPIMB Certification regarding the power produced from indigenous natural gas for the taxable quarter.
 - General Requirement: In all cases, a Certified True Copy of the DOE Permit must be attached to the DOE Endorsement.

3. Procedural Compliance for Tax Filing

When preparing the Quarterly VAT Declaration, taxpayers are required to indicate Section 38 of R.A. No. 12120 as the legal basis for the exemption on Field Item Number 14A of the declaration form.

4. Critical Restrictions and Effectivity

- Prohibition Against Double Availment: Taxpayers are prohibited from availing of similar tax incentives under RA No. 12120 if they are already claiming incentives under Title XIII of the Tax Code for the same activity, unless otherwise provided by law.
- Effectivity: These regulations take effect fifteen (15) days following publication in the Official Gazette or the BIR Official website, whichever comes first. The regulations were signed on March 5, 2026, and officially received by the BIR Records Management Division on March 17, 2026.

To know more about this, click this link: [RR No. 2-2026.pdf](#)

B. REVENUE MEMORANDUM ORDER

REVENUE MEMORANDUM CIRULAR 6-2026

The Bureau of Internal Revenue has issued **Revenue Memorandum Order (RMO) No. 6-2026**, which modifies the implementation of RMO No. 1-2026 regarding the consolidation of Electronic Letters of Authority (eLAs) and the winding up of specific audit divisions.

1. Critical Updated Deadlines

Taxpayers and concerned officials should take note of the following revised schedule for 2026:

- **March 13:** Deadline for filing written Requests for **Non-Consolidation** of VAT Audit Cases.
- **March 20:** Automatic consolidation of all pending eLAs, unless a valid Request for Non-Consolidation was filed by the March 13 deadline.
- **May 15:** Last day of audit operations for the VAT Audit Sections (VATAS) and Large Taxpayers VAT Audit Unit (LTVAU).
- **May 18:** Automatic consolidation of pending eLAs that were previously allowed to proceed separately.
- **May 29:** Final day for VATAS and LTVAU to wind up all operations.

2. Transitions for VAT Refund Applications

To ensure continuity of service during the phase-out of VATAS and LTVAU, the following rules apply to VAT refunds:

- **Until March 31, 2026:** VATAS/LTVAU will continue to receive new applications.
- **Beginning April 1, 2026:** All new VAT refund applications must be filed with and processed by the appropriate **Revenue District Office (RDO)** or the **Large Taxpayers (LT) Service** having jurisdiction.
- **Pending Applications:** VATAS and LTVAU may continue processing applications already received until **May 29, 2026**.

3. Rules and Prohibitions on Case Consolidation

The RMO establishes strict "Absolute Prohibitions" to prevent procedural delays and protect taxpayer rights:

- **No Consolidation at FDDA Stage:** Cases that have reached the Final Decision on Disputed Assessment (FDDA) stage must proceed independently.
- **Final and Executory FAN:** Consolidation is prohibited if a Final Assessment Notice (FAN) has already become final, executory, and demandable.
- **No Regression:** Cases at the FAN stage cannot be reverted to the Preliminary Assessment Notice (PAN) or Notice of Discrepancy (NOD) stage.
- **FAN vs. Pre-PAN:** Cases at the FAN stage cannot be consolidated with cases that are still at stages prior to the issuance of a PAN.

4. Mandatory Safeguards for Taxpayers

If consolidation is pursued (particularly at the FAN level), several safeguards must be met:

- **Written Conformity:** The taxpayer must expressly agree to the consolidation in writing (using the template in Annex B).
- **Waiver of Prescription:** A valid Waiver of Prescription must be executed pursuant to Sections 203 and 222 of the Tax Code.
- **Standard Supersession Clause:** Any consolidated notice must clearly identify and formally supersede the prior notices it replaces.

5. Revised Selection Criteria for Tax Clearance

Taxpayers requesting tax clearance due to **death, retirement, or corporate reorganization** (mergers, spin-offs, etc.) are now subject to mandatory eLA coverage if:

- Gross sales in the immediately preceding year exceed **P3,000,000**; or
- Gross assets upon retirement exceed **P8,000,000**.

To know more about this issuance, you may refer to the following link: [RMO No. 6-2026.pdf](#)

C. REVENUE MEMORANDUM CIRCULAR

REVENUE MEMORANDUM CIRCULAR 14-2026

The Bureau of Internal Revenue (BIR) has recently issued Revenue Memorandum Circular (RMC) No. 14-2026, which clarifies the implementation of the new Single-Instance Audit Framework. To ensure your interests are protected during this transition, please take note of the following critical points regarding your ongoing or future tax audits:

1. Consolidation of Multiple Audits

Under the new framework, the BIR aims to prevent overlapping audits.

- **Automatic Consolidation:** If you have two existing electronic Letters of Authority (eLAs)—for instance, one from a Revenue District Office (RDO) and another from a VAT unit—covering the same taxable period, they will be consolidated into a single Replacement eLA.
- **Request for Non-Consolidation:** If you prefer your VAT audit cases to proceed separately, you must file a written Request for Non-Consolidation on or before March 13, 2026.

- Deadlines: Automatic consolidation for most cases begins March 20, 2026. Any cases previously allowed to proceed separately will be automatically consolidated by May 18, 2026.

2. Protection Against Re-Assessment

During this transition, any tax liabilities that you have already assessed and paid prior to the issuance of a Replacement eLA are recognized as settled. These specific periods and tax types will be treated as closed and will not be re-assessed under the new consolidated eLA, unless there are specific legal grounds to do so.

3. Scope and Validity of Audit Instruments

- Limited Scope of Replacement eLAs: A Replacement eLA issued due to a change in Revenue Officers is an administrative adjustment. It cannot lawfully expand the audit to cover new taxable periods not included in your original LOA/eLA. Any expansion of scope requires a new centralized approval process.
- Validity of Prior Actions: All existing LOAs, eLAs, Mission Orders, and Tax Verification Notices (TVNs) issued before the new rules remain valid. Similarly, any Waivers of the Defense of Prescription, Subpoenas Duces Tecum, or Checklists of Requirements you have already submitted or signed remain in full force.
- TVN Restrictions: If you are currently under verification via a Tax Verification Notice (TVN), the BIR cannot expand that verification into a full audit without securing a separate eLA.

4. Service of Replacement eLAs

Even if a Replacement eLA is issued for administrative reasons (like a reassignment of your case officer), the BIR is still required to properly serve that new eLA to you in accordance with existing rules.

5. Transition of VAT Audits

The specialized VAT Audit Section (VATAS) and Large Taxpayers VAT Unit (LTVAU) will cease their audit functions (except for VAT refunds) after May 15, 2026. If you have an ongoing case with these units, your records and dockets will be formally transferred to the appropriate regular investigative offices.

To know more about this issuance, please refer to the following link: [RMC No. 14-2026.pdf](#)

REVENUE MEMORANDUM CIRCULAR 20-2026

The Bureau of Internal Revenue has issued on 16 March 2026, Revenue Memorandum Circular (RMC) No. 020-2026, all taxpayers are advised of the following guidelines for the filing of the 2025 Annual Income Tax Returns and the payment of corresponding taxes due on or before April 15, 2026.

1. Filing Platforms and Procedures

Taxpayers must use the following electronic platforms for filing:

- **Electronic Filing and Payment System (eFPS):** For taxpayers mandated to use the system or those who voluntarily enrolled.
- **Offline eBIRForms Package (v7.9.5):** For non-eFPS taxpayers and those filing "No Payment" returns. Taxpayers using this package should **capture a screenshot** of the pop-up message confirming successful submission as proof of filing.
- **Tax Software Providers (TSPs):** BIR-certified providers for specific returns.

Manual filing is strictly prohibited except when there is a BIR-issued advisory regarding system unavailability, a justifiable reason determined by the Commissioner, or when the specific tax return is unavailable on electronic platforms.

2. Electronic and Manual Payment Options

Taxes must be settled through these electronic payment platforms:

- **eFPS-Authorized Agent Banks (AABs):** For mandated eFPS users.
- **ePayment Gateways:** Including **Land Bank of the Philippines (LBP) Link.Biz Portal, UnionBank Online, DBP PayTax Online**, and mobile apps like **Maya** and **MyEG** (which accepts GCash, GrabPay, and ShopeePay).

Over-the-counter manual payment at AABs is only permitted if the return was filed via eBIRForms, if eFPS enrollment is still in process, or if the electronic systems are unavailable.

3. Guidelines for Micro and Small Taxpayers

- **BIR Form No. 1701-MS:** This form is currently **not available** in eFPS or the Offline eBIRForms Package. Taxpayers using this form must file manually by downloading the fillable version from the BIR website or requesting copies from an RDO.

- **Electronic Option:** Micro and small taxpayers may opt to file **BIR Form No. 1701 or 1701A electronically** instead of filing 1701-MS manually.
- **Exemption from Penalties:** No "wrong venue" penalties will be imposed on micro and small taxpayers who file electronically or use Form 1701-MS manually.

4. Submission of Attachments

The BIR no longer requires the manual stamping of "Received" on the AITR; the **Filing Reference Number (FRN)** or **Tax Return Receipt Confirmation (TRRC)** serves as official proof of filing.

- Required attachments (e.g., Audited Financial Statements, BIR Form 2307, etc.) must be submitted electronically via the **Electronic Audited Financial Statement (eAFS) system**.
- **Deadline for Attachments:** Within **15 days** from the filing deadline or the date of late filing.

5. BIR eLounge Assistance

Taxpayers needing assistance with electronic filing may visit the **BIR eLounge facility** at their respective Revenue District Offices (RDOs). Priority is given to:

- Senior Citizens and Persons with Disabilities (PWDs).
- Employees with compensation income from multiple employers.
- Taxpayers without internet access.

Taxpayers and practitioners are allowed a maximum of **three (3) transactions per day** or one (1) hour of use, whichever is shorter.

To know more about this issuance, please refer to the following link: [RMC 20-2026.pdf](#)

REVENUE MEMORANDUM CIRCULAR 24-2026

The Bureau of Internal Revenue has issued **Revenue Memorandum Circular (RMC) No. 24-2026** which clarifies the application of previous guidelines (RMC Nos. 5-2024 and 38-2024) regarding the taxation of cross-border services in light of the Supreme Court's decision in the *Aces Philippines* case.

1. No Automatic Taxation of Cross-Border Services The BIR clarifies that international service provisions—such as consulting, IT outsourcing, financial services, and telecommunications—are **not automatically subject**

to Philippine income tax or final withholding tax simply because they are classified as "cross-border". Taxability is not determined solely by the service category but by the **source of the income**.

2. Expanded "Situs" Rule for Taxation While the general rule is that services are taxed where they are performed, the *Aces Philippines* case establishes that the source of income is also determined by where the **economic benefit is received** or where the service is completed in the Philippines. To establish taxability, a Revenue Officer must prove that:

- The payor is a Philippine resident or a domestic corporation.
- The activity is integral to the delivery of the non-resident provider's service and results in an actual economic benefit to that provider.
- The **situs of the income-producing activity is within the Philippines.**
- There is no applicable tax treaty exemption.

3. Burden of Proof and Required Documentation The **burden of proof lies with the taxpayer** to establish that the income was derived from sources outside the Philippines and is, therefore, not subject to Philippine tax. To support this claim during an audit, taxpayers may present documents such as:

- A sworn statement detailing the parties and the nature of the services.
- Copies of service contracts, master service agreements, or billing statements.
- A Tax Residency Certificate from the non-resident provider's home country.
- SEC Certification of Non-Registration of the non-resident foreign corporation.
- Proof of outward remittance of payment.

4. BIR Rulings are Not Mandatory The Circular explicitly states that obtaining a **prior confirmatory BIR ruling is not a condition precedent** for a taxpayer to apply the proper tax treatment. While taxpayers may still request a ruling for certainty, the lack of one does not prejudice their entitlement to the tax treatment, provided the legal and factual bases are established by competent evidence during an assessment.

To know more about this issuance, follow this link: [RMC No. 24-2026.pdf](#)

*****NOTHING FOLLOWS*****