

NOTE

TAXPAYER'S RIGHTS AND OBLIGATIONS

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To protect his interests and the interests of his company, a taxpayer and a corporate officer must acquaint themselves with their rights and obligations found not only in the National Internal Revenue Code but also in the revenue regulations and other revenue issuances promulgated by the Bureau of Internal Revenue. This paper is a presentation of the current law on the rights and obligations of a taxpayer.

I. TAXPAYERS RIGHTS

1. The right to be served with a Letter of Authority (LA) within thirty (30) days from its date of issue and the right to refuse its service if the same is presented beyond the 30-day period.

A Letter of Authority (LA) is required to commence the audit process of the books of accounts and records of a taxpayer who has been selected for audit. Every year, officers of the BIR who are responsible for the conduct of audit and investigation prepare a list of all taxpayers who fall within the selection criteria prescribed in a Revenue Memorandum Order which establishes guidelines for the audit program of a particular year. In the National Office, the list of taxpayers selected for audit is submitted to the Assistant Commissioner, Assessment Service for pre-approval and to the Commissioner of Internal Revenue for final approval. In the Regional Office, however, the list is submitted by the RDO to the Regional Director for pre-approval and subsequently passed on to the Assistant Commissioner, Assessment Service for final approval. This list is amended yearly and the amendments consist of listing additional taxpayers and/or delisting those in the previous year's list.¹

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¹ RMOs 64-99, 67-99, 18-2000 and 19-2000

For this purpose, a Letter of Authority is an official document that authorizes or empowers a Revenue Officer to examine and scrutinize a taxpayer's books of accounts and other accounting records in order to determine the taxpayer's correct tax liabilities. For taxpayers under the jurisdiction of the National Office (NO), the LA is issued and approved by the Commissioner. For taxpayers falling under the jurisdiction of a Regional Office, an LA shall be issued and approved by the Regional Director.²

Taxpayers fall under the jurisdiction of the different Revenue District Offices (RDOs) depending on the location of their place of business. Large Taxpayers, however, either fall under the jurisdiction of the National Office or the Makati Office. Once served with an LA, a taxpayer should first verify or check from the concerned office (whether National Office or Revenue Regional Office) whether he is listed or not for audit. LAs issued by the Regional Office against taxpayers under the jurisdiction of the National Office are void for lack of authority; those issued by the National Office for taxpayers under the Regional Office are also void. For lack of authority on the part of the issuing officer or body, the taxpayer may refuse audit under that particular LA.

A Letter of Authority must be served to the concerned taxpayer within thirty (30) days from its date of issuance; otherwise, it cannot bind the taxpayer concerned. After the said period, the LA must be revalidated in order to bind the taxpayer for audit.³

An LA shall be revalidated through the issuance of a new LA. Letters of Authority issued by the Regional Offices can be revalidated once while LAs issued by the National Office can be revalidated twice. The new LA must be attached to the original LA issued for a particular taxpayer.

A Revenue Officer is allowed only one hundred twenty (120) days from the date of receipt of the LA by the taxpayer to conduct the audit and submit the required report of investigation. If the Revenue Officer is unable to submit his final report of investigation within the 120-day period, he must then submit a Progress Report to the Head of the Audit Office and surrender the LA for revalidation.

² NIRC (1997), sec. 10.

³ RMO 38-88

2. The right to avoid duplicity of audit, as well as harassment.

For income tax purposes, a taxpayer's books of accounts shall be subjected to examination and inspection only once in a taxable year, except in some cases where multiple audits may be allowed such as when the Commissioner of Internal Revenue (Commissioner) determines that fraud, irregularity or mistake have been committed by the taxpayer; the taxpayer himself requests for a re-investigation or re-examination of his books of accounts; there is a need to verify the taxpayer's compliance with the withholding tax laws and regulations; the taxpayer's capital gains tax liabilities must be verified; the Commissioner exercises his power to obtain information from any person or other offices relative to the examination of the books of accounts of other taxpayers.⁴

In order to record the visits of all Revenue Officers and to monitor the date and time of their arrival and departure, a taxpayer needs to keep log books or a BIR register.

3. The right to be issued a Notice for Informal Conference and to respond within fifteen (15) days from receipt of the said notice.

The Revenue Officer who audits the taxpayer's books of accounts and other accounting records shall, among others, state in his report whether or not the taxpayer agrees with his findings of liability for deficiency tax or taxes. If the taxpayer questions the finding, he shall be issued a Notice for Informal Conference.

A Notice for Informal Conference is a written notice informing a taxpayer that the findings of the audit conducted on his books of accounts and accounting records indicate that additional taxes or deficiency assessments have to be paid.

For this purpose, the said Notice is communicated by the Revenue District Office (RDO) or by the Special Investigation Division, as the case may be (in the case Revenue Regional Offices) or by the Chief of Division concerned (in the case of the BIR National Office) to the taxpayer to inform him of the discrepancy or discrepancies in the payment of his internal revenue taxes, in order to afford the taxpayer with an opportunity to present his side of the case. The taxpayer shall then have fifteen (15) days from the date of his receipt of the Notice for Informal Conference to explain his side. If the taxpayer fails to respond within fifteen (15) days, he shall be considered in default. In which case, the RDO or the Chief of the

⁴ NIRC (1997), secs. 5 and 235.

Special Investigation Division of the Revenue Regional Office, or the Chief of Division in the National Office shall endorse the case with the least possible delay to the Assessment Division of the Revenue Regional Office or to the Commissioner or his duly authorized representative for appropriate review and issuance of a deficiency tax assessment, if warranted.⁵

4. The right to be issued a Preliminary Assessment Notice (PAN) and to explain his side within fifteen (15) days from receipt of the said notice.

If after review and evaluation by the Regional Director or by the Commissioner or his duly authorized representative, as the case may be, it is determined that there exists sufficient basis to assess the taxpayer for any deficiency tax, the said Office shall issue to the taxpayer, at least by registered mail, a Preliminary Assessment Notice (PAN) for the proposed assessment, showing in detail, the facts, law, rules and regulations, and jurisprudence on which the proposed assessment is based. If the taxpayer fails to respond within fifteen (15) days from the date of receipt of the PAN, he shall be considered in default. If his response does not controvert the findings of the Revenue Officer, a formal letter of demand and assessment notice shall be issued by the said Office, calling for payment of the taxpayer's deficiency tax liability, inclusive of the applicable penalties.

However, mere issuance of the Formal Assessment Notice and Letter of Demand for the payment of the taxpayer's deficiency tax liability shall be sufficient:

- (a) When the finding for any deficiency tax is the result of mathematical error in the computation of the tax appearing on the face of the tax return filed by the taxpayer; or
- (b) When a discrepancy has been determined between the tax withheld and the amount actually remitted by the withholding agent; or
- (c) When a taxpayer who opted to claim a refund or tax credit of excess creditable withholding tax for a taxable period was determined to have carried over and automatically applied the same amount claimed against the estimated tax liabilities for the taxable quarter or quarters of the succeeding taxable year; or
- (d) When the excise tax due on excisable articles has not been paid; or
- (e) When an article locally purchased or imported by an exempt person, such as, but not limited to, vehicles, capital equipment, machineries and spare parts, has been sold, traded or transferred to non-exempt persons.

⁵ NIRC (1997), sec. 228; RR 12-99.

The taxpayer shall be informed in writing of the law and the facts on which the assessment is made; otherwise, the assessment shall be void. ⁶

5. The right to be issued a Formal Letter of Demand and Notice of Assessment and to respond within fifteen (15) days from date of receipt.

A taxpayer has the right to be issued a Formal Letter of Demand and Assessment Notice so that he may be informed of the amount of deficiency taxes due him.

A Notice of Assessment is a declaration of deficiency taxes issued to a taxpayer who fails to respond to a PAN within fifteen (15) days from the date of its receipt, or whose reply to the PAN was found to be without merit. The Notice of Assessment shall inform the taxpayer of this fact, and that the report of investigation submitted by the Revenue Officer conducting the audit shall be given due course.

A Notice of Assessment may, in certain cases, take the form of demand letters. In *Republic vs. CA & Nielson Company*, the Court had the opportunity to say that:

Since the petitioner has not adduced proof that private respondent had in fact received the demand letter of 16 July 1955, it cannot be assumed that private respondent received such letter. Records, however, show that petitioner wrote private respondent a *follow-up letter* dated 19 September 1956, reiterating its demand for the payment of taxes as originally demanded in petitioner's letter dated 16 July 1955. This follow-up letter is considered a notice of assessment in itself which was duly received by private respondent in accordance with its own admission. ⁷

The Formal Letter of Demand calling for payment of the taxpayer's deficiency taxes shall state the facts, the law, rules and regulations, or jurisprudence upon which the assessment is based; otherwise, the Formal Letter of Demand and Assessment Notice shall be void. The same shall be sent to the taxpayer by registered mail or by personal delivery. If sent by personal delivery, the taxpayer or his duly authorized representative shall acknowledge receipt thereof in the duplicate copy of the Letter of Demand, showing his name, signature, designation and

⁶ *Ibid.*

⁷ *Republic vs. Court of Appeals*, L-38540, April 30, 1987; 149 SCRA 351, 356.

authority to act for and in behalf of the taxpayer, if acknowledged/received by a person other than the taxpayer himself, and date of receipt thereof.

6. The right to contest an assessment administratively within thirty (30) days from date of receipt of the decision.

The taxpayer or his duly authorized representative may protest administratively against the aforesaid formal letter of demand and assessment notice within thirty (30) days from date of receipt thereof if he does not agree with the assessment made following an audit. He may do so by filing a valid letter of protest which should satisfy the following conditions:

- (a) It is made in writing and addressed to the Commissioner or his duly authorized representative;
- (b) It should contain the information and conditions required under sec. 6 of Rev. Regs. No. 12-85, to wit:
 - i. Name of the taxpayer and address for the immediate past three (3) taxable years.
 - ii. Nature of request whether reinvestigation or reconsideration specifying newly discovered evidence he intends to present if it is a request for reinvestigation.
 - iii. The taxable period covered.
 - iv. Assessment number.
 - v. Date of receipt of assessment notice or letter of demand.
 - vi. Itemized statement of the findings to which the taxpayer agrees as a basis for computing the tax due, which amount should be paid immediately upon the filing of the protest. For this purpose, the protest shall not be deemed validly filed unless payment of the agreed portion of the tax is paid first.
 - vii. The itemized schedule of the adjustments with which the taxpayer does not agree.
 - viii. A detailed statement of facts, applicable law, rules and regulations or jurisprudence on which the protest is based,

Failure to comply with the requirements outlined above shall render his protest void and without force and effect. Within 60 days from the date of filing, the taxpayer must submit the required documents in support of his protest. Absent any protest on his part, the assessment shall become final, executory and demandable and the Commissioner can proceed with the collection of the amount assessed by the summary methods of distraint of personal property and/or levy upon real property. The phrase "*submit the required documents*" includes submission or presentation of the pertinent documents for scrutiny and evaluation by the Revenue

Officer conducting the audit. The said Revenue Officer shall state this fact in his report of investigation.

If the taxpayer disputes the validity of some of the issues raised but agrees with the others, he must pay the deficiency taxes related to the latter. A collection letter shall then be issued to the taxpayer calling for payment of the said deficiency taxes, inclusive of the applicable surcharge and/or interest. No action shall be taken on the taxpayer's disputed issues until the taxpayer has paid the deficiency tax or taxes attributable to the said undisputed issues. The prescriptive period for assessment or collection of the tax or taxes attributable to the disputed issues shall be suspended.

If his protest is denied, he has, in certain cases, the right to file a request for reconsideration or reinvestigation within thirty (30) days from his receipt of said decision.

7. The right to appeal to the Court of Tax Appeals (CTA) within thirty (30) days from the date of receipt of the decision of the Commissioner.

If the taxpayer's protest or request for reconsideration or reinvestigation is denied in whole or in part by the Commissioner, the taxpayer may appeal to the Court of Tax Appeals within thirty (30) days from date of receipt of the said decision, otherwise, the assessment shall become final, executory and demandable. If the taxpayer elevates his protest to the CTA within thirty (30) days from date of receipt of the final decision of the Commissioner, the latter's decision shall be considered final, executory and demandable.

It is important to note that not all orders by the Commissioner may be appealed to the Court of Tax Appeals. The Supreme Court requires that only final actions may be appealed and has described *final actions* in the following statement:

Moreover, the letter of demand dated April 29, 1963 unquestionably constitutes the *final action* taken by the Commissioner on the petitioner's several requests for reconsideration and recomputation. In this letter, the Commissioner not only in effect demanded that the petitioner pay the amount of P11, 533.53 but also gave warning that in the event it failed to pay, the said Commissioner would be constrained to enforce the collection thereof by means of the remedies provided by law. The tenor of the letter,

specifically the statement regarding the resort to legal remedies, unmistakably indicates the final nature of the petitioner's franchise tax liability.⁸

Other orders which have been considered as appealable include the following: a letter which stated the result of the reinvestigation requested by the taxpayer and the consequent modification of the assessment,⁹ a letter which denied the request of the taxpayer for the reconsideration, cancellation, or withdrawal of the original assessment,¹⁰ and a letter which contained a demand on the taxpayer for the payment of the revised or reduced assessment.¹¹

If the Commissioner fails to act on the taxpayer's protest within one hundred eighty (180) days from the date of submission by the taxpayer of the required documents in support of his protest, the taxpayer may appeal to the Court of Tax Appeals within thirty (30) days from the lapse of the said 180-day period, otherwise the assessment shall become final, executory and demandable.

The decision of the Court of Tax Appeals may be appealed to the Court of Appeals within fifteen (15) days from the taxpayer's receipt of the CTA decision. He may further appeal to the Supreme Court within fifteen (15) days from his receipt of the CA decision.

8. The right to execute a Waiver of the Statute of Limitations in order to avoid the issuance of a jeopardy assessment.

A taxpayer who believes that he cannot present his books of accounts and/or other accounting records on time may request for more time to present these documents in order to avoid the issuance of a Jeopardy Assessment before the expiration of the 3-year limitation period for assessment of the tax by executing what is referred to as a Waiver of the Statute of Limitations.

A Jeopardy Assessment is a tax assessment made by an authorized Revenue Officer without the benefit of a complete or partial audit who has reason to believe that the assessment and collection of a deficiency tax will be jeopardized

⁸ *Surigao Electric Co., Inc. vs. Court of Tax Appeals*, G.R. No. L-25289, June 28, 1974; 57 SCRA 523,526.

⁹ *Pangasinan Transportation Co., vs. Blaquera*, 107 Phil 975 (1960)

¹⁰ *Villamin vs. Court of Tax Appeals and Collector of Internal Revenue*, 109 Phil. 896 (1960)

¹¹ *Collector of Internal Revenue vs. Court of Tax Appeals and Thomson Shirt Factory (Aaron Go & Co.)*, 109 Phil 1027 (1960).

by delay because of the taxpayer's failure to comply with audit and investigation requirements to present his books of accounts and/or pertinent records or to substantiate all or any of the deductions, exemptions or credits claimed in his return.

The Waiver of the Statute of Limitations is a signed statement whereby the taxpayer conveys his conformity to extend the period within which the Bureau may validly issue an assessment for deficiency taxes. If a taxpayer opts to execute a Waiver of the Statute of Limitations, he shall likewise be, in effect, waiving his right to invoke the defense of prescription for assessments issued after the reglementary period. The extended period agreed upon may be further extended by subsequent written agreement made before the expiration of the period previously agreed upon. But no Waiver of the Statute of Limitations shall be considered valid unless it is accepted by a duly authorized Bureau official.¹²

The execution of a waiver may also be resorted to in the case where after the taxpayer has protested the assessment of the Commissioner and there is not enough time within which to conduct a study of his protest in view of the impending expiration of the period within which to collect the tax.

9. The right to be assessed within the period prescribed by law.

In normal cases, an assessment must be issued within three (3) years after the last day prescribed by law for the filing of the return or from the day the return was filed in case the return is filed beyond the period prescribed by law, and no proceeding in court without assessment for the collection of such taxes shall be begun after the expiration of such period pertaining to the tax which is the subject matter of the assessment.¹³

If before the expiration of the 3-year period for the assessment of the tax, both the Commissioner and the taxpayer have agreed in writing to its assessment after such time, the tax may be assessed within the period agreed upon. The period agreed upon may be extended by subsequent written agreement made before the expiration of the period previously agreed upon.

However, in the case of a false or fraudulent return with intent to evade tax or of failure to file a return, the tax may be assessed, or a proceeding in court for

¹² NIRC (1997), sec. 222(b).

¹³ NIRC (1997), sec. 203.

the collection of such tax may be filed without assessment, at any time within ten (10) years after the discovery of the falsity, fraud or omission. In a fraud assessment which has become final and executory, the fact of fraud shall be judicially taken cognizance of in the civil or criminal action for the collection thereof.¹⁴

However, the term of prescription shall not run when the taxpayer requests for a reinvestigation which is granted by the Commissioner or when the taxpayer cannot be located in the address given by him in the return filed upon which a tax is being assessed or collected or when the offender is out of the Philippines.¹⁵

10. The right to have its taxes collected within five (5) years following the assessment of the tax.

The taxpayer has the right to have its taxes collected only within five (5) years following the final assessment of the tax. Any internal revenue tax which has been assessed within the 3-year normal period of limitation or the 10-year period in case there is fraud may be collected by distraint or levy or by a proceeding in court within five (5) years following the final assessment of the tax.

Where the taxpayer, however, executed a Waiver of the Statute of Limitations and the internal revenue tax had been assessed within the period agreed upon in the said Waiver, the tax may be collected by distraint or levy or by a proceeding in court within the period agreed upon in writing before the expiration of the five (5)-year period. The period so agreed upon may be extended by subsequent written agreements made before the expiration of the period previously agreed upon.¹⁶

11. The right to be issued a termination letter if the report submitted by the Revenue Officer has no discrepancy or an amount of tax liability, or upon payment of the tax deficiency, if any.

A taxpayer has the right to be issued a termination letter if the report of investigation submitted by the Revenue Office has no discrepancy or any amount of

¹⁴ NIRC (1997), sec. 222.

¹⁵ NIRC (1997), sec. 223.

¹⁶ NIRC (1997), sec. 222 & 223.

tax liability, or if there is tax deficiency, the same has already been paid. A termination letter is issued by the Commissioner or by the Regional Director for cases within their respective jurisdiction upon approval of the report of the Revenue Officer. The termination letter states that the report of investigation submitted recommending no discrepancy or any amount of tax liability has been approved or that if in case it has a tax deficiency, the amount of tax liability has been paid and the records bearing on the case will be filed for future reference.

12. The right not to be examined and investigated on returns filed in accordance with the provisions of any tax amnesty law or decree.

A taxpayer has the right not to be examined and investigated on returns filed and taxes paid in accordance with the provisions of any tax amnesty law promulgated by the Legislature or a decree issued by a President exercising at the same time legislative powers.¹⁷

13. The right to claim for a refund or tax credit for erroneously or illegally collected taxes.

The taxpayer has the right to file a claim for refund or tax credit certificate if payment of the tax has already been made and said payment has been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, or of any sum alleged to have been excessively or in any manner wrongfully collected. The claim for refund must be filed with the BIR within two (2) years from payment of the tax sought to be refunded or credited. Failure on the part of the taxpayer to file such claim within the two-year period shall result in the forfeiture of his right to the refund or tax credit.

In applying the requirement that the claim must be filed within *2 years from payment of the tax sought to be refunded or credited*, the period is counted from different points in time. For example, in *Gibbs vs. Commissioner of Internal Revenue*,¹⁸ the Court said:

A taxpayer, resident or non-resident, who contributes to the withholding tax system, does so not really to deposit an amount to the commissioner of Internal Revenue, but, in truth, to perform and extinguish his tax obligations for the year concerned. In other words, he is paying his tax liabilities for that

¹⁷ NIRC (1997), sec. 222 (e).

¹⁸ L-17406, 15 SCRA 318, 325.

year. Consequently, a taxpayer whose income is withheld at the source will be deemed to have paid his tax liability when the same falls due at the end of the tax year. It is from this latter date then, or when the tax liability falls due, that the two-year prescriptive period under section 306 of the Revenue Code starts to run with respect to payments effected through the withholding tax system.

In another case, where the taxpayer filed quarterly income tax returns, the Court had the opportunity to explain the application of the 2 year period in the following manner:

Therefore, the filing of a quarterly income returns and payment of quarterly income tax should only be considered mere installments of the annual tax due. These quarterly tax payments which are computed based on the cumulative figures of gross receipts and deductions in order to arrive at a net taxable income, should be treated as advances or portions of the annual income tax due, to be adjusted at the end of the calendar or fiscal year.¹⁹

If the two-year period is about to lapse and the Commissioner has not yet decided on the claim, the taxpayer without awaiting for the decision of the Commissioner must elevate the claim to the Court of Tax Appeals to comply with the two-year prescriptive period requirement.

14. The right not to be prejudiced by a subsequent ruling reversing a previous favorable ruling issued to a taxpayer.

A taxpayer has the right not to be prejudiced by a subsequent ruling issued by the Commissioner if the subsequent ruling reverses a previous ruling which is favorable to the taxpayer. Any revocation, modification, or reversal of any of the rules and regulations promulgated by the Secretary of Finance or any of the rulings or circulars promulgated by the Commissioner shall not be given retroactive application if the revocation, modification, or reversal will be prejudicial to the taxpayers, except in the following cases: (a) Where the taxpayer deliberately misstates or omits material facts from his return or any document required of him by the BIR; (b) Where the facts subsequently gathered by the BIR are materially different from the facts on which the ruling is based; and (c) Where the taxpayer acted in bad faith.²⁰

¹⁹ Commissioner of Internal Revenue vs. TMX Sales, Inc., GR No. 83736, January 15, 1992; 205 SCRA 184.

²⁰ NIRC (1997), sec. 246.

II. TAXPAYER'S OBLIGATIONS

If the tax authorities have their obligations on the taxpaying public, the taxpayers, on their part, have their corresponding obligations to the tax authorities. Below are the taxpayer's obligations based on existing tax laws, as amplified by revenue issuances, such as revenue regulations, revenue memorandum orders, revenue memorandum circulars, revenue audit memorandum orders and revenue administrative orders.

Every taxpayer who is going to start his business operations should first register with the RDO if he qualifies as a non-large taxpayer, or Large Taxpayers Assistance Divisions for large taxpayers, having jurisdiction over the head office, branch office/s, place of production and storage places where inventory of goods for sale or use in business are kept by accomplishing and submitting Registration Form,²¹ together with the sketch of location of the establishment; photocopy of Mayor's Permit or Municipal License; Certificate of Registration of Business Name from DTI, if single proprietorship; or SEC Certificate of Registration; Articles of Incorporation or Partnership from SEC, if corporation or partnership; and for branch offices, Photocopy of BIR Certificate of Registration of the Head Office. He shall pay a registration fee of P500.00 using BIR Form 0605 with the Authorized Agent Bank²² located within the revenue district or in the absence of an AAB, to the Revenue Collection Officer or duly authorized Municipal Treasurer where each place of business or branch is located. He shall display in a conspicuous place within the business establishment the Certificate of Registration²³ issued by the BIR.

A taxpayer should register his books of accounts consisting of general journals and ledgers or their equivalents, like sales journal, purchase journal, accounts receivable journal, etc. If he is a VAT taxpayer, he is also required to register and maintain, in addition to the regular books of accounts, his subsidiary sales and purchase journals on which the daily sales and purchases are to be recorded by accomplishing BIR Form No. 1905 and submitting the same to the RDO, for regular taxpayers, or the Large Taxpayers Assistance Division for large taxpayers, together with the books of accounts for stamping. A simplified set of bookkeeping records may be registered if his actual or expected gross quarterly sales, earnings, or receipts or output does not exceed P50,000. In case of renewal of registration of his books of accounts, he must present to the RDO or the Collection Officer his duly registered books of accounts, register or records used

²¹ BIR Form Nos. 1901/1903.

²² Hereinafter referred to as ABB.

²³ BIR Form No. 2303.

during the immediately preceding taxable year as a condition precedent for the registration of his books of accounts, register or records for the current taxable year.

Before printing, all taxpayers required to issue receipts, or sales invoices or commercial invoices must secure an Authority to Print²⁴ receipts/invoices from the RDO having jurisdiction over the place of business for regular taxpayers or concerned office under the Large Taxpayers Service having jurisdiction over the taxpayer's Head office. This is done by accomplishing the Application for Permit to Print Receipts, Sales or Commercial Invoices²⁵ together with the Printer's Job order, final and clear sample of receipts and/or invoices containing the necessary information, including the name, business style, TIN, business address of the person or entity to use the same and word "VAT or Non-VAT", whichever is applicable; photocopies of Application for Registration, TIN Card, Proof of Payment of Registration Fee and BIR Certificate of Registration. For subsequent applications, it is sufficient to present only the previous Authority to Print Receipts and Invoices and last booklet printed. He may choose the printer of his official receipts and/or sales invoices. In case of loose-leaf invoices or receipts, the printer is further required to attach a copy of the approved permit to use loose-leaf invoices or receipts issued by the RDO.

Each establishment, either head office or branch, shall be covered by one application for permit to print receipts/invoices and be issued one and separate permit to print receipts/invoices with mention of the range of serial numbers that would be printed on the invoices/receipts. In short, each establishment will have its own independent series of invoice/receipt serial number.

A taxpayer shall request for a permit to use Cash Register Machine and Point-of-Sale Machine,²⁶ or a Permit to use loose-leaf books of accounts/accounting records/documents or computerized accounting system/components thereof ²⁷ for each sale or transfer of merchandise in lieu of sales invoices and/or official receipts.

A taxpayer should register as a withholding agent within ten (10) days after qualifying as an employer if he pays or expects to pay any one employee the amount of P5,000.00 a month or P60,000 or more a year, or if he pays or expects to pay other income, like rents, professional or talent fees or similar income subject to

²⁴ Hereinafter referred to as ATP.

²⁵ BIR Form 1906.

²⁶ BIR Form No. 1907.

²⁷ BIR Form No. 1900.

withholding of creditable income tax under the Expanded Withholding Tax System with the RDO or Collection Officer in the city or municipality where his principal place of business is located. A taxpayer should withhold taxes on compensation of his employees. He should also act as withholding agent on payments subject to final and expanded withholding tax and remit the correct tax as withheld within ten (10) days after the end of each month except for December of the taxable year, which return should be filed not later than January 25 of the succeeding year with the AAB in the city or municipality where his place of business is located.

A taxpayer should display the BIR Certificate of Registration and "Notice to the Public" orange signage in the place of business, record his business transactions in his books of accounts daily, and file the necessary returns and pay the corresponding correct taxes on time.

To avoid the payment of surcharges, interest, and compromise penalty, a taxpayer must file the necessary returns and pay the corresponding correct taxes at the time/s required by law.

Upon termination, cessation, or retirement of his business, a taxpayer shall have the following obligations:

- (i) If he is a VAT-registered person, he shall apply for cancellation of his registration and file a final VAT return for the remaining period that he was registered within twenty-five days from the date of cancellation of his registration to the RDO where his principal place of business is located.
- (ii) If he is non-VAT taxpayer, he shall file a percentage tax return and pay the tax due thereon and notify the RDO where the principal place of business is located within twenty (20) days after closing his business.