

MCC TAX AND OTHER RELEVANT UPDATES

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CERTIFIED PUBLIC ACCOUNTANTS

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IMPORTANT UPDATES:

ISSUANCE DATE ISSUED	SUMMARY
RR No. 24-2025	The BIR issued Revenue Regulations No. 24-2025 amending Section 2.57.2 of RR 2-98 on withholding tax. The general rates of 1% for suppliers of goods and 2% for suppliers of services by top withholding agents remain unchanged. However, a reduced rate of 0.5% now applies to gross payments to manufacturers and direct importers of certain goods intended for wholesale, specifically motor vehicles and parts, medicines and pharmaceutical products, and fuels.
RMO 38-2025 September 8, 2025	The BIR issued Revenue Memorandum Order (RMO) No. 38-2025 , updating the policies on the processing of Excise Tax Refunds on Petroleum Products and amending RMO 16-2024 on documentary requirements. Claims must be filed within two years from payment under Section 135 of the Tax Code, supported by BIR Form 1914 and proof of payment, and submitted either to the RDO or the Large Taxpayer Service (LTAD/LTDO). Applications must be resolved within 90 days upon submission of complete documents, with specific review and approval processes depending on the receiving office.
RMO 40-2025 September 17, 2025	The BIR issued Revenue Memorandum Order (RMO) No. 40-2025 , which creates and drops certain Alphanumeric Tax Codes (ATCs) pursuant to the Capital Markets Efficiency Promotion Act (CMEPA) . Four new ATCs (XG056–XG059) were introduced for pick-ups, with excise tax rates ranging from 4% to 50% depending on the vehicle's value, under R.A. 12214 and payable via BIR Form 2200-AN. At the same time, ATC XG055 (Pick-Ups, previously exempt under R.A. 10963) has been dropped .
RMC 81-2025 September 3, 2025	The BIR issued Revenue Memorandum Circular (RMC) No. 81-2025 , reiterating the criteria and guidelines on the deductibility of ordinary and necessary expenses under Section 34(A)(1)(a) of the Tax Code. For an expense to qualify as deductible, it must be ordinary, necessary, reasonable, directly related to the taxpayer's business, and properly substantiated with official receipts or similar documents. The Circular also clarifies that expenses relating to tax-exempt or preferentially taxed income are non-deductible, and stresses that the burden of proof rests on the taxpayer to substantiate deductions.
BIR Advisory September 8, 2025	The BIR issued a Public Advisory dated September 8, 2025 warning against misrepresentations regarding Electronic Invoicing Providers (EIS). It clarified that the Bureau has not accredited any EIS providers , as the system remains under pilot implementation for select taxpayers only . The full advisory may be accessed through <i>Public Advisory – EIS Accredited Providers.pdf</i> .
ePerformax Contact Centers	A valid tax assessment must include both the computation of tax liabilities and a definite demand for payment within a prescribed period; omission of a due date renders it void. Due process requires that the taxpayer be fully

(Cebu) Corp. v. Commissioner of Internal Revenue, CTA Case No. 10572	informed in writing of the factual and legal bases of the assessment and that its defenses be duly considered; assessments issued in violation of these requirements are null and void.
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DISCUSSION OF UPDATES

A. REVENUE REGULATIONS

Revenue Regulations 24-2025

The Bureau of Internal Revenue has issued Revenue Regulations 24-2025 which amends Section 2.57.2 of Revenue Regulations 2-98. As a general rule, the withholding rates remain at one percent (1%) for suppliers of goods and two percent (2%) for suppliers of services for top withholding agents. However, the amendment introduces a reduced rate of one-half percent (0.5%) for gross payments made to manufacturers and direct importers, whether individuals or corporations, when the goods are intended for wholesale. The preferential rate applies only to certain categories of goods, namely: completely built or semi-knockdown motor vehicles and their parts and accessories, medicines and pharmaceutical products, and solid or liquid fuels, as well as related products.

B. REVENUE MEMORANDUM CIRCULARS

Revenue Memorandum Order 38-2025

The Bureau of Internal Revenue has issued Revenue Memorandum Order 38-2025 which implements updated policies with respect to the processing of Excise Tax Refund on Petroleum Products and amending Revenue Memorandum Order 16-2024 which prescribes the documentary requirements to be submitted to the BIR.

Pertinently, claims for Excise Tax Refund must comply with the following essential requisites, to wit:

- a) The refund shall pertain to claims under Section 135 of the Tax Code.
- b) Filing of a claim for refund shall be done within two (2) years after payment of the tax or penalty.
- c) The claim must be supported with a copy of the duly filed written application together with the application for refund (BIR Form No. 1914) with the corresponding proof of payment remitted to the Bureau of Internal Revenue (BIR) and/or the Bureau of Customs (BOC).

The Excise Tax Refund shall be filed only to the following processing offices authorized to receive the application:

- a. RDO
- b. LTAD / LTDO under the Large Taxpayer Service (LTS)

Regardless of the amount, however, applications submitted to the RDO shall be reviewed by the assessment division with the Regional Director as the Approving Official. For applications received by LTAD/LTDO, they shall be reviewed by HREA-LTS and approved by the ACIR-LTS.

The processing of the application should strictly comply with the ninety (90) day period from the submission of the complete documentary requirements.

With respect to the application letter, the same shall state the background of the transaction or the claim, the date or period of the sale of the petroleum products and all material details of the covered importation and the sale of petroleum products, which shall be respectively outlined in tabular form.

To know more about this issuance, you may refer to the following link:

Document	Link
RMO 38-2025	RMO No. 38-2025.pdf
Updated List of Documents	RMO 38-2025 Annex A.pdf
Sworn Statement	RMO 38-2025 Annex A-1.pdf
Excise Tax Refund Summary Template	RMO 38-2025 Annex A-2.pdf
Sample Notes to the Audited Financial Statement	RMO 38-2025 Annex B.pdf
Sample Journal Entry	RMO 38-2025 Annex C.pdf

REVENUE MEMORANDUM ORDER 40-2025

The Bureau of Internal Revenue has issued Revenue Memorandum Order 40-2025, which creates and drops the Alphanumeric Tax Code (ATC) on selected revenue resources pursuant to the Capital Markets Efficiency Promotion Act (CMEPA).

Newly Created Alphanumeric Tax Code

ATC	DESCRIPTION	TAX RATE	LEGAL BASIS	BIR FORMS
XG056	Pick-Ups			
XG057	Up to ₱600,000	4%	R.A. 12214	2200-AN
XG058	Over ₱600,000 to ₱1,000,000	10%		
XG059	Over ₱1,000,000 to ₱4,000,000	20%		
	Over ₱4,000,000	50%		

Alphanumeric Tax Code Dropped

ATC	DESCRIPTION	TAX RATE	LEGAL BASIS	BIR FORMS
XG055	Pick-Ups	Exempt	R.A. 10963	2200-AN

Revenue Memorandum Circular 81-2025

The Revenue Memorandum Circular reiterates the criteria and guidelines on the deductibility of ordinary and necessary expenses under Section 34(A)(1)(a) of the Tax Code. It emphasizes that deductions are a matter of legislative grace and may only be allowed when clearly falling within the conditions set by law. For an expense to qualify as deductible, it must be ordinary and necessary in relation to the taxpayer's trade, business, or profession, paid or incurred within the taxable year, directly attributable to the conduct of business, and supported by sufficient documentation such as official receipts, invoices, and vouchers.

An expense is considered "ordinary" if it is common and accepted in the type of business where it is claimed, while "necessary" means it is appropriate and helpful in generating income or minimizing loss. The reasonableness of the amount is also considered, as unusually large or disproportionate payments may not be allowed. Expenses incurred must have a clear connection to the active conduct of business, and those related solely to passive income generally do not qualify.

The Circular further clarifies that expenses pertaining exclusively to tax-exempt income, income subject to final withholding tax, or income subject to preferential tax rates cannot be deducted from regular taxable income. For taxpayers availing of the 5% special corporate income tax, deductions for indirect expenses such as advertising, representation, commissions, and non-production costs are specifically disallowed in computing gross income earned.

Finally, the Circular stresses the importance of proper substantiation. Taxpayers have the burden of proving their entitlement to deductions, and failure to present adequate records will result in the disallowance of deductions.

The issuance can be accessed through: [RMC No. 81-2025.pdf](#)

BIR Advisory (September 8, 2025)

In view of the misrepresentation made by individuals, the Bureau of Internal Revenue has issued an Advisory dated September 8, 2025 informing the public that currently, it does not accredit Electronic Invoicing Providers (EIS) because the same is only under pilot implementation on select taxpayers.

The advisory can be accessed through: [Public Advisory - EIS Accredited Providers.pdf](#)

C. COURT OF TAX APPEALS DECISION

ePerformax Contact Centers (Cebu) Corp. v. Commissioner of Internal Revenue, CTA Case No. 10572

The petitioner challenged the validity of deficiency tax assessments issued against it for taxable year 2016 covering income tax, withholding taxes, and documentary stamp tax amounting to ₱49,585,840.75. The Bureau of Internal Revenue issued a Preliminary Assessment Notice, a Formal Letter of Demand with Assessment Notices, and a Final Decision on Disputed Assessment. Petitioner argued that the assessments were void for lack of a definite due date and for violation of its right to due process, since the BIR failed to state the factual and legal bases of the assessments and disregarded its defenses. The BIR countered that the assessments were validly issued in accordance with law.

The Court of Tax Appeals ruled in favor of the petitioner. It held that an assessment is invalid if it does not contain a definite and fixed demand for payment within a prescribed period, citing jurisprudence such as *CIR v. Pascor Realty* and *CIR v. Fitness by Design*. In this case, the due dates were either left blank or had already lapsed before petitioner received the notices, rendering the assessments void. The Court further emphasized that under Section 228 of the NIRC and Revenue Regulations No. 12-99, as amended, due process requires that the taxpayer be informed in writing of the factual and legal bases of the assessment and that its defenses be considered. By merely copying the discrepancies from the PAN into the FLD and failing to explain the rejection of petitioner's arguments, the BIR committed a denial of due process.

The Court also invoked its authority under Rule 14, Section 1 of the Revised Rules of the CTA to rule on issues not expressly raised by the parties if necessary to achieve a just disposition. It declared that tax assessments issued without a definite due date or in violation of due process are null and void, bearing no valid fruit, consistent with *CIR v. Avon Products Manufacturing, Inc.* and similar cases. Accordingly, the CTA granted the petition, declaring the FLD, FDDA, and Assessment Notices for 2016 null and void.

Doctrine: A valid tax assessment must contain not only a computation of tax liabilities but also a definite demand for payment within a prescribed period. Failure to state a due date renders the assessment void. Due process in tax assessments requires that the taxpayer be fully informed in writing of the factual and legal bases of the assessment and that its defenses be addressed. Tax assessments issued in violation of these requirements are null and void and cannot be enforced.

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