

# **BIR** *Chronicles*



1904 - 2015

## MESSAGE FROM THE COMMISSIONER OF INTERNAL REVENUE

*“History,” said the Roman orator and statesman Marcus Tullius Cicero, “is the witness that testifies to the passing of time; it illumines reality, vitalizes memory, provides guidance in daily life.”*

*These wise words capture the spirit behind the preparation of The BIR Chronicles, which charts the evolution of the Bureau of Internal Revenue as a public service institution.*

*Eleven decades have passed since the Bureau first opened its doors to the public in 1904, and innumerable changes have since transformed not only the Bureau, but most certainly the entire country. From a single office in the old Walled City of Intramuros to a large organization with regional and district offices across the country, the revenue service has come a long way from its humble beginnings. Today, as the country’s premier tax agency, the Bureau is committed to the pursuit of its mandate to collect taxes for nation-building and upliftment of the lives of Filipinos.*

*The Bureau’s evolution is more emphatically highlighted in the dramatic growth of its collection performance over the years. From its maiden collection effort of P5 Million in 1905, the Bureau made history in 2012 when, for the first time, collections surpassed the P1 Trillion mark, with total revenues in the amount of P1.057 Trillion.*

*The legacy of the Bureau is, in many ways, the work of successive generations of revenueurs who have made the selfless decision to dedicate their talents and skills in the service of the country. As such, the BIR Chronicles will, in time, progress to reflect the accomplishments of the men and women who will follow in our footsteps on the continuing journey of public service.*



*It is our hope, therefore, that the BIR Chronicles will serve, as Cicero has said, not only as a witness to the passage of the years and a reminder of past achievements, but more importantly as an inspiration to succeeding generations of revenueurs and as a compendium of examples of competence, dedication and integrity that every public servant can emulate.*

**KIM S. JACINTO-HENARES**  
Commissioner of Internal Revenue

## PREFACE

Through its distinguished – and colourful – 111-year history, the Bureau of Internal Revenue has evolved under the guidance of different Commissioners, as well as the implementation of various approaches to tax administration. Against the backdrop of many important events in our history as a people – from the American Colonial Era to the dynamic optimism of the 21<sup>st</sup> Century – the development of the Bureau has enabled it to adapt to increasingly sophisticated taxpayer needs, as well as the constantly-changing social, political and economic landscape of our country.

Over the years, the Bureau’s pursuit of its mandate through its long and eventful history has ensured that the story of its growth from a small office of sixty-nine persons in 1904, to the sprawling institution of several thousand employees that it is today, is a truly dynamic narrative.

To serve as an enduring record of its journey as a public service institution, the Bureau has prepared *The BIR Chronicles*, a written account of the most important milestones and events in its history, in the order of their occurrence.

The *BIR Chronicles* charts the events that have shaped the Bureau’s evolution, and its endeavours to adapt to the changing times through the various reform initiatives that have transformed its organizational structure and business processes over the years. Organized according to the tenure of office of each Collector / Commissioner of Internal Revenue, each “chapter” provides a brief profile of the concerned Collector / Commissioner, detailing his / her educational background and professional achievements. Important accomplishments and milestones for a particular Collector’s / Commissioner’s term of office are detailed in the subsections devoted to General Administration, Organization, Collection Performance and Personnel Complement.

Beyond its narrative of historical events and achievements, however, the *BIR Chronicles* convey the message that through the Bureau’s many undertakings and initiatives over more than century of service to the people, each generation of revenueurs is committed to the fulfillment of the revenue service’s vision of the Bureau as an institution of service excellence and integrity.



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# CHAPTER I

## EARLY HISTORY OF TAX ADMINISTRATION IN THE PHILIPPINES

During the 17<sup>th</sup> and 18<sup>th</sup> centuries, the *Governador-General* (equivalent to President at present time) as the head of the Central Office administered the Philippines' central and local government. The financial affairs of the country was managed by an Intendant General. Under him was the *Contador de Resultas* or Chief Royal Accountant whose powers and duties were similar, at present, to our Commissioner. He constituted the chief financial arbitrator whose decisions were final except when reversed by the Council of the Indies. Helpers of the *Contador* in the provinces, towns and villages to collect taxes were the *governadorcillos* (equivalent to Governor), the *alcaldes* (equivalent to Mayor) and the *cabezas de barangay* (equivalent to Barangay Captain), respectively.

During that time, taxes collected from the inhabitants varied from tribute or head tax of one gold maiz annually; tax on value of jewelries, and golden trinkets; indirect taxes on tobacco as well as wine monopoly, cockpits, burlas and powder. Other sources of revenue were custom duties and export tax on cotton.

Between 1521 to 1821, the Philippines was subsidized by Spain thru Mexico in the amount of ₱250,000.00 per annum since revenue collections were poor then. The poor collections was attributed to frequent changes of gobernador-generals, whose terms of office averaged about a year, thus causing graft and corruption to their desire to enrich themselves quick in office. In July of 1778, Gobernador-General Jose de Basco y Vargas instituted a new revenue system when he assumed the governorship. He made the island self-supporting by initiating and introducing the wine and tobacco monopolies. The wine monopoly failed while the tobacco monopoly lasted for a century, giving the country a net income of ₱35 Million annually.<sup>1</sup>

Tobacco as smoke and snuff became very popular to the Spaniards, other foreigners in the Philippines and Filipinos alike but the colonial government learned to exploit its popularity in the latter part of the 18<sup>th</sup> century. The actual establishment of the Tobacco Monopoly in 1782 came

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<sup>1</sup> *History of the Bureau of Internal Revenue and Tax Administration in the Philippines, 1981, Management Division, BIR, p. 1*

only after considerable prodding from the metropolitan government. It was an answer for the need to raise money to defend the island from Muslim warriors who lived in the unconquered part of the Philippines.<sup>2</sup>

In 1894, the tax collection was ₱26 Million, of which ₱13 Million came from direct taxes (poll tax), ₱9 Million from customs, ₱2.5 Million from industrial enterprises, ₱1 Million from internal revenue and ₱0.5 Million from monopoly. During the close of the Spanish regime, income from indirect taxes which was almost one half of the total collection was the most important item in the collections. This high percentage collection of the direct tax showed the defective and unsound Spanish system of collection wherein the industrial tax fell heavily on small retailers and salaried employees rather than on the big landed estates and rich businessmen.<sup>3</sup>

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<sup>2</sup> *Republic of the Philippines, Department of Agriculture, National Tobacco Administration, pp. 1-2* retrieved from [http://nta.da.gov.ph/about\\_tobacco.html](http://nta.da.gov.ph/about_tobacco.html) on 8/15/2014

<sup>3</sup> *History of the Bureau of Internal Revenue and Tax Administration in the Philippines, 1981, Management Division, BIR, p. 1*



# CHAPTER II

## AMERICAN GOVERNANCE



*John S. Hord*

**The First Collector of Internal Revenue**

(August 1, 1904 – December 20, 1909)

## JOHN S. HORD

For several years before the Spanish-American War, Collector **John S. Hord** lived in various parts of Mexico and was engaged in business there which made him subject to payments under their sales tax law.<sup>4</sup>

From 1900 to 1903, he was engaged in Porto Rico, first in helping prepare a revenue law for that island and thereafter in administering it as Collector of Internal Revenue. During his term, Porto Rico was able to collect sufficient revenues which made the Congress satisfied thus making Porto Rico got free trade with the United States. Within a few years Porto Rico became prosperous. Then the Secretary of Insular Affairs detailed him to duty with Judge Henry Clay Ide, the Secretary of Finance and Justice in the Philippine Islands.

In August 1903, he arrived in Manila and delivered to Governor Taft the tax project, lacking of the business tax, or sales or consumption tax. Governor Taft requested him to prepare a tentative plan for such a tax law and directed that he should be furnished all necessary data and assistance.<sup>5</sup> The problem he encountered was to convert a very complicated system of license taxes (known as the "Industria" law under the Spanish administration) into a consistent, uniform tax law, easy to understand, assess and collect.

On November 18, 1903, he submitted to Judge Ide for enactment into law, or for such action as the Philippine Commission should see fit to take, a scheme for a sales tax at a one per cent rate per turnover, whether by manufacturer, wholesaler or retailer.<sup>6</sup>

In 1908, he was detailed in Washington to help convince Congress that the Philippines were able to collect enough amount from internal revenue sources that they could get along without customs revenues. That, therefore, the Philippines would like to enjoy the same benefits of reciprocal

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<sup>4</sup> *Annual Report of the Corporation of the Chamber of Commerce of the State of New York, By New York Chamber of Commerce, p. 185, retrieved from <https://books.google.com.ph> on 9/16/2015*

<sup>5</sup> *Ibid., p. 189*

<sup>6</sup> *Ibid., p. 190*

free trade with the United States as Porto Rico had commenced to enjoy in 1902. They did not get what they asked for in 1908, but they did in 1909, five months after the inauguration of Governor Taft. The exports from the Philippines have increased several fold – mostly in the United States. The external commerce of the Philippines, exports and imports, was approximately at the rate of three hundred million dollars annually.<sup>7</sup>

## GENERAL ADMINISTRATION

In the early part of the American regime way back 1898 to 1901, the country was ruled by American military governors. The first civil governor was William H. Taft, who was appointed in 1902, created three (3) departments in the central government, namely, Department of Interior; Department of Commerce and Industry; and Department of Public Instruction. When Governor Luke E. Wright took over as the second civil governor, he reorganized the central government. The reorganization Act No. 1189, “An Act to provide revenue for the support of the insular, provincial and municipal governments, by internal taxation”, enacted on July 2, 1904 also known as the Internal Revenue Law of 1904 passed by the Philippine Commission gave way to the establishment of the Bureau of Internal Revenue which took effect on August 1, 1904 with John S. Hord as its first appointed Collector. The Bureau was under the Department of Finance and Justice, headed by Henry Clay Ide.<sup>8</sup>

Collector Hord, following the provision embodied in Act No. 1189 monitored and implemented the collection of taxes to provide revenue for the support of the insular, provincial and municipal governments.

The sources of revenue included in the internal revenue for the Philippine Islands, and the taxes imposed collected by the Collector of Internal Revenue through the provincial treasurers of the several provinces

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<sup>7</sup> *Annual Report of the Corporation of the Chamber of Commerce of the State of New York, By New York Chamber of Commerce, p. 192, retrieved from <https://books.google.com.ph> on 9/16/2015*

<sup>8</sup> *History of the Bureau of Internal Revenue and Tax Administration in the Philippines, 1981, Management Division, BIR, p. 1*

or their authorized deputies as provided in Section 25 of the said Act were as follows:

1. Certain license tax
2. Tax on distilled spirits.
3. Tax on fermented liquors.
4. Tax on manufactured tobacco and snuff.
5. Tax on cigars and cigarettes.
6. Tax on matches.
7. Tax on banks and bankers.
8. Stamp taxes on specified objects.
9. Poll or cedula personal tax.
10. Tax on insurance companies.
11. Tax on forestry products.
12. Tax on valid perfected mining concessions granted prior to April 11, 1899.
13. Tax on business, manufacturing and occupation.<sup>9</sup>

Distribution of taxes as provided in Article XVII of the same Act was summarized in a "Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904". To quote: "The revenues from the cedula personal, or poll taxes were apportioned one-half to the province and one-half to the municipality in which they were collected; certain license taxes such as those on theaters, museums, cockpits, and concert halls, accrued intact to the treasuries of the municipalities in which they were collected, and of the revenues accruing to the Insular Government, 10 per cent was apportioned to the various provinces and 15 per cent to the various municipalities, in the proportion of their respective populations, and the remaining 75 per cent constituted insular revenues.

From August 20, 1907, 10 and 20 per cent of the revenues accruing to the Insular Treasury was set apart for general provincial and municipal and school purposes, respectively, as provided in Act No. 1695, the apportionment being on the basis of census population. Act No. 1964 reproduced the provision in Act No. 1189 that the proceeds of the taxes

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<sup>9</sup> Act No. 1189 – Internal Revenue Law of 1904, Section 25, p. 392

collected on and after August 6, 1909, on theaters, museums, cockpits, and concert halls, pawnbrokers, circuses, and billiard rooms shall be for the exclusive benefit of the municipality wherein the taxes are assessed and collected. By the same Act it was also provided that the proceeds of the cedula tax collected within the Moro Province which is to be apportioned to the provincial and municipal governments therein, shall accrue to the treasury of the Moro Province, without division, and shall constitute a part of the general fund of the Moro Province to be expended in the discretion of the legislative council for provincial, district, and municipal purposes.”<sup>10</sup>

In 1904, Collector Hord wrote a pamphlet entitled “Internal Taxation in the Philippines” where he described the methods of using Internal Revenue stamps prescribed by the said law. The two (2) distinct methods of using Internal Revenue stamps were: 1) Entire used stamps for annual licenses issued to merchants, manufacturers and those engaged in the practice of certain professions; and 2) Split stamps for official invoices covering the sale of cigars, cigarettes, liquors, and other goods which were subject to specific internal revenue taxes.<sup>11</sup> He also indicated the schedules of tax rates in the said pamphlet.<sup>12</sup>

Act No. 1257 was promulgated which took effect on November 3, 1904. This Act repealed the portion of the industrial tax law then existing which applied to distillers of alcoholic spirits, in order to avoid double taxation. It was further stated in the Act that “Merchants and manufacturers paid a yearly tax of two pesos of their gross sales of commodities destined for domestic consumption. By the passage of Act No. 1370 on July 7, 1905, this tax was made to apply also to sales for export. Common carriers paid a yearly tax of one per centum of their gross receipts.”<sup>13</sup>

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<sup>10</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, p. 9, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

<sup>11</sup> *Arnold H. Warren’s Unpublished Studies on Philippine Revenues, Chapter 20 – Internal Revenue Stamps*, retrieved from <http://www.philippinephilatelist.net/Reading/Revenues/warren/chapter21/c20p6.html> on 8/7/2014

<sup>12</sup> *Ibid.*, p. 2

<sup>13</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, pp. 7-8, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

On March 8, 1905, an Opium Law was passed by the Philippine Commission thru Act No. 1461, “An Act for the purpose of restricting the sale and suppressing the evil resulting from the sale and use of opium until March first, nineteen hundred and eight, when its importation or use for any but medical purposes is forbidden by Act of Congress”. By this Act, the Bureau of Customs was required to cooperate with the Bureau of Internal Revenue in the control of the opium traffic in the Philippine Islands and in the collection of the heavy tax thereby imposed upon that traffic. This increased tax undoubtedly explains in part the decrease in opium importations.<sup>14</sup>

In September 1907, the Bureau began to put in effect the regulations for the guidance of tobacco growers, manufacturers, and internal revenue officers for the purpose of furnishing data of great assistance in the prevention of frauds on the revenues, as well as statistical data, which will be of great value to the government and to the growers and manufacturers themselves. It was also operational in the principal tobacco-producing provinces.<sup>15</sup>

On October 17, 1907, the second Opium Law was passed by the Philippine Commission thru Act No. 1761 which superseded Act No. 1461.<sup>16</sup> The passage of this Act has, to a considerable extent reduced the customs receipts on the importation of opium, and since March 1, 1908, has cut out entirely the internal revenue collections on opium dispensaries and on confirmed users’ certificates.<sup>17</sup> The Collector of Internal Revenue was in charge with the enforcement of the said Act, as specifically stated in Section 24 of Act No. 1761, to wit: “The Collector of Internal Revenue is hereby authorized and empowered to prepare and distribute regulations, directions, and instructions for the carrying out of the provisions of this Act; and such regulations, directions, and instruction, not inconsistent with this

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<sup>14</sup> Act No. 1461, retrieved from <http://philippinelaw.info/statutes/act1461.html> on 8/11/2014

<sup>15</sup> Report of the Philippine Commission, 1908, Part 2, p. 606

<sup>16</sup> Act No. 1761, retrieved from <http://philippinelaw.info/statutes/act1761.html> on 8/11/2014

<sup>17</sup> Report of the Philippine Commission, 1908, Part 2, p. 612

Act, whether general or specific in character, shall have the force and effect of law then approved by the Secretary of Finance and Justice.”<sup>18</sup>

## ORGANIZATION

During the first year of the Bureau’s operation, it was housed in a dilapidated building with only sixty nine (69) officials and employees.<sup>19</sup> The important officials aside from the Collector were one (1) Deputy Collector, one (1) Chief Clerk, one (1) Law Clerk, one (1) Records Clerk, one (1) Statistical Clerk and one Chief for each of the following divisions: Stamps and Property, Assessments and Returns, and Liquidations.<sup>20</sup> (Chart 1)

The personnel were grouped into two (2) main classes, the office and field personnel. The Deputy Collector of the Internal Revenue was directly in charge of the field inspection force of the internal revenue agents. The Chief Clerk had general supervision over the work of all the employee in the office. The Law Clerk was in charge of all the fraud and delinquency cases reported by the City Assessor and Collector of Manila, by provincial treasurers or their deputies, or by the internal revenue agents.

The Chief of the Stamps and Property Division was also the bookkeeper of the Bureau. He was under bond and was in charge of the stamps and cedulas received in the office and which were issued to the various collecting officers.

The Chief of Assessments and Returns Division checked all license coupons of manufacturers, stamps requisition slips and reports of collecting officers.

The Chief of Liquidations Division received, checked and filed all official stamped invoices, stamped licenses surrendered by retiring dealers, and stamped stubs of manufacturers’ invoice books.<sup>21</sup>

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<sup>18</sup> Act No. 1761, Section 24, retrieved from <http://philippinelaw.info/statutes/act1761.html> on 8/11/2014

<sup>19</sup> BIR, *Philippine Revenue Journal (Anniversary Issue, BIR in 71 Years, 1904-1975)*, p. 51

<sup>20</sup> *The Bureau of Internal Revenue - A Brief History of Its Organization, 1965, Management and Planning Department, BIR*, p. 2

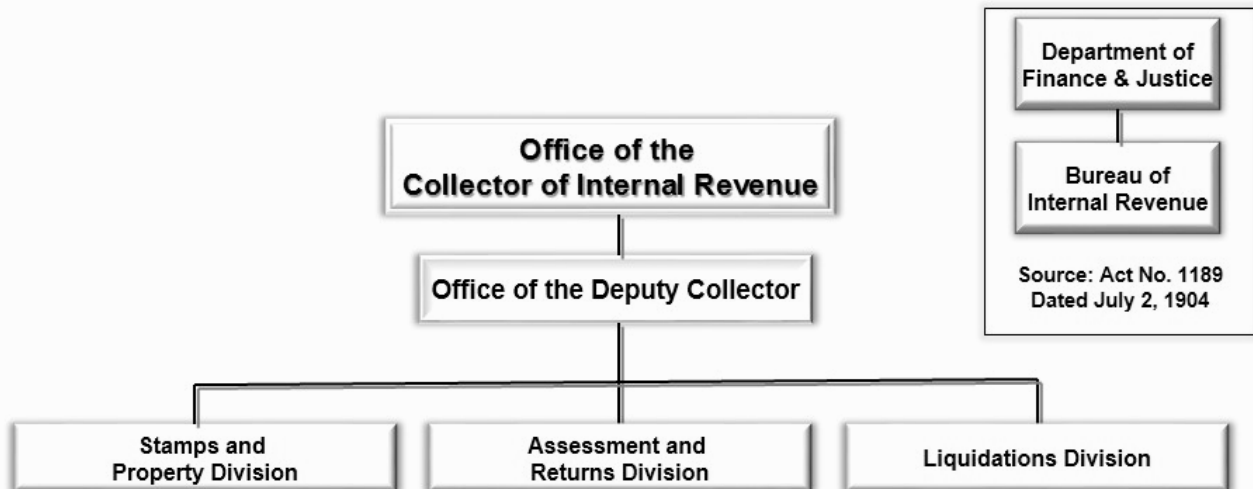
<sup>21</sup> *Ibid.*, p. 3



Chart 1.

# BIR ORGANIZATIONAL CHART

August 1, 1904



Source: Report on the Operation of the Bureau of Internal Revenue since its organization in 1904 by Juan Posadas Jr. from the book "United States and its Territories, 1870 – 1925: The Age of Imperialism"

## COLLECTION PERFORMANCE

The report of all the proceedings of the Bureau was submitted to the Philippine Commission every end of the Fiscal Year. According to the report, from period August 1, 1904 to January 1, 1905, only part of the internal revenue law imposing tax on manufacturers of tobacco, liquors, matches, and insurance companies and banks was in force.

Tax stamps were not used during that period, but collections from manufacturers of tobacco, liquors and matches were collected in cash on liquidation sheets. The tax on banks and insurance companies during that period was not collected until after January 1, and tax stamps were used.<sup>22</sup>

### A. Comparative Collection

During the period prior to January 1, 1905, the Bureau collected ₱814,406.29. On January 1, 1905, the entire provisions of the law became effective and the tax stamps system was put into effect. On its first Fiscal Year (FY) of operation ending June 30, 1905, the Bureau was able to collect ₱5.922 Million taxes.<sup>23</sup>

The following FY ending June 30, 1906, other taxes were introduced such as taxes on weights and measures, products shipped to USA and justice of the peace fees and fines and subscription to publicity fund<sup>24</sup> which reached ₱8.803 Million tax collection in FY ending 1906 or an increase of 32.72% from the previous year's collection.<sup>25</sup>

In FY ending 1907, collection continuously increased to ₱12.749 Million<sup>26</sup> or 30.95% compared to preceding year.

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<sup>22</sup> *Sixth Annual Report of the Philippine Commission, 1905, Part 1, Bureau of Insular Affairs: War Department, p. 612*

<sup>23</sup> *Ibid., p. 612,*

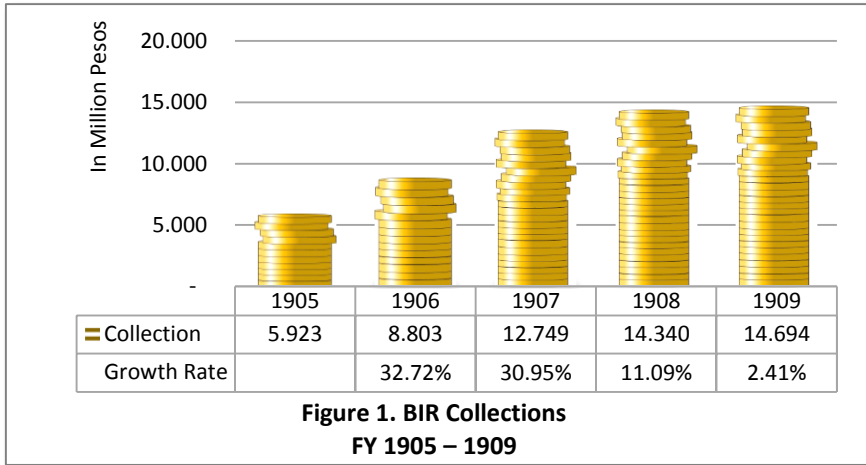
<sup>24</sup> *History of the Bureau of Internal Revenue and Tax Administration in the Philippines, 1981, Management Division, BIR, p. 2*

<sup>25</sup> *Report of the Philippine Commission, 1908, Part 2, p. 611*

<sup>26</sup> *Ibid., p. 604*

In FY ending 1908, the Bureau collected ₱14.340 Million<sup>27</sup> or an increase of 11.09% over the previous year.

In FY ending 1909, collection was ₱14.694 Million<sup>28</sup>, an increase of 2.41% over the previous year. (Figure 1)



## B. Cost of Operations

On the first Fiscal Year (FY) ending June 30, 1905 of the Bureau’s operation, the expenditures amounted to ₱167,491.16. The greater bulk of the cost was allocated for the salaries and wages of the personnel which comprised 89.97% of the total expenditures. With ₱5.922 Million total collection during the year, the cost to collect every ₱100 revenue was ₱2.83.<sup>29</sup>

In FY ending 1906, total expenditures reached ₱464,592.91, incurring an increase of 63.95% over the previous year. With the total

<sup>27</sup> Report of the Philippine Commission, 1908, Part 2, p. 604

<sup>28</sup> Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75

<sup>29</sup> Sixth Annual Report of the Philippine Commission, 1905, Part 1, Bureau of Insular Affairs: War Department, pp. 612-614

collection of ₱8.803 Million during the period, the cost to collect every ₱100 revenue increased to ₱4.10 or 30.98% higher compared to FY ending 1905.<sup>30</sup>

The following FY ending 1907, total expenditures reached ₱640,461.47 which was 27.46% higher than the expenditures incurred in FY ending 1906. Cost to collect for every ₱100 revenue was ₱5 with the Bureau's total collection of ₱12.749 Million during the period. Said cost was 18% higher over previous year's cost to collect.<sup>31</sup>

In FY ending 1908, the Bureau expended ₱700,000 which was 8.51% higher compared to previous year's expenditures. Cost to collect for every ₱100 revenue this period decreased to ₱4.90 with ₱14.339 Million total collection or 2.04% lower as compared to the previous year's cost to collect.<sup>32</sup>

In FY ending 1909, total expenditures decreased to ₱654,636.91 which was 6.93% lower over FY ending 1908. With the total collection of ₱14.694 Million during the year, the cost was ₱4.48 for every ₱100 revenue collected. Said cost was 9.38% lower than the previous year's cost to collect.<sup>33</sup> (Table 1)

**Table 1. Expenditures and Cost of Collecting ₱100  
FY 1905 – 1909**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1905	167,491.16		2.83	
1906	464,592.91	63.95	4.10	30.98
1907	640,461.47	27.46	5.00	18.00
1908	700,000.00	8.51	4.90	(2.04)
1909	654,636.91	(6.93)	4.48	(9.38)

<sup>30</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958*, p. 75

<sup>31</sup> *Ibid.*

<sup>32</sup> *Report of the Philippine Commission, 1908, Part 2*, p. 604

<sup>33</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958*, p. 75

**PERSONNEL COMPLEMENT**

The Bureau started its operation in August 1, 1904 with 69 employees and officials until its first Fiscal Year (FY) ending June 30, 1905. This workforce consisted of 17 regular and 52 temporary, most of whom were Americans.

The following FY ending 1906, 87 employees were added to the workforce totaling to 156 employees which comprised 34 regular and 122 temporary. The increase was 55.77% higher over the previous year’s workforce.

In FY ending 1907, 110 employees were hired or an increase of 41.35% over the previous year’s workforce, resulting to a total of 266 employees comprising of 69 regular and 197 temporary.

In FY ending 1908, the workforce was reduced to 262 comprising of 64 regular and 198 temporary. The reduction was due to the separation from office of 5 regular employees. However, 1 temporary employee was hired. There was a 1.53% decrease of personnel during the period as against the previous year.

In FY ending 1909, the total workforce was further reduced to 258 employees representing a 1.55% over that of FY ending 1908. This was due to the separation of 4 temporary employees.<sup>34</sup> (Table 2)

**Table 2. Number of Employees  
FY 1905 – 1909**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1905	69		
1906	156	87	55.77
1907	266	110	41.35
1908	262	(4)	(1.53)
1909	258	(4)	(1.55)

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<sup>34</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 70*



*Ellis Cromwell*

**Collector of Internal Revenue**  
(December 21, 1909 – February 11, 1912)

## ELLIS CROMWELL

*Ellis Cromwell* served as Deputy City Assessor and Collector in the Department of Assessments and Collections of the Bureau of Insular Affairs in 1905 before he was appointed as Collector of Internal Revenue on December 21, 1909.<sup>35</sup>

### GENERAL ADMINISTRATION

Collector Cromwell monitored and implemented several amendments to tax laws as follows:

*Act No. 2015* which amended Section 74 of Act No. 1189 by imposing a tax at the rate of 70 centavos per proof liter on all distilled spirits manufactured in, or imported into the Philippine Islands for domestic consumption, except distilled spirits produced from the sap of the coco, nipa, or buri palm, juice, sirup, or sugar of the cane, upon which the tax at the rate of 25 centavos per proof liter was continued. It further extended the definition of the term “manufactured liquors” so as to make subject to the distilled spirit tax, liquid medicinal and toilet preparations, flavoring extracts, and all other preparations of which, excluding the water, distilled spirits form the chief ingredients.<sup>36</sup>

*Act No. 2019* which amended Section 20 (a) of Act No. 1761 by providing for the collection of internal revenue tax on the amount of opium or its derivatives contained in medicinal preparations mentioned in the United States Pharmacopoeia or National Formulary, instead of on the net weight of the whole preparation.

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<sup>35</sup> *Sixth Annual Report of the Philippine Commission, 1905, Part 1, Bureau of Insular Affairs: War Department, p. 614*

<sup>36</sup> *Seventh Annual Report of the Collector of Internal Revenue to The Honorable The Secretary of Finance and Justice of the Government of the Philippine Islands for the Fiscal Year Ended June 30, 1911, p. 7*

*Act No. 2027* which amended paragraph 6 of Section 68 of Act No. 1189 by reducing the license tax for wholesale liquor dealers outside of the City of Manila from ₱200 to ₱60 per annum.<sup>37</sup>

*Act No. 2041* gave the Collector of Internal Revenue jurisdiction over the collection of all fines and fees in justice of the peace courts in the Philippine Islands, except in provinces inhabited by non-Christians, and authorized him to prescribe administrative regulations for all such collections.

*Act No. 2055* which amended Section 120 of Act No. 1189 by exempting from the cedula tax all persons required to pay the road tax imposed by Section 19 of Act No. 1396. This exemption applies to residents of the Provinces of Mindoro, Palawan, and Batanes only.

The Collector of Internal Revenue, by order of the Governor-General effective May 1, 1911, was in charge with the collection of all franchise and special percentage taxes payable to the Insular Government or to any provincial or municipal government.<sup>38</sup>

The Municipal Board of Manila, by virtue of authority of Manila Charter, enacted on June 7, 1911, Ordinance No. 146, entitled "An Ordinance prohibiting the keeping, maintaining, or visiting of any place where opium in any form is unlawfully smoked or otherwise used in or upon the human body, or sold, given away, or otherwise disposed of for any such use."

The ordinance was necessitated due to the establishment of opium joints in houses so securely barricaded and fortified that the occupants and visitors were able to violate the provisions of the Opium Law and dispose of the evidence necessary to convict them under said law before internal revenue officers could affect an entrance. Said ordinance was proven very

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<sup>37</sup> *Seventh Annual Report of the Collector of Internal Revenue to The Honorable The Secretary of Finance and Justice of the Government of the Philippine Islands for the Fiscal Year Ended June 30, 1911, p. 8*

<sup>38</sup> *Ibid.*



effective during the twenty-three (23) days that the ordinance was in force with twenty-two (22) convictions of persons apprehended by internal revenue officers during the fiscal year 1911.<sup>39</sup>

In accordance with the provisions of the Manila Charter a new general assessment of all land and improvements thereon in the city of Manila has been made for the years 1911 to 1915, inclusive, the assessment being for a period of five years, but property owners have the privilege under the law of appealing in January of each year, to the Board of Tax Appeals, against valuations. The work of making this assessment has been conducted for the past five years by officers and employees of the Division of Assessments and Collections of BIR, securing data relative to rentals, sales of property, etc., in all parts of the city.<sup>40</sup>

## **COLLECTION PERFORMANCE**

### **A. Comparative Collection**

For Fiscal Year (FY) ending June 30, 1910, the Bureau generated ₱17.528 Million taxes or 16.17% higher than the previous year's ₱14.694 Million.

In FY ending 1911, collection reached to ₱19.211 Million, an increase of 8.76% from ₱17.528 Million of the previous year. Favorable collection performance was due to certain increase in the tax rates and receipts from new sources, and increase in the output from manufactories of taxable articles and to a general improvement in business conditions throughout the country.<sup>41</sup>

The following FY ending 1912, collection grew to ₱21.184 Million<sup>42</sup> or an increase of 9.31% over the previous year. (Figure 2)

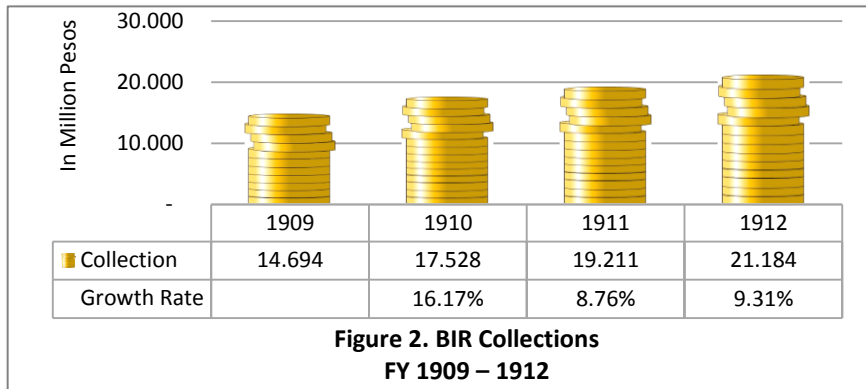
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<sup>39</sup> *Seventh Annual Report of the Collector of Internal Revenue to The Honorable The Secretary of Finance and Justice of the Government of the Philippine Islands for the Fiscal Year Ended June 30, 1911, p. 35*

<sup>40</sup> *Ibid., p. 22*

<sup>41</sup> *Ibid., p. 5*

<sup>42</sup> *Report of the Philippine Commission to the Secretary of War, 1913, p. 234*



## B. Cost of Operations

Total expenditures of the Bureau for Fiscal Year (FY) ending 1910 amounted to ₱655,269.32 compared to ₱654,636.91 of the preceding year. Cost to collect per ₱100 revenue for a ₱17.528 Million total collection during the period was ₱3.75 or a decrease of 19.47% from ₱4.48 cost to collect of the previous year.<sup>43</sup>

For FY ending 1911, ₱639,474.31 was expended by the Bureau with 2.47% decrease over the previous year. Cost to collect likewise decreased to ₱3.35 per ₱100 revenue vis-à-vis the total collection of ₱19.211 Million during the year or 11.94% lower compared to cost of last year.<sup>44</sup>

In FY ending 1912, expenditures of the Bureau totaled to ₱644,109.24 or a slight increase of 0.72% compared to FY ending 1911. Matching it with the total collection of ₱21.184 Million during the year, the cost was ₱3.06 per ₱100 revenue collected or 9.48% lower than the previous year's cost.<sup>45</sup> (Table 3)

<sup>43</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958*, p. 75

<sup>44</sup> *Seventh Annual Report of the Collector of Internal Revenue to The Honorable The Secretary of Finance and Justice of the Government of the Philippine Islands for the Fiscal Year Ended June 30, 1911*, p. 8

<sup>45</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958*, p. 75

**Table 3. Expenditures and Cost of Collecting ₱100  
FY 1909 – 1912**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1909	654,636.91		4.48	
1910	655,269.32	0.10	3.75	(19.47)
1911	639,474.31	(2.47)	3.35	(11.94)
1912	644,109.24	0.72	3.06	(9.48)

**PERSONNEL COMPLEMENT**

The total workforce of the Bureau for Fiscal Year (FY) ending 1910 was 248 comprising of 68 regular and 180 temporary. As compared to total workforce of 258 of the preceding year, there was a 4.03% decrease caused by the separation of 14 employees from office. However, 4 regular employees were hired.

For FY ending 1911, 187 employees entered the Bureau summing it up to 435 which consisted of 224 regular and 211 temporary. There was an increase of 42.99% compared to previous year’s workforce. 156 employees were added to regular while 31 employees were added to temporary.

In FY ending 1912, the workforce totaled to 430 employees comprised of 228 regular and 202 temporary. There was a decrease of 1.16% over the previous year. This was due to separation of 5 employees from the Bureau.<sup>46</sup> (Table 4)

**Table 4. Number of Employees  
FY 1909 – 1912**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1909	258		
1910	248	(10)	(4.03)
1911	435	187	42.99
1912	430	(5)	(1.16)

<sup>46</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 70*



*William T. Nolting*

**Collector of Internal Revenue**  
(February 21, 1912 – January 1, 1914)

## WILLIAM T. NOLTING

**William T. Nolting** served the Bureau of Posts as Acting Director in 1908<sup>47</sup> before he was appointed Collector of Internal Revenue on February 21, 1912<sup>48</sup>. After his service in the BIR, he returned to the Bureau of Posts as Director and filed his resignation sometime in 1915 to accept a business position in South America<sup>49</sup>.

### GENERAL ADMINISTRATION

Collector Nolting was at the helm of the Bureau when the Income Tax legislation in the Philippines under the American sovereignty began. The Federal Income Tax Law of 1913 took effect March 1, 1913 but was approved only on October 3 of the same year by the United States Congress, and extended to the Philippines by its express provision.

The said law was enforced in the Philippines for a period of two years and ten months, from March 1, 1913 to December 31, 1915. With this law, Personal exemptions allowed were: ₱6,000 for a single person, and ₱8,000 for a married couple. No additional exemption was allowed for dependents. The rate of normal tax was 1% and applied to the total net income of individuals and corporations. Surtax rates, levied on individuals only, began with a rate of 1% when the net income reached ₱40,000 and increased gradually to 6% on income in excess of ₱1,000,000.<sup>50</sup>

On May 8, 1913, the Governor-General approved a plan whereby the enforcement of the opium law was given over to the constabulary and the police force of the different municipalities for the detection and prevention of violations of the opium law, since the revenue features of opium law have

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<sup>47</sup> *Report of the Philippine Commission, 1908, Part 2, pp. 499, 516*

<sup>48</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904, p. 46, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014*

<sup>49</sup> *Report of the Philippine Commission to the Secretary of War, 1915, p. 25*

<sup>50</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904, p. 16, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014*

been insignificant with its absolute prohibition except for medicinal purposes which became effective since May 1908.<sup>51</sup>

Effective June 30, 1913, the arrangements entered into in the latter part of 1910, providing for a number of joint customs-internal revenue officers to prevent illegal importation of opium and enforce the provisions of Act No. 1761, was done away with. Thereafter, the Bureau of Customs devoted its efforts to the prevention of the smuggling of opium, while the enforcement of Act No. 1761 was left to the constabulary and the local police forces.<sup>52</sup>

## **ORGANIZATION**

The Bureau had its first reorganization on January 1, 1913 with the establishment of eight (8) divisions, namely: Accounting, Cash, Clerical, Inspection, Law, Real Estate, License and Records. (Chart 2)

The Real Estate and License Divisions function was confined to collection of revenues accruing to the City of Manila which duty was imposed upon the Collector of Internal Revenue by the operation of Act No. 407. A greater portion of the work of the Cash Division was devoted to the City of Manila.<sup>53</sup>

## **COLLECTION PERFORMANCE**

### **A. Comparative Collection**

During the Fiscal Year (FY) ending 1913, total collection reached ₱22.785 Million<sup>54</sup> which was 7.02% higher than the previous year's collection of ₱21.184 Million. The increase in collection was due to the

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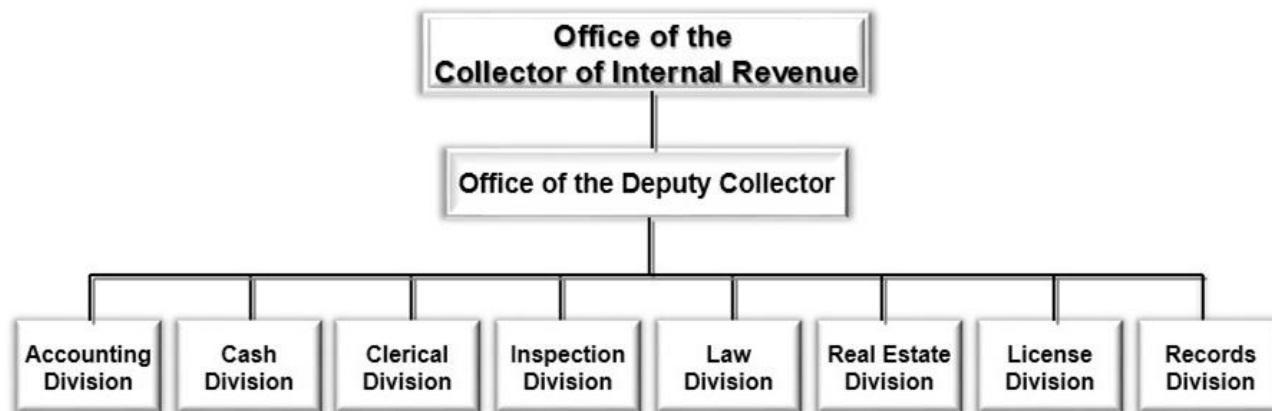
<sup>51</sup> *Report of the Philippine Commission to the Secretary of War, 1913, p. 240*

<sup>52</sup> *Ibid.*

<sup>53</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904, p. 44, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014*

<sup>54</sup> *Report of the Philippine Commission to the Secretary of War, 1913, p. 234*

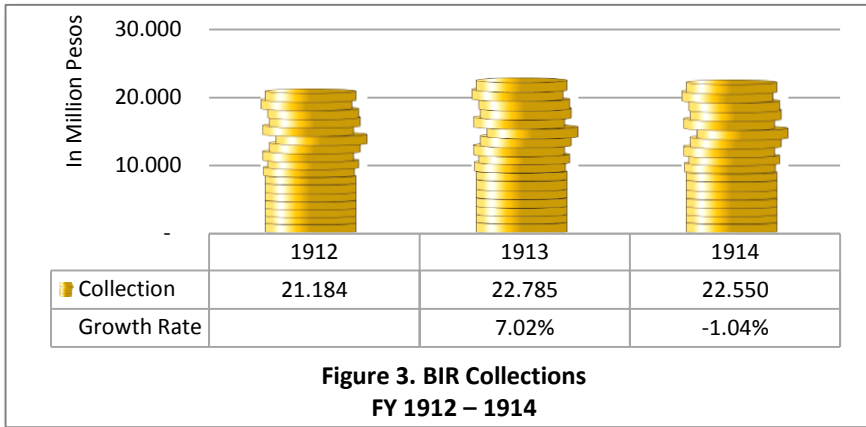
Chart 2.  
**BIR ORGANIZATIONAL CHART**  
January 1, 1913



Source: Report on the Operation of the Bureau of Internal Revenue since its organization in 1904 by Juan Posadas Jr. from the book "United States and its Territories, 1870 – 1925: The Age of Imperialism"

increased output from manufacture of taxable articles and the general improvement in the business conditions in the Philippine Islands during the year.<sup>55</sup>

In FY ending 1914, the Bureau generated ₱22.550 Million<sup>56</sup> collection, a decrease of 1.04% over the previous year’s collection.(Figure 3)



**Figure 3. BIR Collections  
FY 1912 – 1914**

**B. Cost of Operations**

The expenditures of the Bureau for Fiscal Year (FY) ending 1913 amounted to ₱600,044.26 compared to previous year’s ₱644,109.24. With the total collection of ₱22.785 Million during the period, the cost to collect for every ₱100 revenue stood at ₱2.64 as against ₱3.08 during the preceding fiscal year.<sup>57</sup>

The following period, FY ending 1914, total expenditures was ₱551,795.10 or 8.74% lower than last year’s expenditures. The cost was ₱2.45 per ₱100 revenue collected vis-à-vis ₱2.550 Million total collection during the period. Said cost was 7.76% lower than the previous year’s cost.<sup>58</sup> (Table 5)

<sup>55</sup> Report of the Philippine Commission to the Secretary of War, 1913, p. 234

<sup>56</sup> Report of the Philippine Commission to the Secretary of War, 1915, pp. 200-201

<sup>57</sup> Report of the Philippine Commission to the Secretary of War, 1913, p. 236

<sup>58</sup> Report of the Philippine Commission to the Secretary of War, 1915, p. 202



**Table 5. Expenditures and Cost of Collecting ₱100  
FY 1912 – 1914**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1912	644,109.24		3.08	
1913	600,044.26	(7.34)	2.64	(16.67)
1914	551,795.10	(8.74)	2.45	(7.76)

## PERSONNEL COMPLEMENT

Total workforce for Fiscal Year (FY) ending 1913 was 409 which consisted of 199 regular and 210 temporary. This showed a decrease of 7.34% from FY ending 1912's total workforce of 430. Reduction in the number of employees was due to the creation of new positions of assistant agents filled by Filipinos to take place the American agents. This more systematic and practical organization of the Bureau was made toward the Filipinization of the service.<sup>59</sup>

The following FY ending 1914, total workforce was reduced to 403 or 1.49% lower than the previous year's workforce. Said number of employees consisted of 196 regular and 207 temporary.<sup>60</sup> (Table 6)

**Table 6. Number of Employees  
FY 1913 – 1914**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1912	430		
1913	409	(21)	(5.13)
1914	403	(6)	(1.49)

<sup>59</sup> *Report of the Philippine Commission to the Secretary of War, 1913, p. 236*

<sup>60</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 70*



*James Rafferty*

**Collector of Internal Revenue**  
(January 12, 1914 – February 18, 1918)

## JAMES J. RAFFERTY

**James J. Rafferty** was a Deputy Collector of Customs in Zamboanga and for 12 years in the Insular Service before he was appointed as Collector of Internal Revenue on January 12, 1914.<sup>61</sup> In 1915, he authored the Report on Philippine Tobacco Investigation in the United States to the Governor General of the Philippine Islands.<sup>62</sup>

During the absence of Collector Rafferty, Deputy Collector **Venancio Concepcion** was designated as Acting Collector on March to July 1915.<sup>63</sup> Acting Collector Concepcion introduced new taxes on denatured kerosene, petroleum, naptha, gas, lubricating oil, coal and registration of prohibited drugs following a brief stint.<sup>64</sup>

On August 1915, James J. Rafferty was reappointed as Collector of Internal Revenue. When he was away again from April 14, 1917 to September 13, 1917, **Arthur B. Powell** was appointed as Acting Collector.<sup>65</sup>

## GENERAL ADMINISTRATION

In July 1914, the Bureau, under the administration of Collector Rafferty monitored and implemented Act No. 2339 – “An Act revising and consolidating the laws relative to Internal Revenue” otherwise known as

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<sup>61</sup> *Report of the Philippine Commission to the Secretary of War, United States Philippine Commission (1900-1916)*, p. 22, retrieved from <http://books.google.com.ph/books?id=h9QtAAAAIAAJ&q>, on 10/6/2015

<sup>62</sup> *Report on Philippine Tobacco Investigation in the United States*, retrieved from [https://books/google.com.ph/books?id=UJslkgAACAj&dq](https://books.google.com.ph/books?id=UJslkgAACAj&dq), on 10-6/2015

<sup>63</sup> *The Bureau of Internal Revenue – A Brief History of Its Organization, 1965, Management & Planning Department, BIR*, p. 2

<sup>64</sup> *History of the Bureau of Internal Revenue and Tax Administration in the Philippines, 1981, Management Division, BIR*, p. 2

<sup>65</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, p. 46, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

Internal Revenue Law of Nineteen Hundred and Fourteen (1914) which was promulgated and made effective on July 1, 1914.<sup>66</sup>

Section 5 of Act No. 2339 mandated the BIR to come up with regulations necessary in the application of the Act. To quote, “The Collector of Internal Revenue shall have the power, and it shall be his duty, to make regulations, not inconsistent with law, necessary to carry this Act into full effect and to secure a harmonious and efficient administration of his branch of the service. Such regulations may be either general or local in application and shall become effective as law when approved by the Department head and published.”<sup>67</sup>

Section 21 of Act No. 2339 enumerated the sources of Internal Revenue as follows:

- a) The cedula tax;
- b) The documentary tax;
- c) The privilege taxes on business and occupation;
- d) Specific taxes on manufactures products;
- e) Taxes on resources of banks, receipts of insurance companies, ad receipts of corporations paying a franchise tax;
- f) Charges for forest products;
- g) Fees for testing and sealing weights and measures;
- h) Internal revenue, including the income tax, collected in the Philippine Islands under laws enacted by the Congress of the United States;
- i) Taxes on signs, signboards, and billboards.<sup>68</sup>

Said Act repealed in part Act Nos. 1045, 1189, 1519, and repealed completely all other Acts inconsistent therewith.<sup>69</sup>

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<sup>66</sup> Act No. 2339, Section 188, retrieved from <http://www.chanrobles.com/acts/actsno2339.html> on 10/27/2014

<sup>67</sup> *Ibid.*, Section 5, p. 2,

<sup>68</sup> Act No. 2339, Section 21, retrieved from <http://www.chanrobles.com/acts/actsno2339.html> on 10/27/2014

<sup>69</sup> *Ibid.*, Footnotes p. 25

Act No. 2432 amended Act No. 2339, the Internal Revenue Law of 1914, By Imposing Increased and Additional Taxes, and For Other Purposes. This emergency measure took effect from January 1 to December 31, 1915.<sup>70</sup> Percentage taxes of the following were raised from one-third of one (1) per cent to one (1) per cent: merchants, printers, and publishers, contractors, warehousemen, proprietors of dockyards, persons selling light, heat or power, persons engaged in conducting telephone or telegraph lines and exchanges, keepers of hotels and restaurants, keepers of livery stables and garages, transportation contractors, persons who transport passengers or freight for hire, and common carriers.<sup>71</sup>

In 1916, the imposition of new taxes on cinematographic films, playing cards, pearl fisheries, inheritance tax, sponge fisheries, and tobacco inspection fees contributed to the increase in revenue collections.<sup>72</sup>

Act No. 2601, the original Inheritance Tax Law, was passed on February 4, 1916 and made effective on July 1, 1916. The law was later on incorporated in the Administrative Code of 1917. This law provided an exemption of ₱3,000 for the surviving spouse, a legitimate child, and a recognized natural or adopted child. The tax must be paid within six months subsequent to the death of the decedent or if court proceedings were taken within that period, before delivery of the shares to the beneficiaries.<sup>73</sup>

Act No. 2835, another Inheritance Tax Law, had the same basis for the tax, the same rates, the same provisions regarding the heirs, and the same exemptions, but it provided that if the tax was not paid within the

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<sup>70</sup> Act No. 2432, retrieved from [http://laws.chanrobles.com/acts/6\\_acts.php?id=268](http://laws.chanrobles.com/acts/6_acts.php?id=268) on 10/28/2014

<sup>71</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, p. 12, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

<sup>72</sup> *History of the Bureau of Internal Revenue and Tax Administration in the Philippines, 1981*, Management Division, BIR, p. 2

<sup>73</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, p. 14, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

statutory period, interest at the rate of 12 per cent should be added as part of the tax.<sup>74</sup>

Under Act No. 3031, the provisions relative to heirs were the same as those in Act No. 2835, the exemptions provided for was the same, but there was an established surcharge of 25 per cent to be added to the tax and interest due and unpaid after a period of 10 days had elapsed from the time the taxpayer received notice and demand from Collector of Internal Revenue.

On September 8, 1916, the American Congress passed an income tax law known as the Revenue Act of 1916. This was in forced in the Philippines through its expressed provisions for a period of three years, from January 1, 1916 to December 31, 1918. Personal exemptions under this law were the same as under the 1913 Law, ₱6,000 for a single person and ₱8,000 for a married couple. Dependents were not allowed an additional exemption. The normal tax rate was raised from one (1) per cent to two (2) per cent and surtax rates were made to range from one (1) per cent when the net income reached ₱40,000 to thirteen (13) per cent when the net income exceeded ₱4,000,000.<sup>75</sup>

Act No. 2541 extended the effect of Act No. 2432 to December 31, 1917, and changed the rates of taxes and additional taxes, created new ones and abolished others. Proprietors of steam laundries were taxed for the first time under this Act. The rate was two pesos a year and one (1) per cent of the gross receipts. A provision for collecting a percentage tax of four (4) per cent of the gross compensation of merchandise brokers in excess of five hundred pesos per quarter, was also made.<sup>76</sup>

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<sup>74</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, pp. 14-15, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

<sup>75</sup> *Ibid.*, pp. 15-17,

<sup>76</sup> *Ibid.*, p. 13

## ORGANIZATION

Section 11 of Act No. 2339 provided that, upon approval of Department Head, the Collector of Internal Revenue shall divide the Philippine Islands into inspection districts, as may from time to time be required for administrative purposes. Each of these districts shall be in-charge of an internal revenue agent.<sup>77</sup>

On account of the implementation of Federal Income Tax Law of 1913, a separate Income Tax Division was established. The Income Tax Section was detached from the Law Division and constituted a division known as the Income Tax Division pursuant to Memorandum Order (MO) No. 11 dated April 27, 1914.<sup>78</sup> The said division was merged with the Law Division which was under the direction of the Chief of the Law Division thru MO No. 66 on April 28, 1916.<sup>79</sup>

On September 22, 1915, the Real Estate Division and Cash Division was merged and called the Cash Division pursuant to MO No. 52. The Real Estate Division was known as the Assessment Section of the Cash Division.<sup>80</sup> However, the Assessment Section was reconstituted as a separate division called the Real Estate Division on April 1, 1916 thru MO No. 62.<sup>81</sup>

On June 12, 1916 pursuant to MO No. 70, the Income Tax Division was reconstituted as a separate division maintaining with the Law Division the legal work including the preparation of ruling in regard to the Income Tax Law. The Accounting Division, Inspection Division, Law Division, and Income Tax Division constituted the Insular Department of the Bureau and the work of this department was under the direct supervision of the Collector. The Real Estate Division, License Division, and Cash Division constituted the City Department of the Bureau and its work was under the

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<sup>77</sup> Act No. 2339, Section 11, p. 3, retrieved from <http://www.chanrobles.com/acts/actsno2339.html> on 10/27/2014

<sup>78</sup> Memorandum Order No. 11 dated April 27, 1914

<sup>79</sup> Memorandum Order No. 66 dated April 28, 1916

<sup>80</sup> Memorandum Order No. 52 dated September 22, 1915

<sup>81</sup> Memorandum Order No. 62 dated April 1, 1916

direct supervision of the Deputy Collector. This department performed the duties pertaining to the office of the City Assessor and Collector for the City of Manila. The Clerical Division was likewise renamed to Administrative Division.

On November 4, 1916, the Accounting Division and Income Tax Division were abolished and created a new division taking the name of the Accounting and Income Tax Division thru MO No. 101.<sup>82</sup> Later, on October 29, 1917, the Income Tax Division was reestablished as an independent unit.<sup>83</sup>

On October 18, 1917 thru MO No. 142, the Tobacco Industry Division to take charge of the tobacco promotion work of the Bureau was created.<sup>84</sup> Later, on March 22, 1918 thru MO No. 167, this division was abolished and its work was performed by the Administrative Division.<sup>85</sup>

On the same year, the BIR office found its shelter in a concrete building at Calle Juan Luna in Binondo, Manila.<sup>86</sup>

## COLLECTION PERFORMANCE

### A. Comparative Collection

In Fiscal Year (FY) ending 1915, the Bureau was able to generate taxes amounting to ₱27.388 Million<sup>87</sup>. It was ₱4.838 Million or 17.67% higher than the previous year's collection of ₱22.550 Million.

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<sup>82</sup> Memorandum Order No. 101 dated November 4, 1916

<sup>83</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, pp. 44, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

<sup>84</sup> Memorandum Order No. 142 dated October 18, 1917

<sup>85</sup> Memorandum Order No. 167 dated March 22, 1918

<sup>86</sup> *BIR, Philippine Revenue Journal (Anniversary Issue, BIR in 71 years, 1904-1975)*, p. 51

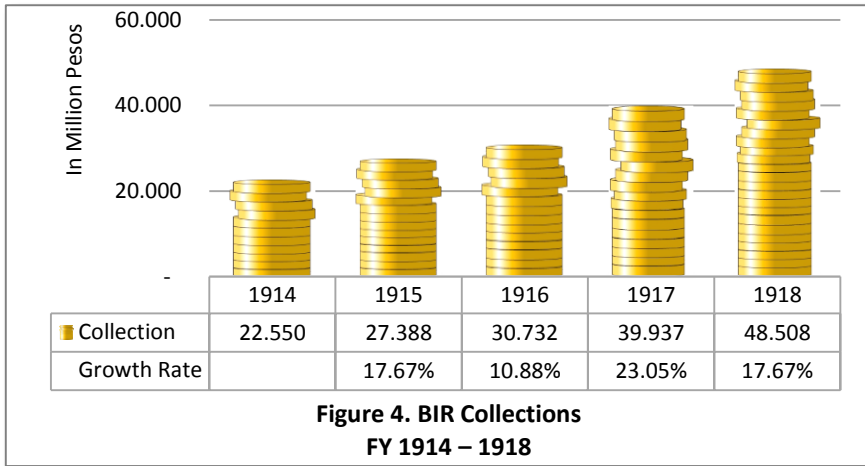
<sup>87</sup> *Report of the Philippine Commission to the Secretary of War, 1915*, pp. 200-201



Gross collection in FY ending 1916 amounted to ₱30.732 Million<sup>88</sup> or 10.88% higher than the previous year’s collection. The internal revenue collection during the period showed a gratifying increase due to encouragement of the cigar industry and stimulation of the American market and the gradual restoration of confidence of American dealers in Manila cigars.<sup>89</sup>

In FY ending 1917, total collection was ₱39.937 Million<sup>90</sup> which escalated to 23.056% compared to collection of FY ending 1916.

In FY ending 1918, collection reached ₱48.508 Million<sup>91</sup> generating a 17.67% increase from the previous year’s collection. This increase was brought by the income tax law - an Act of Congress of September 9, 1916 as amended by Act of October 3, 1917.<sup>92</sup> (Figure 4)



<sup>88</sup> Report of the Governor General of the Philippine Islands to the Secretary of War, 1917, p. 118

<sup>89</sup> Report of the Philippine Commission to The Secretary of War, 1916, p. 18

<sup>90</sup> Report of the Governor General of the Philippine Islands to the Secretary of War, 1917, p. 118

<sup>91</sup> Report of the Governor General of the Philippine Islands to the Secretary of War, 1918, p. 140

<sup>92</sup> *Ibid.*, p. 145

## B. Cost of Operations

The expenditures incurred by the Bureau during Fiscal Year (FY) ending 1915 was ₱567,163.24. As compared to previous year of ₱551,795.10 with an increase of 2.71%. Cost to collect every ₱100 revenue was ₱2.07 from a total collection of ₱27.388 Million during the period which decreased to 18.36% compared to the previous year which was ₱2.45.<sup>93</sup>

In FY ending 1916, total expenditures reached ₱575,879.02 or an increase of 1.51% compared over last year. For a total collection of ₱30.732 Million during the year, the cost was ₱1.87 for every ₱100 revenue collected, a decrease of 10.70% compared to cost of FY ending 1915.<sup>94</sup>

In FY ending 1917, ₱603,440.31 was expended by the Bureau which was 4.57% compared to the previous year. With the total collection of ₱39.937 Million during the year, the cost to collect per ₱100 revenue was ₱1.51, a decrease of 23.84% compared to the previous fiscal year.<sup>95</sup>

The following period, FY ending 1918, total expenditures amounted to ₱619,620.41 or 2.61% higher than the previous year. Cost to collect per ₱100 revenue was ₱1.28 vis-à-vis to ₱48.508 Million total collection, cost was 17.97% lower as against the previous year.<sup>96</sup> (Table 7)

**Table 7. Expenditures and Cost of Collecting ₱100  
FY 1914 – 1918**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1914	551,795.10		2.45	
1915	567,163.24	2.71	2.07	(18.36)
1916	575,879.02	1.51	1.87	(10.70)
1917	603,440.31	4.57	1.51	(23.84)
1918	619,620.41	2.61	1.28	(17.97)

<sup>93</sup> Report of the Philippine Commission to the Secretary of War, 1915, p. 202

<sup>94</sup> Report of the Governor General of the Philippine Islands to the Secretary of War, 1917, p. 119

<sup>95</sup> *Ibid.*

<sup>96</sup> Report of the Governor General of the Philippine Islands to the Secretary of War, 1918, p. 142

**PERSONNEL COMPLEMENT**

Total workforce of the Bureau in Fiscal Year (FY) ending 1915 was 426, an increase of 5.40% compared to the total workforce of 403 during the previous year. Said workforce consisted of 202 regular and 224 temporary employees.

The following period, FY ending 1916, total workforce was 483 composed of 230 regular and 253 temporary employees. Compared to previous year’s workforce, the increase of 11.80% was due to the hiring of 28 regular and 29 temporary employees.

In FY ending 1917, the workforce totaled to 554 employees consisted of 243 regular and 311 temporary. Said workforce was 12.82% higher than the last year’s workforce. A total of 71 employees were hired during the period.

In FY ending 1918, the workforce decreased by 24 employees or 4.53% compared to the previous year. The workforce totaled 530 employees which consisted of 243 regular and 287 temporary.<sup>97</sup> (Table 8)

**Table 8. Number of Employees  
FY 1914 – 1918**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1914	403		
1915	426	23	5.40
1916	483	57	11.80
1917	554	71	12.82
1918	530	(24)	(4.53)

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<sup>97</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 70*

# CHAPTER III

## FULL FILIPINIZATION OF THE SERVICE



*Wenceslao Trinidad*

**Collector of Internal Revenue**

**(February 19, 1918 – April 6, 1923)**

## WENCESLAO TRINIDAD

Collector **Wenceslao Trinidad** was a native of Batangas. He was appointed Municipal Treasurer in Tanauan, Batangas in 1904 and was promoted to Traveling Deputy Provincial Treasurer in 1905.

In 1907, he became Chief Clerk to the Provincial Treasurer. In 1909, he was appointed Provincial Treasurer covering the provinces of Antique, Isabela, Cagayan, Bataan, Nueva Ecija, Pampanga and Laguna.

He was made Deputy Collector of Internal Revenue on December 16, 1917. After barely three months he became the Collector of Internal Revenue.<sup>98</sup>

## GENERAL ADMINISTRATION

Collector Trinidad, aside from strictly enforcing the collection of internal revenue taxes, also undertook the collection of diverse taxes, fees, and other charges provided by other laws.<sup>99</sup>

A few months after Collector Trinidad's appointment, specifically on April 30, 1918, the Bureau's actual Filipinization took effect.<sup>100</sup>

On March 7, 1919, Act No. 2833 was passed to amend Revenue Act of 1916, commonly known as the Philippine Income Tax Law. This Act allowed additional exemption for a married couple wherein the amount of ₱400 for each child under 18 years of age was exempted. The Surtax rates ranged from one (1) per cent when the net income reached ₱20,000 and thirteen (13) per cent when the net income reached ₱2,000,000. It also

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<sup>98</sup> *The Most Worship Grand Lodge of Free and Accepted Masons of the Philippines, 2012, MW Wenceslao Trinidad, retrieved from [http://www.grandlodgephils.org.ph/2012/?page\\_id=132](http://www.grandlodgephils.org.ph/2012/?page_id=132) on 4/24/2015*

<sup>99</sup> *Report of the Governor General of the Philippine Islands to the Secretary of War, 1919, (January 1, 1919 to December 31, 1919), p. 127*

<sup>100</sup> *History of the Bureau of Internal Revenue and Tax Administration in the Philippines p. 2*

required an individual to file a return when his annual gross income reached ₱6,000.

On March 26, 1920, Act No. 2926 was passed to amend certain provisions on Act No. 2833. This Act lowered personal exemptions from ₱6,000 to ₱4,000 for a single person and from ₱8,000 to ₱6,000 for a married couple. The age limit of children entitled to exemption was increased from 18 years of age to 21 years of age. The normal tax rate was increased from two (2) per cent to three (3) per cent, while surtax rates ranged from one-half per cent when the net income reached P10,000 and twenty (20) per cent when the net income reached P5,000,000. The annual gross income required to file for a return was lowered from ₱6,000 to ₱ 4,000.<sup>101</sup>

On March 2, 1922, Act No. 3026 amended Act No. 2833. This Act allowed taxpayers engaged in business the option to value their inventories, at cost or market price, in determining their income.

Legislations which had impact on the tax administration were enforced as follows:

- Disposition of proceeds of income and inheritance taxes which shall accrue to Insular Government was implemented pursuant to the Internal Revenue Allotment Law as provided in Section 489, Chapter 19 of Act No. 2711 “An Act Amending the Administrative Code”, approved in March 1917.<sup>102</sup>
- Tax legislations on percentage tax, firearms tax, bookkeeping law, provisions on prohibited drugs and inventions were imposed in 1923.<sup>103</sup>

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<sup>101</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, p. 17, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

<sup>102</sup> Act No. 2711, Chapter 19, Section 489, retrieved from <http://www.gov.ph/1917/03/10/act-no-2711> on 6/23/2015

<sup>103</sup> *BIR, Philippine Revenue Journal (Anniversary Issue, BIR in 81 Years, 1904-1985)*, p. 8

## ORGANIZATION

In 1921, the Cash, Clerical, Real Estate, License and Records Divisions were abolished due to transfer of work of the City Assessor and Collector from the Bureau of Internal Revenue to the City of Manila. The Bureau was then composed of the following Divisions, namely: Administrative, Law, Accounting, Income Tax, and Inspection.<sup>104</sup> On May 24, 1921, under Memorandum Order (MO) No. 265, the Income Tax Examiners Division was organized.<sup>105</sup> (Chart 3)

Briefly, the duties of these offices of the Bureau were as follows:

The *Administrative Division* handled all matters affecting the appointment, attendance, separation, and discipline of the employees of the Bureau; took custody of the property of the Bureau and the accountable forms issued by the Bureau such as cedula and the various kinds of internal revenue stamps and labels; received, recorded, and distributed the incoming correspondence and reviewed the outgoing correspondence; looked after the disbursement of the appropriation of the Bureau; and had charge of the tobacco promotion work as contemplated in Act No. 2613, as amended.

The *Law Division* prepared rulings on questions of law arising from the interpretation and enforcement of the Internal Revenue Law and other laws administered by the Bureau; took action on all matters regarding prosecutions and compromises under the law; prepared evidence, documents, memoranda, and other papers connected with internal revenue cases before the courts; and prepared drafts of the necessary regulations for the proper enforcement of the laws administered by the Bureau.

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<sup>104</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, p. 45, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

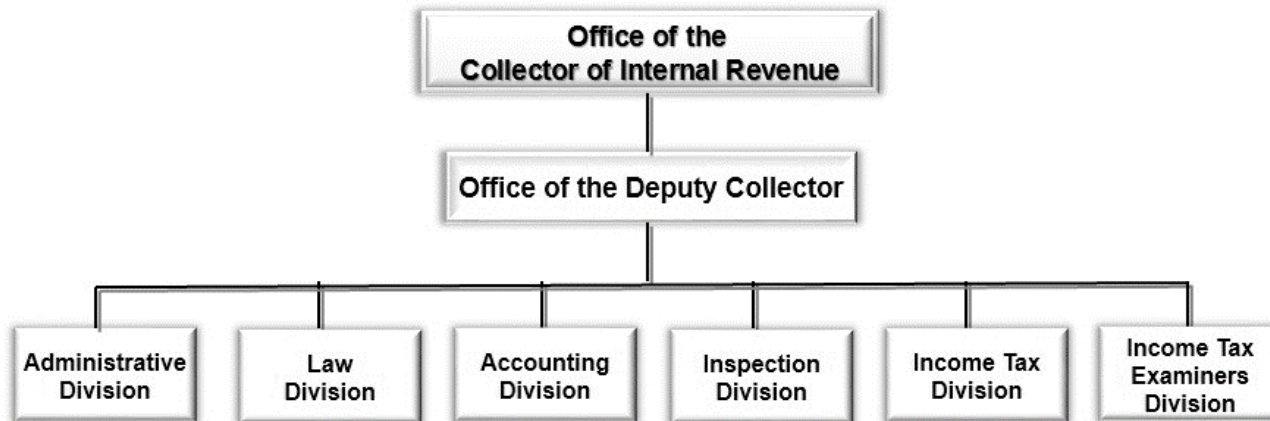
<sup>105</sup> *Memorandum Order No. 265 dated May 24, 1921*



Chart 3.

## **BIR ORGANIZATIONAL CHART**

1921



Source: Report on the Operation of the Bureau of Internal Revenue since its organization in 1904 by Juan Posadas Jr. from the book "United States and its Territories, 1870 – 1925: The Age of Imperialism"

Memorandum Order No. 205 dated May 24, 1921 of Collector of Internal Revenue Wenceslao Trinidad

The *Accounting Division* verified and audited the reports of collections submitted by provincial treasurers and their deputies; checked the records of the establishments producing articles subject to the specific taxes; kept the bonds and appropriate records of all payments of taxes, charges, and penalties; and prepared the statistical data of the Bureau.

The *Income Tax Division* administered the Income Tax and the Inheritance Laws, as well as the taxes payable by insurance companies and banks in the City of Manila.

The *Inspection Division* enforced the Internal Revenue Law and regulations, except those that pertain to insurance companies and banks in the City of Manila.

The *Income Tax Examiners Division* investigated persons violating any of the provisions of the Income Tax Law; examined the accounts of persons filing income tax returns for the purpose of determining the correctness of income reported; verified the statements or returns of Banks and Insurance Companies; and kept statistics of the work accomplished by the examiners.<sup>106</sup>

On September 19, 1922, pursuant to MO No. 308, the Income Tax Examiners Division was abolished and made an integral part of the Income Tax Division.<sup>107</sup>

## **COLLECTION PERFORMANCE**

### **A. Comparative Collection**

In Fiscal Year (FY) in 1919, total collection was ₱53.283 Million. The collection increased by 9.80% over the previous year's ₱48.064 Million collection.<sup>108</sup>

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<sup>106</sup> Memorandum Order No. 281 dated January 3, 1922

<sup>107</sup> Memorandum Order No. 308 dated September 19, 1922

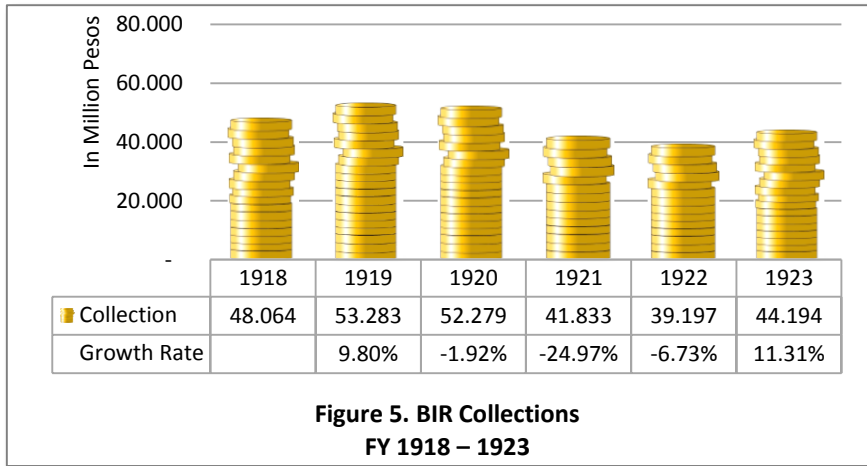
<sup>108</sup> Report of the Governor General of the Philippine Islands to the Secretary of War, 1919, p. 127

In FY ending 1920, collection amounted to ₱52.279 Million, a slight decrease of 1.92% over FY ending 1919.

The following FY ending 1921, collection amounted to ₱41.833 Million, a decline of 24.97% compared to previous year’s collection.<sup>109</sup>

In FY ending 1922, a collection amounting to ₱39.197 Million was realized, a decrease of 6.73% as against the collection of the previous year.

After enduring three (3) Fiscal Years of negative result, collection in FY ending 1923 escalated to ₱44.194 Million<sup>110</sup> at a rate of 11.31% compared to previous year’s collection. (Figure 5)



## B. Cost of Operations

The expenditures of the Bureau for FY ending 1919 was ₱698,778.66. This showed an increase of 11.33% compared to last year’s expenditures of ₱619,620.41. With the total collections of ₱53.283 Million during the period, the cost to collect every ₱100 revenue was ₱1.31. There was an increase of

<sup>109</sup> Report of the Governor General Philippine Islands for the Fiscal Year Ended December 31, 1921, pp. 132-133

<sup>110</sup> Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75

2.29% compared to last year's cost of ₱1.28. This slight increase was due to extra compensation paid to Government employees in the form of bonus.<sup>111</sup>

In FY ending 1920, total expenditures amounted to ₱661,886.03 or 5.57% lower compared to the previous year. Cost to collect likewise decreased by 3.15% or ₱1.27 for every ₱100 revenue pertaining for a total collection of ₱52.279 Million during the period.

The following period, FY ending 1921, total expenditures reached ₱751,763.47. There was an increase of 11.96% as compared to the previous year. The cost was ₱1.80 per ₱100 revenue collected from a total collection of ₱41.833 Million during the period.

In FY ending 1922, ₱636,979.05 was the total expenditures which decreased by 18.02% as compared to last year. With the total collection of ₱39.197 Million during the year, the cost was ₱1.62 per ₱100 revenue collected or 11.11% lower than the previous year's cost.

For FY ending 1923, the Bureau spent ₱659,743.80 in collecting ₱44.194 Million. Cost to collect per ₱100 revenue was ₱1.49 which was 8.72% lower compared to last year.<sup>112</sup> (Table 9)

**Table 9. Expenditures and Cost of Collecting ₱100  
FY 1918 – 1923**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1918	619,620.41		1.28	
1919	698,778.66	11.33	1.31	2.29
1920	661,886.03	(5.57)	1.27	(3.15)
1921	751,763.47	11.96	1.80	29.44
1922	636,979.05	(18.02)	1.62	(11.11)
1923	659,743.80	3.45	1.49	(8.72)

<sup>111</sup> *Report of the Governor General of the Philippine Islands to the Secretary of War, 1919, (January 1, 1919 to December 31, 1919), p. 129*

<sup>112</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

**PERSONNEL COMPLEMENT**

The Bureau’s total workforce in FY ending 1919 was 550 employees which consisted of 291 regular and 259 temporary. This number of employees during the period showed an increase of 3.64% or an additional of 20 employees from the previous year of 530 employees.

The following FY ending 1920, total workforce reached 655 employees comprising of 307 regular and 348 temporary. An additional of 16 regular and 89 temporary employees were hired representing an increase of 16.03% compared to the previous year.

For FY ending 1921, the workforce of the Bureau totaled to 526 employees consisting of 307 regular and 348 temporary. This showed a decrease of 24.52% compared to previous year’s workforce. 87 regular and 42 temporary employees were separated from office.

In FY ending 1922, total workforce was 546 employees consisting of 246 regular and 300 temporary. Additional employees were hired which caused a 3.66% increase as compared to previous year’s workforce.

In FY ending 1923, total workforce was 529 employees comprising of 244 regular and 285 temporary. Separation from office of 17 employees caused the reduction of its workforce.<sup>113</sup> (Table 10)

**Table 10. Number of Employees  
FY 1918 – 1923**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1918	530		
1919	550	20	(4.53)
1920	655	105	3.64
1921	526	(129)	16.03
1922	546	20	(24.52)
1923	529	(17)	3.66

<sup>113</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 70*



*Juan Posadas, Jr.*

**Collector of Internal Revenue**

(April 7, 1923 – 1934)

## JUAN POSADAS, JR.

*Juan Posadas, Jr.* started as a road foreman in Zambales and was eventually appointed Deputy Provincial Treasurer of Zambales. He later transferred to the Bureau of Audits. He was designated as Acting Provincial Treasurer of Cagayan in 1910 and of Laguna in 1911.

In 1914, after passing the provincial treasurer's examination, he was named Provincial Treasurer of Negros Oriental and held this position until 1917. In Davao he also became Secretary and Treasurer. In the Department of Mindanao and Sulu he served as Acting Governor and subsequently Governor.<sup>114</sup> On April 7, 1923, he was appointed as Collector of Internal Revenue.<sup>115</sup>

### GENERAL ADMINISTRATION

In 1923, Collector Posadas continuously implemented the Internal Revenue Allotment Law which defined clearly the areas where proceeds of collection/fees accrued:

*"The proceeds of fees for the sealing and licensing of weights and measures accrued equally to the province and municipality wherein collected.*

*The proceeds of the internal revenue license taxes on theaters, museums, cockpits, concert halls, pawnbrokers, circuses, billiard rooms and retail dealers in domestic fermented liquors were for the exclusive benefit of the municipality wherein the same were collected.*

*In provinces where the cedula tax was fixed at one peso, its proceeds were given equally to the province and municipality*

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<sup>114</sup> *Filipinas Heritage Library Catalog - Juan Pablo Posadas Jr., retrieved from <http://opac.filipinaslibrary.org.ph/cgibin/koha/opacdetail.pl?biblionumber=28691&querydesc=kw%2Cwrdl%3A%20juan%20pablo%20posadas%20jr.>, on 4/29/2015*

<sup>115</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904, p. 46, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014*

*wherein collected. In provinces where the cedula tax was fixed at two pesos, the extra peso accrued to the road and bridge fund or the road and public works funds of the province, the other peso was divided equally between the province and the municipality.*

*The taxes paid by grantees of franchises who have issued bonds with interest guaranteed by the Government of the Philippine Islands accrued in their entirety to the Insular Government until the guaranty has ended.*

*The proceeds of the tax on income and of the tax on inheritances, legacies and other acquisitions accrued to the Insular Government.*

*Other internal revenue collected which was not stated or otherwise specially disposed of by law accrued to the Insular Treasury, and were available for the general purposes of the Government, except that 10 per centum of such internal revenue were set apart as a provincial allotment, 10 per centum as a road and bridge allotment, and 20 per centum as a municipal allotment.*

*The taxes on lubricating oils, naphtha, gasoline, and all other lighter products of distillation were used exclusively for the maintenance, reconstruction and improvement of roads and bridges, and apportioned by the Secretary of Commerce and Communications to the different provinces as follows: 25 per cent equally among all the provinces; 25 per cent in proportion to cedula sales in each province during the previous year; 25 per cent in proportion to the combined length of first and second class road maintained throughout the previous year in each province; and 25 per cent in the discretion of the Secretary of Commerce and Communications for the maintenance, improvement of roads subjected to unusually heavy traffic.”<sup>116</sup>*

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<sup>116</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, p. 30-32, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014



Act No. 3179 was passed by the Philippine Legislature on November 25, 1924 amending Sections 3, 9 and 12 of Act No. 2613. Originally, Section 3 provided that tobacco inspectors appointed by the Director of Agriculture were not subject to Civil Service Rules. The amendment provided that such inspectors were subject to the Civil Service Rules, and it was required that they must be a graduate of agricultural schools recognized by the Government. Section 9 of the original Act provided that not exceeding two agents be appointed in the United States.

This limitation, however, was eliminated by Act No. 3179. Section 12 of the original law enumerated six purposes for which the Tobacco Inspection Fund may be expended. The amendment provided the expenditure of the Tobacco Inspection Fund for nine purposes, and created the Tobacco Board composed of the Collector of Internal Revenue as ex officio chairman, the Director of Agriculture, the Director of the Bureau of Tobacco Association, and two persons appointed by the Governor-General to represent the tobacco growers, as members, to make allotments from the said fund.

Another outstanding provision of the amendment contained in Act No. 3179 was the designation of 30 per centum of the total annual income of the Tobacco Inspection Fund for the establishment, operation and maintenance of tobacco experimental farms, and for the investigation and discovery of efficacious ways and means for the extermination and control of the pests and diseases of tobacco.<sup>117</sup>

During the latter part of 1925, a proposed ordinance which aimed to impose a duty of 30 per centum ad valorem upon manufactured tobacco products imported into China was presented before the China Tariff Conference. The Philippine tobacco interests took action through proper official channels so that the measure might be protested in the conference.

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<sup>117</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, p. 41, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

The Bureau of Internal Revenue sent certified samples of the export stamp of the Government for tobacco products to the corresponding authorities in China in order to stop the imitation, simulation, counterfeit or falsification of the said stamp.<sup>118</sup>

## ORGANIZATION

A Secret Service Section has also been organized under the direct control of the Collector and the Deputy Collector to relieve the agents and the examiners of the Bureau from detective work pursuant to Memorandum Order No. 337 dated October 27, 1923.<sup>119</sup>

Through this section, all violations of the Internal Revenue Law and other laws administered by the Bureau was discovered and the taxpayers who are about to become insolvent that time or are retiring from business or intending to depart from the Philippines Islands without first settling their tax liability were detected.<sup>120</sup>

## COLLECTION PERFORMANCE

### A. Comparative Collection

In FY ending 1924, total collection of the Bureau was ₱48.688 Million, a 9.23% growth from the previous year's collection of ₱44.194 Million.<sup>121</sup>

For FY ending 1925, collection reached ₱53.499 Million, an increase of 8.99% over the previous year's collection.

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<sup>118</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, p. 42, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

<sup>119</sup> Memorandum Order No. 337 dated October 27, 1923

<sup>120</sup> *The United States and its Territories, 1870-1925: The Age of Imperialism – Report on the Operation of the Bureau of Internal Revenue Since its Organization in 1904*, p. 46, retrieved from <http://quod.lib.umich.edu/cache/a/h/v/ahv8816.0001.001/00000001.tif100.gif> on 8/11/2014

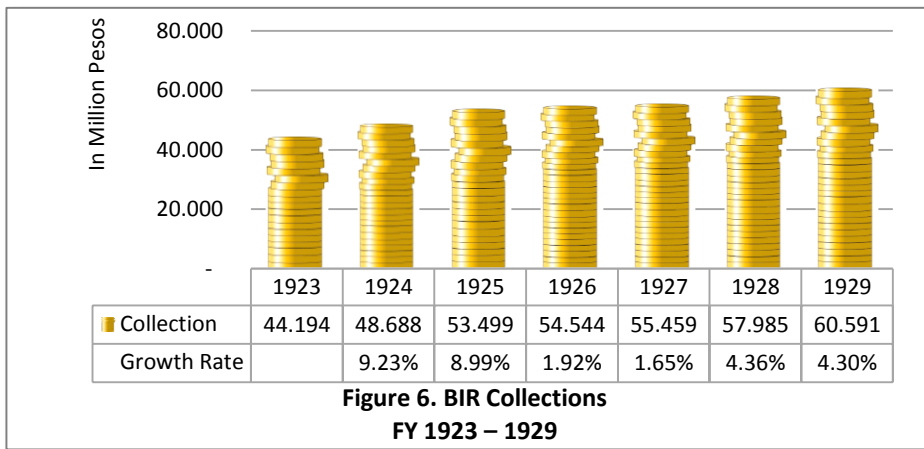
<sup>121</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958*, p. 75

In FY ending 1926, a ₱54.544 Million was generated with 1.92% growth from the previous year's collection.

The following FY ending 1927, collection increased by 1.65% from last year or ₱55.459 Million.

For FY ending 1928, collection was ₱57.985 Million, an increase of 4.36% was realized as against last year's collection.

For FY ending 1929, collection also increased to ₱60.591 Million which was 4.30% higher compared to previous year's collection.<sup>122</sup> (Figure 6)



On the second half of Collector Posadas' term, FY ending 1930 – FY ending 1933, collection performance showed a declining trend but recovered during the last year of his term.

In FY ending 1930, collection generated was ₱55.883 Million, a decrease of 8.42% compared to previous year's collection of ₱60.591 Million.

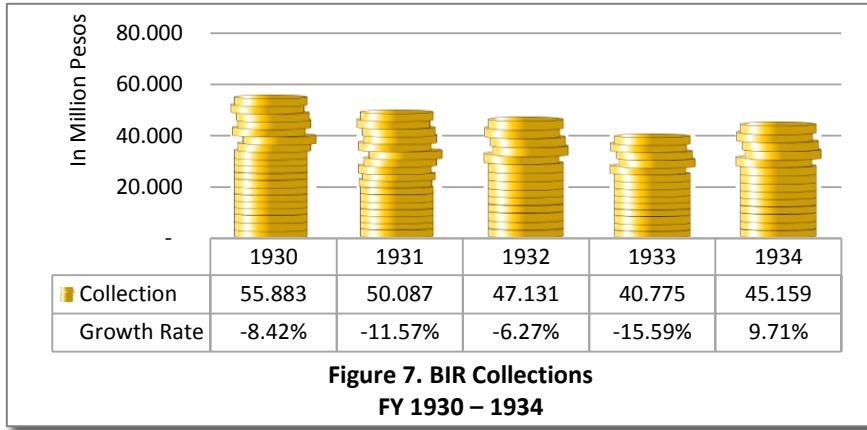
For FY ending 1931, collection was ₱50.087 Million with 11.57% decrease compared to the previous year's collection.

<sup>122</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

In FY ending 1932, collection also decreased to ₱47.131 Million or 6.27% less than the previous year’s collection.

In FY ending 1933, collection further decreased to ₱40.775 Million or 15.59% less than that of the previous year’s collection.

Collection recovered during the following year, FY ending 1934, with ₱45.159 Million generated, an increase of 9.71% compared to the previous year’s collection.<sup>123</sup> (Figure 7)



**B. Cost of Operations**

In Fiscal Year (FY) ending 1924, the Bureau expended ₱685,287.63 which was 3.73% higher than the expenditures during FY ending 1923 amounting to ₱659,743.80. With the total collections of ₱48.688 Million during the year, the cost was ₱1.40 per ₱100 revenue collected or a decrease of 6.43% compared to FY ending 1923’s cost of ₱1.49.

In FY ending 1925, total expenditures reached ₱804,121.80 or an increase of 14.78% compared to previous year’s expenditures. Cost to collect per ₱100 revenue was ₱1.50 relating to total collections of P53.499 Million during the period or an increase of 6.67% compared to previous year’s cost.

<sup>123</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

In FY ending 1926, ₱856,089.47 was expended by the Bureau or 6.07% higher than last year's expenditures. ₱1.57 was the cost every ₱100 revenue collected concerning ₱54.544 Million total collections during the year or 4.46% higher than the previous year's cost.

In FY ending 1927, total expenditures amounted to ₱848,888.86 or 0.85% lower than the expenditures last year. Cost to collect was ₱1.53 per ₱100 revenue pertaining to total collections of ₱55.459 Million during the year or 2.61% lower than the cost last year.

The following period, FY ending 1928, expenditures of the Bureau totaled to ₱937,865.14, an increase of 9.49% compared to previous year's expenditures. The cost was ₱1.62 per ₱100 revenue collected relating to ₱57.985 Million total collections during the period or an increase of 5.56% compared to last year's cost.

In FY ending 1929, the Bureau expended ₱915,737.26 which was 2.42% lower than the previous year's expenditures. The cost was ₱1.51 every ₱100 revenue collected concerning the total collections of ₱60.591 Million during the period or 7.28% lower than the previous year's cost.

In FY ending 1930, total expenditures was ₱980,240.64 or an increase of 6.58% compared to last year's expenditures. With the ₱55.883 Million total collections during the period, cost to collect every ₱100 revenue was ₱1.75 or an increase of 13.71% compared to last year's cost.

In FY ending 1931, total expenditures amounted to ₱881,837.68 or 11.16% lower than the previous year's expenditures. With the total collections of ₱50.087 Million during the period, the cost was ₱1.74 every ₱100 revenue collected or 0.57% lower than last year's cost.<sup>124</sup>

In FY ending 1932, expenditures of the Bureau totaled to ₱783,082.63, a decrease of 12.61% compared to expenditures last year. The

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<sup>124</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

cost was ₱1.66 per ₱100 revenue collected concerning ₱47.131 Million total collections during the year or 1.84% lower than the cost last year.

In FY ending 1933, total expenditures was ₱665,981.23 or 17.58% lower than the previous year's expenditures. Cost to collect was ₱1.63 per ₱100 revenue relating to total collections of ₱40.775 Million during the year or 1.84% lower than last year's cost.

In FY ending 1934, total expenditures reached to ₱672,247.73 or 0.93% higher than last year's expenditures. Cost to collect every ₱100 revenue was ₱1.49 pertaining to total collections of ₱45.159 Million during the period or 9.40% lower than the previous year's cost.<sup>125</sup> (Table 11)

**Table 11. Expenditures and Cost of Collecting ₱100  
FY 1923 – 1934**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1923	659,743.80		1.49	
1924	685,287.63	3.73	1.40	(6.43)
1925	804,121.80	14.78	1.50	6.67
1926	856,089.47	6.07	1.57	4.46
1927	848,888.86	(0.85)	1.53	(2.61)
1928	937,865.14	9.49	1.62	5.56
1929	915,737.26	(2.42)	1.51	(7.28)
1930	980,240.64	6.58	1.75	13.71
1931	881,837.68	(11.16)	1.74	(0.57)
1932	783,082.63	(12.61)	1.66	(4.82)
1933	665,981.23	(17.58)	1.63	(1.84)
1934	672,247.73	0.93	1.49	(9.40)

## PERSONNEL COMPLEMENT

The workforce of the Bureau in Fiscal Year (FY) ending 1924 totaled to 579 employees consisted of 277 regular and 302 temporary. An additional of 33 regular and 17 temporary employees or an increase of 8.64% compared to 529 employees of FY ending 1923.

<sup>125</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

In FY ending 1925, total workforce was 646 employees or 10.37% higher than the previous year's workforce. This number of employees comprised of 304 regular and 342 temporary.

In FY ending 1926, total workforce was 645 employees or a decrease of 0.16% compared to the previous year's workforce. 5 regular employees were hired, however, 6 temporary employees were separated from office.<sup>126</sup>

In FY ending 1927, the workforce of the Bureau totaled to 666 employees or an additional of 12 regular and 9 temporary. This showed an increase of 3.15% compared to last year's workforce.

In FY ending 1928, total workforce was 673 employees consisted of 323 regular and 350 temporary. An increase of 1.04% was noted or an additional of 7 employees - 2 regular and 5 temporary.<sup>127</sup>

In FY ending 1929, total workforce was 703 employees or an increase of 4.27% compared to workforce of last year. This number of employees consisted of 338 regular and 365 temporary.

The following period, FY ending 1930, the workforce of the Bureau totaled to 692 employees or a decrease of 1.15% compared to previous year's workforce. This number of employees consisted of 342 regular and 353 temporary.

In FY ending 1931, total workforce was 692 employees consisted of 354 regular and 338 temporary. This showed a decrease of 0.43% or a deduction of 3 employees compared to last year's workforce.

In FY ending 1932, total workforce was 672 employees comprised of 342 regular and 353 temporary. A decrease of 2.98% was noted or a deduction of 20 employees - 6 regular and 14 temporary.

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<sup>126</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 70*

<sup>127</sup> *Ibid.*

In FY ending 1933, total workforce was 638 employees or a decrease of 5.33% compared to workforce of the previous year. 34 employees were deducted from the total workforce - 19 regular and 15 temporary.

In FY ending 1934, the workforce of the Bureau totaled to 680 employees or an additional of 42 employees or 6.18% higher than the previous year's workforce. This number of employees comprised of 348 regular and 332 temporary.<sup>128</sup> (Table 12)

**Table 12. Number of Employees  
FY 1923 – 1934**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1923	529		
1924	579	50	8.64
1925	646	67	10.37
1926	645	(1)	(0.16)
1927	666	21	3.15
1928	673	7	1.04
1929	703	30	4.27
1930	695	(8)	(1.15)
1931	692	(3)	(0.43)
1932	672	(20)	(2.98)
1933	638	(34)	(5.33)
1934	680	42	6.18

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<sup>128</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 70*





*Alfredo L. Yatco*

**Collector of Internal Revenue**

(1934 – December 31, 1938)

## ALFREDO L. YATCO

Collector **Alfredo L. Yatco**, hailed from Tanawan, Batangas, entered the Bureau of Internal Revenue as Chief Clerk in 1917.<sup>129</sup> In 1934, he was appointed as Collector of the Bureau.

In 1938, he wrote an article entitled “Percentage Taxes” where he emphasized that the persons engaged in the sale at retail in public market places of domestic food products were exempted from the payment of the merchants fixed and percentage taxes.<sup>130</sup>

### GENERAL ADMINISTRATION

Collector Yatco, apart from implementing tax measures to efficiently generate collection, also monitored the collection of radio registration fees which was transferred from Bureau of Posts to the Bureau of Internal Revenue pursuant to Executive Order (E.O.) No. 44 approved on September 1, 1936. In addition, said E.O. prescribed that all functions and duties, personnel, books, records, equipment and other property of the Radio Regulation Division of the Bureau of Posts pertaining to the collection of radio registration fee should be transferred to the Bureau of Internal Revenue.<sup>131</sup>

In 1937, Revenue Regulations No. 95 was promulgated recognizing the need for creation of Provincial Inspection District and maintaining in each province a permanent internal revenue office with an agent in-charge who was then called Provincial Agent except in the province of Palawan, Batanes, Antique, Romblon, Abra, Isabela, Lanao, Bukidnon, Agusan, Sulu and Marinduque.<sup>132</sup>

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<sup>129</sup> *Rosenstock's Directory of China and Manila – Volume 23*, retrieved from <https://books.google.com.ph/books?id=8tRNAAYAAJ>, on 9/18/2015

<sup>130</sup> *The Philippine Journal of Commerce, Volume 14*, retrieved from <https://books.google.com.ph/books?id=jvvmAAAAMAAJ&q>, on 9/18/2015

<sup>131</sup> *Executive Order No. 44, s. 1936*, retrieved from <http://www.gov.ph/1936/06/30/executive-order-no-44-s-1936> on 8/22/2014

<sup>132</sup> *History of the Bureau of Internal Revenue and Tax Administration in the Philippines, 1981, Management Division, BIR*, p. 3

**ORGANIZATION**

Pursuant to the provisions of E.O. No. 44 dated October 27, 1923, the Radio Registration Division was created thru Memorandum Order No. 629 dated September 1, 1936.<sup>133</sup> (Chart 4)

**COLLECTION PERFORMANCE**

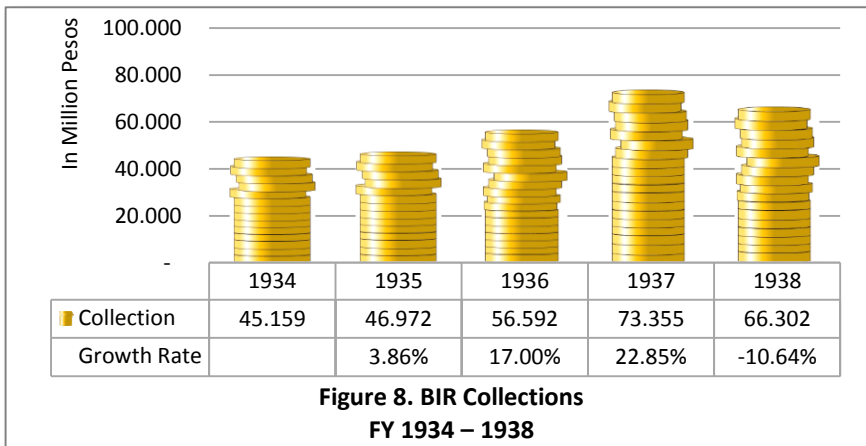
**A. Comparative Collection**

In Fiscal Year (FY) ending 1935, the Bureau was able to generate ₱46.972 Million collection, an increase of 3.86% over the previous year’s ₱45.159 Million.

In FY ending 1936, collection escalated to ₱56.592 Million or 17% higher than the previous year’s collection.

The following FY ending 1937, collection reached to ₱73.355 Million, 22.85% higher than the collection of the previous year.

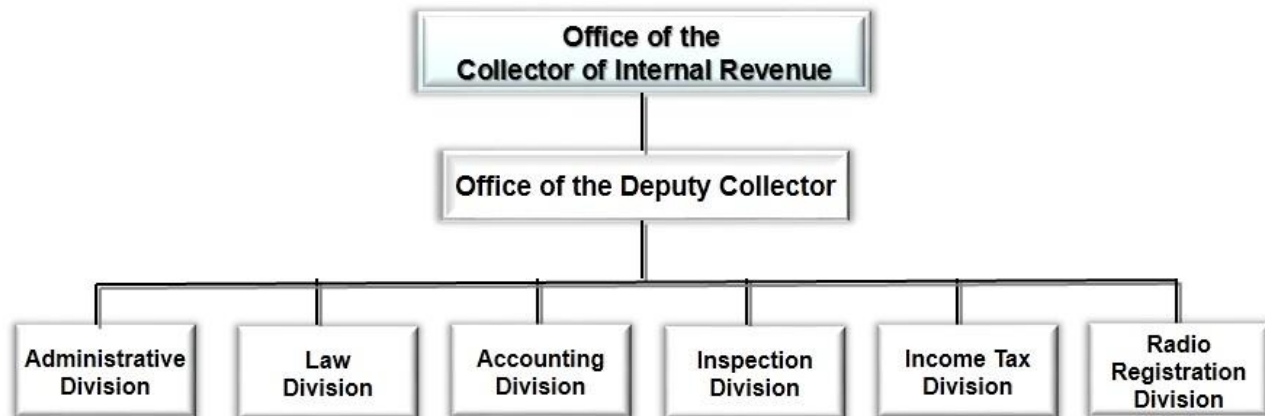
In FY ending 1938, collection reached ₱66.302 Million which was 10.64% less than the previous year’s collection.<sup>134</sup> (Figure 8)



<sup>133</sup> Memorandum Order No. 629 dated September 1, 1936

<sup>134</sup> Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75

Chart 4.  
**BIR ORGANIZATIONAL CHART**  
1936



Source: Memorandum Order No. 020 dated September 1, 1936 pursuant to the provisions of Executive Order No. 44 dated October 27, 1923

## B. Cost of Operations

The Bureau expended ₱674,045.39 in Fiscal Year (FY) ending 1935. This showed a slight increase of 0.27% compared to expenditures of FY ending 1934 amounting to ₱672,247.73. With the total collections of ₱46.972 Million during the period, the cost was ₱1.43 every ₱100 revenue collected or 4.20% lower than FY ending 1934's cost of ₱1.49.

The following period, FY ending 1936, expenditures of the Bureau totaled to ₱712,489.06 or 5.40% higher than the previous year's expenditures. Cost to collect concerning the ₱56.592 Million total collections during the period was ₱1.26 every ₱100 revenue or 13.49% lower than the previous year's cost.

In FY ending 1937, total expenditures reached ₱972,514.79 or an increase of 26.74% compared to expenditures last period. The cost was ₱1.33 per ₱100 revenue collected pertaining to total collections of ₱73.355 Million during the year or 5.26% higher than previous year's cost.

In FY ending 1938, total expenditures amounted to ₱1,169,714.26. As compared to previous year's expenditures, an increase of 16.86% was noted. With ₱66.302 Million total collections during the year, the cost to collect per ₱100 revenue was ₱1.77 or an increase of 24.86%.<sup>135</sup> (Table 13)

**Table 13. Expenditures and Cost of Collecting ₱100  
FY 1934 – 1938**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1934	672,247.73		1.49	
1935	674,045.39	0.27	1.43	(4.20)
1936	712,489.06	5.40	1.26	(13.49)
1937	972,514.79	26.74	1.33	5.26
1938	1,169,714.26	16.86	1.77	24.86

<sup>135</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

**PERSONNEL COMPLEMENT**

Total workforce of the Bureau in Fiscal Year (FY) ending 1935 remained the same as the workforce during FY ending 1934 with 680 employees. This number of employees comprised of 350 regular and 330 temporary.

In FY ending 1936, total workforce was 695 employees consisted of 349 regular and 346 temporary or 1.73% higher than the previous year’s workforce.

In FY ending 1937, total workforce reached to 930 employees consisted of 516 regular and 414 temporary. An increase of 25.27% was noted or an additional of 235 employees - 167 regular and 68 temporary

In FY ending 1938, workforce of the Bureau totaled to 1,047 employees consisted of 660 regular and 387 temporary or 11.17% higher than the workforce last year. 144 employees were added to regular, however, 27 employees were deducted from temporary.<sup>136</sup> (Table 14)

**Table 14. Number of Employees  
FY 1934 – 1938**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1934	680		
1935	680	-	0.00
1936	695	15	1.73
1937	930	235	25.27
1938	1,047	117	11.17

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<sup>136</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 70*

# CHAPTER IV

## JAPANESE OCCUPATION



*Bibiano L. Meer*

**Collector of Internal Revenue**

**(January 3, 1939 – March 13, 1944)**



**BIBIANO L. MEER**

Collector **Bibiano L. Meer** graduated from Batangas High School in 1914, after taking the first and second courses in Manila High School. He then entered the University of the Philippines where he received his first degree of Bachelor of Arts in 1916. Then he entered the College of Law of the same University where he distinguished himself not only as a student but also as a debater and orator. In 1918, while a sophomore, he copped the first prize in the regular annual oratorical contest, and for this achievement, the late President Manuel L. Quezon pinned on him the Carson Gold Medal for excellence in oratory. He graduated from College of Law in 1920 and passed the Bar on the same year. Much later, he also received the degrees of Master of Laws and Doctor of Civil Law from the University of Sto. Tomas with highest honors.

Collector Meer was a working student since the year 1918, after passing the first grade Civil Service examination. His first assignment was that of a Clerk in the Office of the Governor General. In 1920, he transferred to the Bureau of Internal Revenue where, after a few months of service as Action Clerk, he became the Assistant Chief of the Law Division. In 1922, he became Chief of the same Division. He wrote the first book on internal revenue, entitled "The Internal Revenue Laws of the Philippine Islands, Annotated," which was published in 1925 by the Lawyers' Cooperative Publishing Co. and which for many years had been extensively used by the bench and the bar, government offices, students, and businessmen.<sup>137</sup>

In 1937, he was appointed as Deputy Collector of Internal Revenue. This was the position that he was holding when he was designated by then Secretary Finance Manuel Roxas, as Executive Officer of the Tax Commission, which drafted the National Internal Revenue Code.

Upon the recommendation of Secretary Roxas, President Manuel L. Quezon appointed Bibiano L. Meer as Collector of Internal Revenue, which position he occupied for eleven (11) years, except for that short period after

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<sup>137</sup> *The Philippine Tax Journal*, Vol. I, July to December, 1956, p. 1102-1103

the Liberation when he chose to engage in business and in the practice of law.<sup>138</sup>

During the Japanese Occupation (1942-1945), Customs and BIR were combined. Thus, on February 5, 1942 to March 13, 1944, Collector Meer served as Director of Customs and Internal Revenue.<sup>139</sup>

## GENERAL ADMINISTRATION

Collector Meer implemented various strategies and enforced various tax laws to increase revenue collections as follows:

- Commonwealth Act No. 466, “An act to revise, amend and codify the Internal Revenue Laws of the Philippines”, otherwise known as the National Internal Revenue Code was approved on June 15, 1939 and made effective on July 1, 1939, constituted a complete codification of all Internal Revenue Laws, with the exception of the Residence Tax law. The source of internal revenue of the Philippine Government were listed in Section 18 of said Act, to wit:

*The following taxes, fees and charges are deemed to be national revenue taxes:*

*(a) Income tax*

*(b) Estate, inheritance and gift taxes*

*(c) Specific taxes on certain articles*

*(d) Privilege (license) taxes on business and occupation*

*(e) Documentary stamp taxes*

*(f) Mining taxes*

*(g) Miscellaneous taxes, fees and charges, namely taxes on banks and insurance companies, franchise taxes, taxes on amusements, charges on forest products, fees for sealing weights and measures, firearms license fees, radio registration fees, tobacco inspection fees and water rentals.”<sup>140</sup>*

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<sup>138</sup> *The Philippine Tax Journal*, Vol. I, July to December, 1956, pp. 1102-1103

<sup>139</sup> *Philippine Revenue Journal*, 75<sup>th</sup> Anniversary 1904-1979, p. 11

<sup>140</sup> Commonwealth Act No. 466, retrieved from <http://www.gov.ph/1939/06/15/commonwealth-act-no-466/> on 8/26/2014

Arnold H. Warren, in his studies wrote that Commonwealth Act No. 466 abolished the sales tax which had been in force since 1904, and created percentage taxes to replace the sales tax. The percentage tax was paid only once on the original sale of goods subject thereto by the manufacturer, producer or importer. This eliminated the principal objection to the old sales tax – that it was paid several times on the same article. A “compensating tax” equal to the percentage tax paid by importers on their original sales of imported goods of the same class, was levied at the customs house or at the post office on goods imported by individuals for their personal use when the value of such goods exceeds fifty pesos for any single shipment. This was done to protect the importers from “unfair” competition and to prevent loss of revenue to the government. For the purpose of assessing the percentage tax, merchandise was divided into three classes.<sup>141</sup>

A percentage tax of ten (10) per cent of the gross sales value was collected on the first class merchandise sold in the Philippines, consisting of jewelry, precious and semiprecious stones, perfumes, cosmetics and certain other articles. A percentage tax of five (5) per cent was collected on the second class, consisting of automobiles, watches and clocks exceeding ₱20 each in value, field glasses, cameras, certain sporting goods, beauty parlor equipment, household type refrigerators operated by electricity, gas, kerosene or other means, musical instruments, phonographs and records, ammunition, and certain other specified articles. A percentage tax of three and a half (3 ½) per cent was collected on the third class, consisting of all merchandise not included in the first two classes and not specifically exempted from the percentage tax. Goods which were exempted from the percentage tax were: those subject to specific taxes, agricultural products and ordinary salt when sold in the Philippines; articles imported into the Philippines and re-exported in their original state by the importer.

A percentage tax of one and a half (1 ½) per cent was levied upon the value of the output of rope factories, raw sugar factories and sugar refineries, rice mills, coconut oil mills, corn mills and desiccated coconut

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<sup>141</sup> Arnold H. Warren’s *Unpublished Studies on Philippine Revenues, Chapter 20 – Internal Revenue Stamps*, p. 4, retrieved from <http://www.philippinephilatelist.net/Reading/Revenues/warren/chapter21/c20p4.html> on 8/7/2014

factories, whether such output was sold locally or abroad; provided that if the raw sugar was sold to a Philippine refinery such raw sugar is exempt from the percentage tax which is paid by the refinery upon the refined products thereof. A percentage tax of 1-1/2% was levied upon the gross receipts of contractors engaged in the construction of roads, buildings, irrigation works, artisan wells, waterworks, and other construction work; upon the gross receipts of the proprietors or operators of dockyards, laundries, hotels, engraving plants, foundries, repair shops and other specified business enterprises whose service or product is usually sold direct to the ultimate consumer; upon the gross receipts of carriers and keepers of garages; and upon merchandise sold abroad by the manufacturer or producer thereof.<sup>142</sup>

- Commonwealth Act No. 465, “An Act to impose a residence tax” which was promulgated and took effect on January 1, 1940. Section 8 of said Act provided that “The taxes herein prescribed shall be collected by the provincial or city treasurers and their deputies. All collections shall be remitted by the treasurer concerned to the Collector of Internal Revenue and shall be allotted in the following proportions by the said Collector among the provinces, cities, municipalities, and municipal districts on the basis of population as shown by the latest official census:

- One-fourth (1/4) to the general funds of the provinces. A sub-province shall receive its proportionate share of the proceeds allotted to the province;
- One-fourth (1/4) to the general funds of the cities, municipalities and municipal districts; and
- Two-fourths (2/4) to the school fund of the cities, municipalities and municipal districts.”<sup>143</sup>

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<sup>142</sup> Arnold H. Warren’s *Unpublished Studies on Philippine Revenues, Chapter 20 – Internal Revenue Stamps*, p. 4, retrieved from <http://www.philippinephilatelist.net/Reading/Revenues/warren/chapter21/c20p4.html> on 8/7/2014

<sup>143</sup> Commonwealth Act No. 465, Section 8, retrieved from <http://www.chanrobles.com/commonwealthacts/commonwealthactno465.html> on 10/30/2014

## ORGANIZATION

As provided in Section 2 of Commonwealth Act No. 466, the BIR shall have one (1) Chief and one (1) Assistant Chief to be known, respectively, as the Collector of Internal Revenue and the Deputy Collector of Internal Revenue.<sup>144</sup>

In Section 8 of the same Act, it provided that, “With the approval of the Department Head, the Collector of Internal Revenue shall divide the Philippines into such number of inspection districts as may from time to time be required for administrative purposes. Each of these districts shall be under the supervision of a provincial revenue agent.”<sup>145</sup>

In 1940 the Bureau was transferred to the newly constructed neo-classic Department of Finance Building at the back of the Luneta Park and was forced to transfer at the Wilson Building at Calle Renta in Binondo in the advent of World War II in 1941.<sup>146</sup>

## COLLECTION PERFORMANCE

### A. Comparative Collection

In Fiscal Year (FY) ending 1939, the Bureau collected ₱38.069 Million which decreased last year’s collection of ₱66.302 Million by negative 74.16%.

In FY ending 1940, collection escalated to ₱74.538 Million, 48.93% higher than the collection of the previous year.

In FY ending 1941, collection was ₱80.435 Million, increasing by 7.33% the previous year’s collection.<sup>147</sup> (Figure 9)

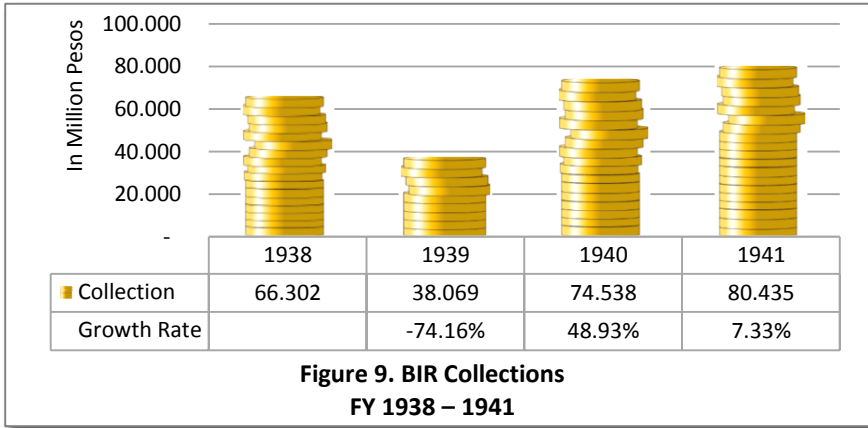
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<sup>144</sup> *Commonwealth Act No. 466, Section 2, retrieved from <http://www.gov.ph/1939/06/15/commonwealth-act-no-466/on-8/26/2014>*

<sup>145</sup> *Ibid., Section 8*

<sup>146</sup> *BIR, Philippine Revenue Journal (Anniversary Issue, BIR in 81 Years, 1904-1985), pp. 9-10*

<sup>147</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*



No recorded collection was available during the period 1942-1945 due to Japanese Occupation.<sup>148</sup>

### B. Cost of Operations

The expenditure of the Bureau in Fiscal Year (FY) ending 1939 was ₱582,246.39 or a decrease of 100.90% from the ₱1,169,714.26 expenditures in FY ending 1938. With the total collections of ₱38.069 Million during the period, the cost to collect per ₱100 revenue was ₱1.53 or 15.69% higher than the FY ending 1938's cost of ₱1.77.<sup>149</sup>

The following FY ending 1940, total expenditures reached ₱1.380 Million or 57.81% higher than the previous year's expenditures. The cost was ₱1.85 every ₱100 revenue collected pertaining to ₱74.538 Million total collections during the year or an increase of 17.30% compared to previous year's cost.

In FY ending 1941, total expenditures amounted to ₱1.457 Million or an increase of 5.31% compared to last year's expenditures. Cost to collect

<sup>148</sup> BIR, *Philippine Revenue Journal (Anniversary Issue, BIR in 81 Years, 1904-1985)*, p. 10

<sup>149</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958*, p. 75

per ₱100 was ₱1.81 concerning ₱80.435 Million total collections during the period or a decrease of 2.21% compared to last year’s cost.<sup>150</sup> (Table 15)

**Table 15. Expenditures and Cost of Collecting ₱100  
FY 1938 – 1941**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1938	1,169,714.26		1.77	
1939	582,246.39	(100.90)	1.53	(15.69)
1940	1,380,033.06	57.81	1.85	17.30
1941	1,457,408.49	5.31	1.81	(2.21)

**PERSONNEL COMPLEMENT**

Total workforce of the Bureau in Fiscal Year (FY) ending 1939 was 1,054 employees consisted of 669 regular and 385 temporary. This number of employees showed an increase of 0.66% compared to workforce in FY ending 1938.

In FY ending 1940, total workforce was 1,236 employees or an increase of 14.72% compared to last year’s workforce or an additional of 182 employees – 142 regular and 40 temporary.

In FY ending 1941, workforce of the Bureau decreased by 0.32% from last year’s workforce or totaled to 1,232 employees comprised of 900 regular and 332 temporary.<sup>151</sup> (Table 16)

**Table 16. Number of Employees  
FY 1938 – 1941**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1938	1,047		
1939	1,054	7	0.66
1940	1,236	182	14.72
1941	1,232	(4)	(0.32)

<sup>150</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

<sup>151</sup> *Ibid., p. 70*



*Jose Leido, Sr.*

**Collector of Internal Revenue**

(April 19, 1945 – June 27, 1946)



## JOSE LEIDO, SR.

Collector **Jose Leido, Sr.** finished primary and intermediate schools at the head of his class. He graduated from Manila High School in 1913 with high honors. He took up law at the University of Manila (formerly National Law College) where he graduated in 1921 with honor. In the same year, he was admitted to the bar. He taught commercial laws in the University of Manila, his Alma Mater, from 1922 to 1941.

In 1936, he studied at the University of Santo Tomas where he obtained the degree of Master of Laws meritissimus. Not satisfied with this, he took up the degree of Doctor of Civil Laws from the same university in 1937, with the same honor.<sup>152</sup>

Even while he was studying in the College of Law, Collector Leido worked as Clerk in the Bureau of Education from 1916 to 1919. From there, he transferred to the Bureau of Internal Revenue where he occupied various positions from Law Clerk to Chief of the Law Division, Chief of the Income Tax Division and, finally, Collector of Internal Revenue.<sup>153</sup>

## GENERAL ADMINISTRATION

Collector Leido, during the post-war in the Philippine Islands, was able to administer the collection of taxes but no particular reforms or programs was introduced as the government has to undergo rehabilitation caused by war.

On August 15, 1945, the government of the Commonwealth of the Philippines had been re-established in the islands. However, for the time being, the Philippine administration remained in the hands of the United States Army, since the islands were the principal base for the impending attack on Japan, and the Commonwealth Government, which was without money and without real authority, had remained little more than a

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<sup>152</sup> *The Philippine Tax Journal, Vol. I, July to December, 1956, p. 814*

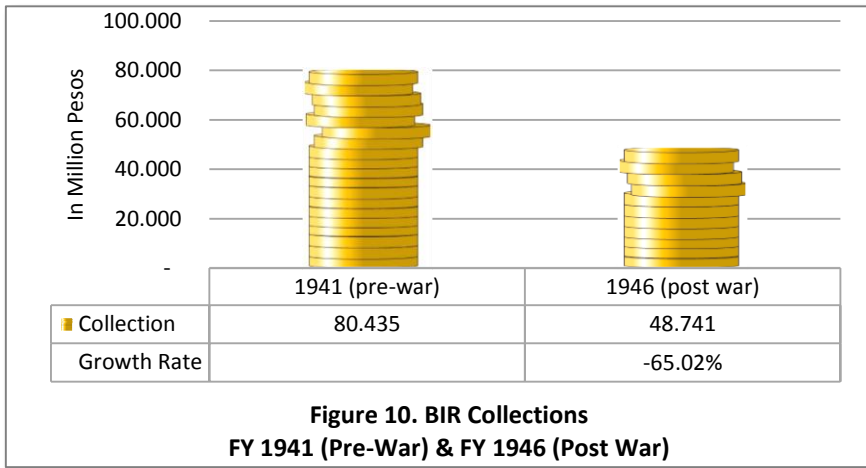
<sup>153</sup> *Ibid., p. 890*

spectator of events. The burden of responsibility still laid to a great extent on the shoulders of the United States even after the surrender of Japan.<sup>154</sup>

## COLLECTION PERFORMANCE

### A. Comparative Collection

The Bureau was able to collect ₱48.741 Million in Fiscal Year (FY) ending 1946. This collection was 65.02% less than the collection of FY ending 1941 which was ₱80.435 Million.<sup>155</sup> (Figure 10 shows the collection data in FY ending 1946 (post war) compared to the data during the pre-war period.)



### B. Cost of Operations

The Bureau expended ₱1.652 Million in Fiscal Year (FY) ending 1946 which was 11.80% higher than the expenditures of ₱1.457 Million during FY ending 1941. With the total collections of ₱48.741 Million during the year,

<sup>154</sup> *Southeast Asia Colonial History*, Edited by Paul H. Kratoska, retrieved from <https://books.google.com.ph/books?id=W5gV6wSJL4MC&pg=PA279&dq=southeast+asia+colonial+history+the+philippines+by+Paul+H.+Kratoska> on 6/26/2015

<sup>155</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958*, p. 75

the cost per ₱100 revenue collected was ₱3.39 or 46.61% higher than the cost of ₱1.81 in FY ending 1941.<sup>156</sup> (Table 17)

**Table 17. Expenditures and Cost of Collecting ₱100  
FY 1941 (Pre-War) and FY 1946 (Post War)**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1941 (Pre-war)	1,457,408.49		1.81	
1946 (Post war)	1,652,335.51	11.80	3.39	46.61

## PERSONNEL COMPLEMENT

Total workforce of the Bureau for Fiscal Year (FY) ending 1946 was 949 employees consisted of 690 regular and 259 temporary. As compared to FY ending 1941 which was 1,232, a decrease of 29.82% was noted or a deduction of 283 employees.<sup>157</sup> (Table 18)

**Table 18. Number of Employees  
FY 1941 (Pre-War) and FY 1946 (Post War)**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1941 (Pre-war)	1,232		
1946 (Post war)	949	(283)	(29.82)

<sup>156</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

<sup>157</sup> *Ibid.*, p. 70

# CHAPTER V

## PHILIPPINE INDEPENDENCE



*Bibiano L. Meer*

**Collector of Internal Revenue**

**(Reappointed – June 28, 1946 – October 4, 1950)**

## BIBIANO L. MEER

**Bibiano L. Meer** was reappointed as Collector of Internal Revenue on June 28, 1946.<sup>158</sup> (*His profile can be browsed on pages 68 and 69 of this Chronicle.*)

### GENERAL ADMINISTRATION

Collector Meer, on his second term in the Bureau, enforced salutary developments for the government to gradually regenerate internal revenue collections.

The Philippines became a fully independent Republic on July 4, 1946.<sup>159</sup> With its devastated economy brought about by World War II, tax exemption privileges were granted to new and necessary industries for the development of the nation which signaled the start of an “incentive” system in the Philippines,<sup>160</sup> thru Republic Act No. 35 – “An Act authorizing the exemption of new and necessary industries from the payment of internal revenue taxes” approved on September 30, 1946.<sup>161</sup>

Section 1 of said Act provided that, “Any person, partnership, company or corporation who or which shall engage in a new and necessary industry shall, from a period of four years from the date of the organization of such industry, be entitled to exemption for the payment of all internal revenue taxes directly payable by such person, partnership, company or corporation in respect to said industry.”<sup>162</sup>

On the same year, Republic Act No. 55 – “An Act to impose a war profits tax” was approved and was made effective upon its approval. Said Act imposed tax on the increase of net worth of individual, partnership,

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<sup>158</sup> *BIR, Philippine Revenue Journal, 75<sup>th</sup> Anniversary 1904-1979, p. 11*

<sup>159</sup> *Bell Trade Act, retrieved from <http://www.britannica.com/EBchecked/topic/59708/Bell-Trade-Act#ref232953> on 10/30/2014*

<sup>160</sup> *Philippine Revenue Journal (Anniversary Issue – BIR in 81 Years – 1904-1985), p. 10*

<sup>161</sup> *Republic Act No. 35, retrieved from <http://philippinelaw.info/statutes/ra35.html> on 6/25/2015*

<sup>162</sup> *Ibid., Section 1*

company or corporation from the period covering December 8, 1941 to February 26, 1945.<sup>163</sup>

The impact of the law fell on those who amassed wealth or increased their wealth during the war, but did not touch the less fortunate.<sup>164</sup>

## ORGANIZATION

After the Japanese Occupation in 1946, the Bureau was reorganized and had its residence in a two-story Spanish building along Calle Arlegui in Quiapo.<sup>165</sup>

On September 25, 1946, a Tax Data Unit was created thru Memorandum Order (MO) No. 59. This unit was composed of the personnel from the Income Tax Division, Inspection Division, Miscellaneous Tax Division and Secret Service Unit. Activities of which was supervised by the Chief of Income Tax Division.<sup>166</sup>

On October 25, 1947, thru Revenue Regulations No. V-2, the Philippines was divided into thirty-one (31) inspection units, each under the charge of a provincial revenue agent, with the exception of Inspection Unit Nos. 29, 30, 31 which were considered special units to be under the supervision of a city revenue agent, a supervisor of distilleries and a supervisor of tobacco factories, respectively.<sup>167</sup>

Pursuant to the provisions of Section 60 of Executive Order No. 94 thru MO No. V-99 dated October 28, 1947, the Records Section of Income Tax and Miscellaneous Tax Divisions and all the employees working in said

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<sup>163</sup> Republic Act No. 55, retrieved from [http://www.lawphil.net/statutes/repacts/ra1946/ra\\_55\\_1946.html](http://www.lawphil.net/statutes/repacts/ra1946/ra_55_1946.html) on 10/29/2014

<sup>164</sup> Maria Clara Lopez-Campos, *Taxation-War Profits Tax*, p. 97, *Philippine Law Journal*, retrieved from <http://plj.ipd.edu.ph/wp-content/uploads/plj/PLJ%20volume%2032/PLJ%20volume%2032%20number%201/PLJ%20volume%2032%20number%201%20-05%20Maria%20Clara%20Lopez-Campos%20-%20Taxation.pdf> on 6/25/2015

<sup>165</sup> BIR, *Philippine Revenue Journal (Anniversary Issue – BIR in 81 Years – 1904-1985)*, p. 10

<sup>166</sup> Memorandum Order No. 59 dated September 25, 1946

<sup>167</sup> Revenue Regulations No. V-2 dated October 25, 1947

sections were transferred to Records Section under Administrative Division. All the records of the Bureau of Internal Revenue were placed under the charge and custody of the said division.<sup>168</sup> (Chart 5)

On October 29, 1947, the Accounting Division was transferred to the Accounting and Statistical Division as Expense Accounts Section pursuant to MO No. V-100.<sup>169</sup>

The BIR was transferred to the Legislative Building in 1948, then to the Port Area in 1949. In 1950 after the renovation of the Finance Building, the BIR acquired its permanent residence in the said building.<sup>170</sup>

On August 1, 1950, pursuant to RR No. V-5 amending RR No. V-2, the Philippines was divided into thirty-three (33) Inspection Units. Each units were under the charge of a provincial revenue agent, with the exemption of Inspection Unit Nos. 31, 32 and 33 which were considered as special units under the supervision of a city revenue agent, a supervisor of distilleries and a supervisor of tobacco factories.<sup>171</sup>

## COLLECTION PERFORMANCE

### A. Comparative Collection

In Fiscal Year (FY) ending 1947, the Bureau generated ₱173.303 Million, a huge increase in collection of 255.56% compared to ₱48.741 Million over FY ending 1946.

In FY ending 1948, collection reached ₱263.023 Million, a 51.77% increase as compared to collections in FY ending 1947.<sup>172</sup>

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<sup>168</sup> Memorandum Order No. V-99 dated October 28, 1947

<sup>169</sup> Memorandum Order No. V-100 dated October 29, 1947

<sup>170</sup> BIR, *Philippine Revenue Journal (Anniversary Issue – BIR in 81 Years – 1904-1985)*, p. 10

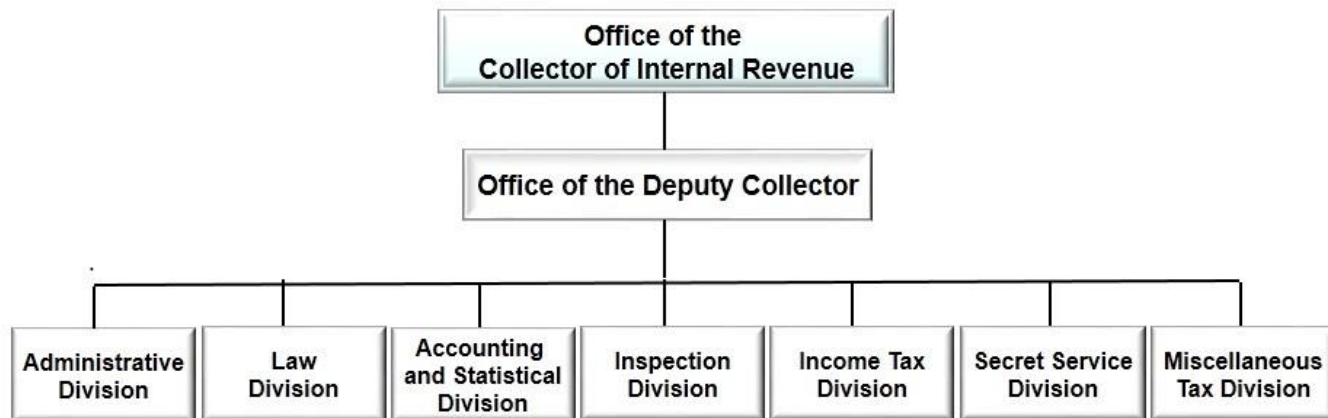
<sup>171</sup> Revenue Regulations No. V-5 dated August 1, 1950

<sup>172</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958*, p. 75



Chart 5.  
**BIR ORGANIZATIONAL CHART**

October 28, 1947

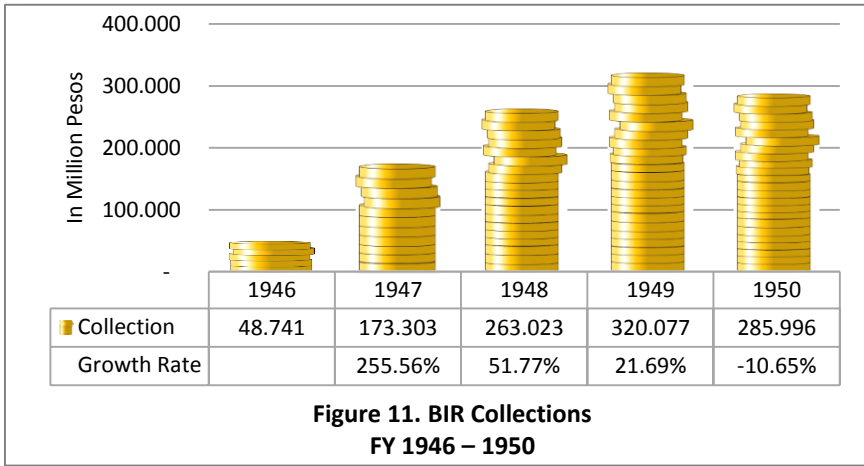


Source: Executive Order No. 94, Manila. 1947

Memorandum Order No. V-99 dated October 28, 1947 of Collector of Internal Revenue Bibiano L. Meer

The following FY ending 1949, ₱320.077 Million was collected by the Bureau or 21.69% higher than the preceding year.

In FY ending 1950, collection amounted to ₱285.996 Million was generated, a slight decline of 10.65% against the previous year’s collection.<sup>173</sup> (Figure 11)



**B. Cost of Operations**

Total expenditures of the Bureau in Fiscal Year (FY) ending 1947 reached ₱1.509 Million. A decrease of 9.50% compared to FY ending 1946’s expenditures of ₱1.652 Million was noted. With the ₱173.303 Million total collections during the year, the cost to collect was ₱0.87 per ₱100 revenue or a decrease of 289.66% compared to FY ending 1946’s cost of ₱3.39.

The following period, FY ending 1948, ₱2.309 Million was expended by the Bureau which was 34.66% higher than the previous year’s expenditures. With the total collections of ₱263.023 Million during the period, the cost was ₱0.88 per ₱100 revenue collected or 1.14% higher than last year’s cost.<sup>174</sup>

<sup>173</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

<sup>174</sup> *Ibid.*

In FY ending 1949, total expenditures amounted to ₱2.518 Million or 8.28% higher than last year’s expenditures. Cost to collect every ₱100 revenue was ₱0.78 concerning ₱320.077 Million total collections during the year or 12.28% lower than the previous year’s cost.

In FY ending 1950, total expenditures was ₱2.685 Million or an increase of 6.23% compared to previous year’s expenditures. The cost was ₱0.94 every ₱100 revenue collected pertaining to ₱285.996 Million total collections during the period or 17.02% higher than last year’s cost.<sup>175</sup> (Table 19)

**Table 19. Expenditures and Cost of Collecting ₱100  
FY 1946 – 1950**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1946	1,652,335.51		3.39	
1947	1,509,010.00	(9.50)	0.87	(289.66)
1948	2,309,568.16	34.66	0.88	1.14
1949	2,518,054.35	8.28	0.78	(12.82)
1950	2,685,248.75	6.23	0.94	17.02

**PERSONNEL COMPLEMENT**

Total workforce of the Bureau in Fiscal Year (FY) ending 1947 reached to 1,076 employees comprised of 786 regular and 290 temporary. This number of employees showed an increase of 11.80% compared to workforce of 949 employees in FY ending 1946.

In FY ending 1948, workforce of the Bureau totaled to 1,182 employees consisted of 948 regular and 234 temporary. An increase of 8.97% was noted compared to last year’s workforce.<sup>176</sup>

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<sup>175</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

<sup>176</sup> *Ibid., p. 71*

In FY ending 1949, total workforce was 1,215 employees or 2.72% higher than the workforce of the previous year. This number of employees comprised of 960 regular and 255 temporary.

In FY ending 1950, workforce of the Bureau numbered to 1,251 employees which was 2.88% higher than last year's workforce. This number of employees consisted of 978 regular and 278 temporary.<sup>177</sup> (Table 20)

**Table 20. Number of Employees  
FY 1946 – 1950**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1946	949		
1947	1,076	127	11.80
1948	1,182	106	8.97
1949	1,215	33	2.72
1950	1,251	36	2.88

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<sup>177</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 71*



*Saturnino David*

**Collector of Internal Revenue**  
(October 5, 1950 – January 13, 1954)

## SATURNINO DAVID

Collector ***Saturnino David*** earned his Bachelor of Laws degree from the Philippine Law College. A career public servant, he was the Municipal Treasurer of Baguio City, and served as Provincial Treasurer of Bohol, Laguna, and Cavite. He was the Provincial Treasurer of Batangas when he was appointed as Collector of Internal Revenue under the administration of President Elpidio Quirino.<sup>178</sup>

### GENERAL ADMINISTRATION

Shortly before Collector David's assumption as head of the BIR, Republic Act (RA) No. 590, "An Act to amend certain section of Commonwealth Act No. 466, as amended, otherwise known as the National Internal Revenue Code, and to add title II thereof a supplement providing for the withholding of the income tax on wages and for other purposes" was approved on September 22, 1950. On account of said RA, strict monitoring was implemented. Some of the salient features of RA No. 590 were as follows:<sup>179</sup>

Section 1 of the RA No. 590 amended Section 21 of Commonwealth Act (CA) No. 466, as amended by RA No. 82 provided for the amended rates to be levied, assessed, collected and paid annually upon the entire net income received in the preceding taxable year from all sources by every individual, a citizen or resident of the Philippines. Rate ranges from 5% per annum upon the amount by which such total net income does not exceed ₱2,000. The rate shall be sixty (60) per cent per annum upon the amount by which such total income exceeds ₱500,000.<sup>180</sup>

Section 3 of RA No. 590 amended Section 23 of CA No. 466 provided for the amount of personal exemptions allowable to individuals as follows:

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<sup>178</sup> Data gathered was based on interview with Ms. Lucila Leonisa T. Bueno, PMS, BIR on May 20, 2015

<sup>179</sup> Republic Act No. 590, retrieved from <http://www.lawcenter.ph/law-library/laws/republic-acts/republic-act-no-590> on 8/22/2014

<sup>180</sup> *Ibid.*, Section 1

(a) Personal exemption of single individuals. – The sum of one thousand eight hundred pesos (₱1,800), if the person making the return is a single person or a married person legally separated from his or her spouse.

(b) Personal exemption of married persons or heads of family. – The sum of three thousand pesos (₱3,000), if the person making the return is a married man with a wife not legally separated from him or a married woman with a husband not legally separated from her, or the head of a family. Provided, that only one exemption of three thousand pesos (₱3,000) shall be made from the aggregate income of both husband and wife when not legally separated. For the purpose of this section, the term ‘head of a family’ includes an unmarried man or woman with one or both parents, or one or more brothers or sisters, or one or more legitimate, recognized natural, or adopted children dependent upon him or her for their chief support where such brothers, sisters, or children are less than twenty-one years of age or where such children are incapable of self-support because mentally or physically defective.

(c) Additional exemption for dependents. – The sum of six hundred pesos (₱600) for each legitimate, recognized natural, or adopted child wholly dependent upon the taxpayer, if such dependents are under twenty-one years of age or incapable of self-support because mentally or physically defective. The additional exemption under this subsection shall be allowed only if the person making the return is the head of the family.<sup>181</sup>

(d) Change of status. – if the status of the taxpayer insofar as it affects the personal and additional exemption for himself or his dependents, changes during the taxable year by reason of his death, the amount of the personal and additional exemptions shall be apportioned, under rules and regulations prescribed by the Secretary of Finance, in accordance with the number of months

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<sup>181</sup> Republic Act No. 590, Section 3, retrieved from <http://www.lawcenter.ph/law-library/laws/republic-acts/republic-act-no-590> on 8/22/2014

before and after such change. For the purpose of such apportionment a fractional part of a month shall be disregarded unless it amounts to more than half a month, in which case it shall be considered as a month.<sup>182</sup>

Section 4 of RA No. 590 amended Section 24 of CA No. 466 provided a tax of sixteen (16) per cent upon such income; and a like tax shall be levied, assessed, collected, and paid annually upon the total net income received in the preceding taxable year from all sources within the Philippines by every corporation organized, authorized, or existing under the laws of any foreign country.<sup>183</sup>

Section 5 of RA No. 590 amended Section 30 of CA No. 466, as amended, was further amended by adding a new subscription as follows:

“(j) Optional standard deduction. – In lieu of the deductions allowed under this section, an individual, other than a nonresident alien, may elect a standard deduction. Such optional standard deduction shall be in the amount of one thousand pesos (₱1,000) or in an amount equal to ten (10) per centum of his gross income, whichever is the lesser. Unless the taxpayer signifies in his return his intention to elect the optional standard deduction he shall be considered as having availed himself of the deductions allowed in the preceding subsection. The Secretary of Finance shall prescribe the manner of the election. Such election when made in return shall be irrevocable for the taxable year for which the return is made.”<sup>184</sup>

Section 8 of RA No. 590 amended Section 54 of CA No. 466 as amended by RA No. 82 was further amended to read as follows:

“Section 54. Payment of Corporation Income Tax at Source – In the case of foreign corporations subject to taxation under this Title not engaged in trade or business within the Philippines and not having

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<sup>182</sup> Republic Act No. 590, Section 3, retrieved from <http://www.lawcenter.ph/law-library/laws/republic-acts/republic-act-no-590> on 8/22/2014

<sup>183</sup> *Ibid.*, Section 4

<sup>184</sup> *Ibid.*, Section 5



any office or place of business therein, there shall be deducted and withheld at the source in the same manner and upon the same items as is provided in Section 53 a tax equal to eighteen (18) per centum thereof, and such tax shall be returned and paid in the same manner and subject to the same conditions as provided in that section.”<sup>185</sup>

On March 16, 1951, the Unit Record Machines in the Bureau was installed using the International Business Machines (IBM) 405 Accounting Machines which was used to index quarterly withholding tax returns. The following year, 1952, aside from the quarterly withholding tax returns, the IBM Unit started processing the income tax returns and further made to include the setting up of accounts receivable in 1953 from which an Annual List of Delinquent Taxpayers was regularly prepared.<sup>186</sup>

## ORGANIZATION

A Withholding Tax Unit, was created to carry out the provisions of the new law under RA No. 590 and it collected approximately twenty five (25) per cent of the total income tax collection during year 1952. This was placed under the Income Tax Division of the Assessment Department thru Memorandum Order No. V-188 dated January 26, 1951.<sup>187</sup>

By virtue of Executive Order No. 392 series of 1951, the Intelligence Division was organized. Its creation was recommended by the Bell Mission and began functioning in the latter part of March 1951. The function of this Division were: 1) gathering of evidence in cases of fraud upon the revenue, whether on the part of taxpayers or employees or both; 2) investigation of violations by employees; and 3) preparation and presentation of fraud cases for prosecution.<sup>188</sup>

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<sup>185</sup> Republic Act No. 590, Section 8, retrieved from <http://www.lawcenter.ph/law-library/laws/republic-acts/republic-act-no-590> on 8/22/2014

<sup>186</sup> BIR, *Philippine Revenue Journal (Anniversary Issue, BIR in 71 Years, 1904-1975)*, p. 6

<sup>187</sup> Memorandum Order No. V-188 dated January 26, 1951

<sup>188</sup> *Forty-Fifth Annual Report of the Collector of Internal Revenue for the Fiscal Year from July 1, 1951 to June 30, 1952*, S. David, pp. 59-60

On September 12, 1951, the Field Division was created thru Memorandum Order (MO) No. V-246.<sup>189</sup>

The Tobacco Inspection Service was transferred under the Miscellaneous Tax Division to Business Tax Division thru MO No. 277 dated March 3, 1952.<sup>190</sup>

On July 1, 1952, the Field Collection Division was created to achieve greater efficiency in the collection of taxes, organized a corps of agents and examiners headed by supervisors of accounts and collections to launch rigid and extensive tax collection campaigns.<sup>191</sup>

On July 1, 1953, three (3) new departments were created, the Legal, Assessment and Collection which took effect on July 1, 1953 upon the recommendation made by the Economic Survey Mission (also known as the Bell Mission Report) under Memorandum Order No. V-296 and was implemented thru Memorandum Order No. V-360. The substantial change was the abolition of the Miscellaneous Tax Division and the absorption of its duties and functions by the Income Tax and the Business Tax Divisions under the Assessment Department.<sup>192</sup> (Chart 6)

## **COLLECTION PERFORMANCE**

### **A. Comparative Collection**

In Fiscal Year (FY) ending 1951, collection was ₱362.304 Million, which was an increase of 26.68% from collection in FY ending 1950 amounting to ₱285.996 Million.<sup>193</sup>

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<sup>189</sup> Memorandum Order No. V-246 dated September 12, 1951

<sup>190</sup> Memorandum Order No. 277 dated March 3, 1952

<sup>191</sup> Forty-Fifth Annual Report of the Collector of Internal Revenue for the Fiscal Year from July 1, 1951 to June 30, 1952, S. David, p. 88

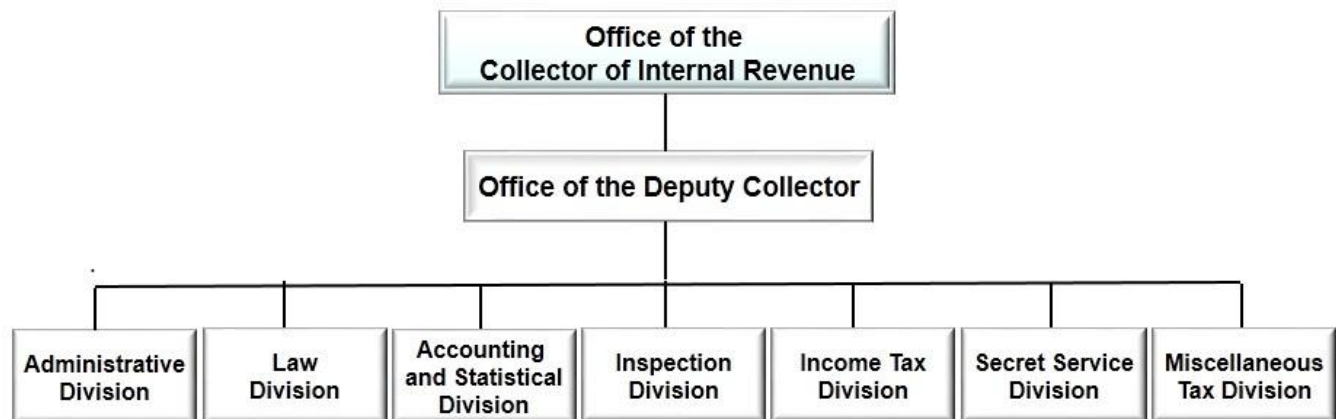
<sup>192</sup> Memorandum Order No. V-360 dated May 18, 1953

<sup>193</sup> Forty-Fifth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1951 to June 30, 1952, pp.16-17

Chart 5.

**BIR ORGANIZATIONAL CHART**

October 28, 1947

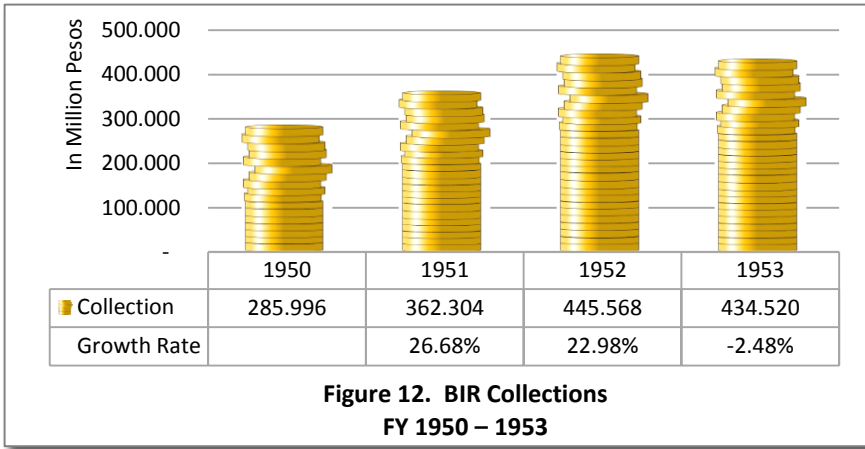


Source: Executive Order No. 94, Manila. 1947

Memorandum Order No. V-99 dated October 28, 1947 of Collector of Internal Revenue Bibiano L. Meer

In FY ending 1952, ₱445.568 Million was collected by the Bureau. This was 22.98% more compared to previous year’s collection.<sup>194</sup>

For FY ending 1953, collection reached ₱434.520 Million or 2.48% lower than the collection in FY ending 1952.<sup>195</sup> (Figure 12)



**Figure 12. BIR Collections  
FY 1950 – 1953**

**B. Cost of Operations**

Total expenditures of the Bureau in Fiscal Year (FY) ending 1951 amounted to ₱2.849 Million. As compared to FY ending 1950’s expenditures of ₱2.685 Million, an increase of 5.74% was noted. With the total collection of ₱362.304 Million during the year, the cost to collect per ₱100 revenue was ₱0.79 or 18.89% lower than FY ending 1950’s cost of ₱0.94.<sup>196</sup>

The following period, FY ending 1952, total expenditures reached ₱3.394 Million or 16.05% higher than the expenditures last year. With the ₱445.568 Million total collections during the year exclusive of the collection

<sup>194</sup> *Forty-Fifth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1951 to June 30, 1952, pp.16-17*

<sup>195</sup> *Forty-Seventh Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1953 to June 30, 1954, p. 7*

<sup>196</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

on radio registration and tobacco inspection fees, the cost was ₱0.76 per ₱100 revenue collected or a decrease of 3.95% compared to cost in FY ending 1951.<sup>197</sup>

In FY ending 1953, the Bureau expended ₱4.024 Million which was 15.67% higher than the previous year's expenditures. Cost to collect was ₱0.93 every ₱100 revenue concerning the total collection during the period amounting to ₱434.520 Million exclusive of the collection on radio registration and tobacco inspection fees. This cost was 18.28% higher than the cost in FY ending 1952.<sup>198</sup> (Table 21)

**Table 21. Expenditures and Cost of Collecting ₱100  
FY 1950 – 1953**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1950	2,685,248.75		0.94	
1951	2,848,918.84	5.74	0.79	(18.99)
1952	3,393,694.39	16.05	0.76	(3.95)
1953	4,024,159.17	15.67	0.93	18.28

## PERSONNEL COMPLEMENT

Total workforce of the Bureau in Fiscal Year (FY) ending 1951 numbered to 1,196 employees consisted of 959 regular and 237 temporary. This number of employees showed a decrease of 4.60% compared to total workforce of 1,251 during FY ending 1950.<sup>199</sup>

In FY ending 1952, total workforce was 1,403 employees or an increase of 14.75% compared to previous year's workforce. This number of employees comprised of 1,194 regular and 209 temporary. During the period, a total of 266 employees were given appointments, 241 of whom

<sup>197</sup> *Forty-Fifth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1951 to June 30, 1952, p. 31*

<sup>198</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 75*

<sup>199</sup> *Forty-Fifth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1951 to June 30, 1952, p. 41*

were regular and 25 temporary. However, a total of 59 employees were separated from service, 47 of whom were regular and 12 temporary.<sup>200</sup>

In FY ending 1953, a total of 105 employees were added to workforce of the Bureau totaled to 1,508 employees consisted of 1357 regular and 151 temporary. As compared to previous year’s workforce, an increase of 6.96% was noted.<sup>201</sup> (Table 22)

**Table 22. Number of Employees  
FY 1950 – 1953**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1950	1,251		
1951	1,196	(55)	(4.60)
1952	1,403	207	14.75
1953	1,508	105	6.96

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<sup>200</sup> *Forty-Fifth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1951 to June 30, 1952, pp. 38-39*

<sup>201</sup> *Forty-Seventh Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1953 to June 30, 1954, p. 83*



*J. Antonio Araneta*

**Collector of Internal Revenue**

(January 18, 1954 – July 5, 1955)

## **J. ANTONIO ARANETA**

Collector **J. Antonio Araneta** obtained his Associate in Arts (AA) at Ateneo de Manila and Bachelor of Laws (LLB) at National University in 1926 where he was awarded as salutatorian. In 1927, he took Master of Laws (LLM) at University of Sto. Tomas and graduated Meritissimus. He was a special student at Harvard University.

He worked as Senior Partner at Araneta, Mendoza, Papa & Ibarra Law Offices; Chairman of Boie Takeda Chemicals, Inc., NCR Corp. (Philippines) and E & G Inc.; President and Director of A & T Inc., LBC Air Cargo Inc., Pacific Farms Inc., and Philippine American Drug Co.; and Director of Antonio Tuason Inc., Bank of the Philippine Islands, Davao Insular Hotel, Filipinas Life Assurance Co., Reynolds Philippine Corp., Insular Life Assurance Co., B.G. Co., and Universal Reinsurance Corp. (Philippines).<sup>202</sup>

## **GENERAL ADMINISTRATION**

On June 16, 1954 during the incumbency of Collector Araneta, the Court of Appeals was created under Republic Act No. 1125. This Court exercised exclusive appellate jurisdiction to review by appeal the decisions of BIR Collectors on cases involving disputed assessments, refunds, fees or other charges, penalties or other matters arising under the National Internal Revenue Code or other law or part of law administered by the Bureau.<sup>203</sup>

Section 10 of the said Act defined the power of the court of Tax Appeals to administer oaths; issue subpoena; punish for contempt. To quote, "The court shall have the power to administer oaths, receive evidence, summon witnesses by subpoena and require the production of papers or documents by subpoena duce tecum, subject in all respects to the same restrictions and qualifications as apply in judicial proceedings of a similar nature. The court shall, in accordance with Rule Sixty-Four for the Rules of Court, have the power to punish for contempt for the same causes,

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<sup>202</sup> *The Outstanding Leaders of the Philippines 1980*, p. 56

<sup>203</sup> *BIR, Philippine Revenue Journal, Volume XXII, August 1, 1985*, p. 10



under the same procedure and with the same penalties provided therein.” Said Act abolished the Central Board of Tax Appeals created under Section 2 of Commonwealth Act No. 530.<sup>204</sup>

During the Fiscal Year 1954-1955, the rules and regulations was promulgated governing the application for and use of search warrants in order to curb abuses committed by those conducting the search and to stop the growing tendency of indiscriminate application for search warrants, in connection with the investigation of internal revenue tax cases.<sup>205</sup>

On the same period, the adoption of the so-called “Package Audit Policy” in the tax audit of taxpayers’ books of accounts was implemented. This aimed to prevent harassment of taxpayers by eliminating multiple visitations of revenue men and to improve Bureau-taxpayer relationship.<sup>206</sup>

## **ORGANIZATION**

Another reorganization of the Bureau took effect dated March 6, 1954 through Memorandum Order (MO) No. 411. The memorandum required the transfer of the personnel investigation function and personnel of the Intelligence Division to the Administrative Division, the creation of a new division called the Specific Tax Division, the transfer of the Conference Staff from the Assessment Department to the Legal Department, the placing of the Tobacco Inspection Service and the Radio Registration Service under the direct administrative supervision of the Deputy Collector, the creation of a Litigation Section in the Law Division and a Processing Section in the Accounting and Statistical Division and the conversion of the Central Files and Records Section of the Administrative Division into a Records Control Section having supervision and control over records and personnel in all the records sections of the division.<sup>207</sup>

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<sup>204</sup> Republic Act No. 1125, retrieved from [http://www.lawphil.net/statutes/repacts/ra1954/ra\\_1125\\_1954.html](http://www.lawphil.net/statutes/repacts/ra1954/ra_1125_1954.html) on 8/22/2014

<sup>205</sup> *Forty-Eighth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1954 to June 30, 1955*, p. 44

<sup>206</sup> *Ibid.*

<sup>207</sup> Memorandum Order No. V-411 dated March 1, 1954

It also prescribed the delimitation of the powers and functions of the Field Revenue Service and the creation of the Office of the City Revenue Examiner in the Assessment Department.<sup>208</sup> (Chart 7)

On September 1, 1954, a Training Unit was created through MO No. V-447. This unit took charge of the training of fieldmen and other qualified employees. It also conducted refresher and correspondence courses on subjects pertaining to the assessment and collection of internal revenue taxes and other taxes administered by the Bureau. It also caused the publication of articles for the dissemination to the public of information on taxes administered by the Bureau in order that taxpayers may be more conscious of their obligation to the government.<sup>209</sup>

In the early part of 1954 and in accordance with Field Circular V-66 and Circular Memorandum No. V-366, five (5) special tax fraud squads were created in the provinces to conduct tax fraud investigation throughout the Philippines. This initiative brought investigations of income and business taxes with assessments totaling to ₱10.8 Million.<sup>210</sup>

## **COLLECTION PERFORMANCE**

### **A. Comparative Collection**

For Fiscal Year (FY) ending 1954, the Bureau was able to generate a collection amounting to ₱462.580 Million or an increase of 6.46% against ₱434.520 Million collection in FY ending 1953.<sup>211</sup> Two major sources of income which contributed to the increase in collection for the period were the excise taxes on imported and domestic products and the license, business and occupation taxes.<sup>212</sup>

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<sup>208</sup> Memorandum Order No. V-411 dated March 1, 1954

<sup>209</sup> Memorandum Order No. V-447 dated September 1, 1954

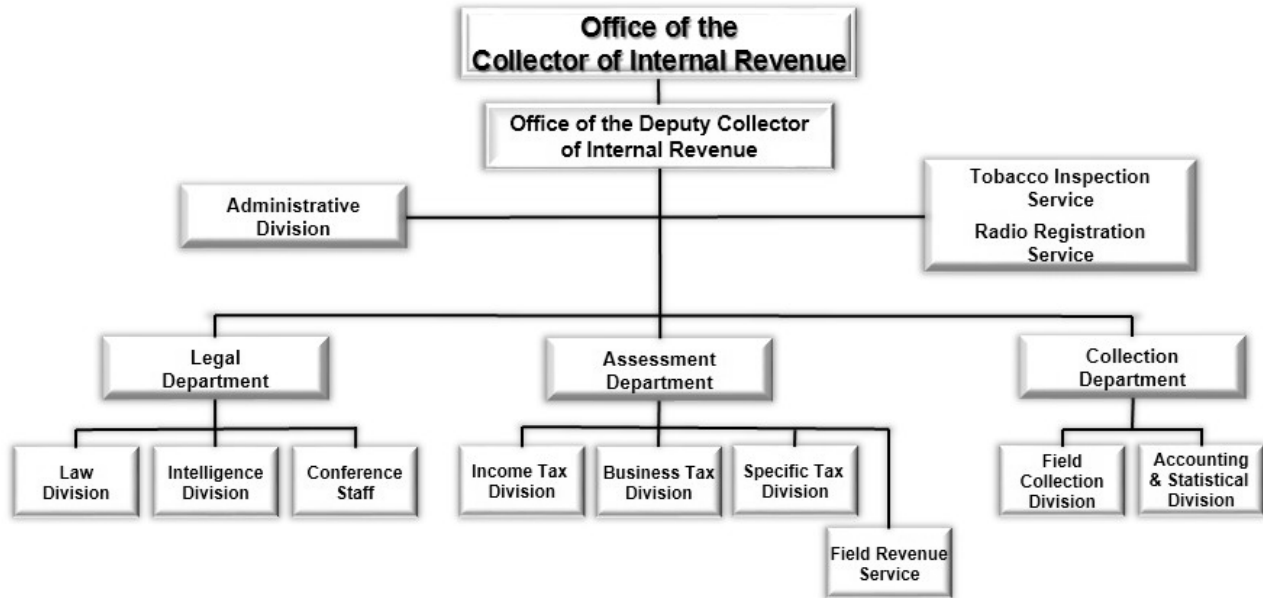
<sup>210</sup> *Forty-Seventh Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1953 to June 30, 1954*, p.65

<sup>211</sup> *Ibid.*, p. 7

<sup>212</sup> *Forty-Seventh Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1953 to June 30, 1954*, p. 8

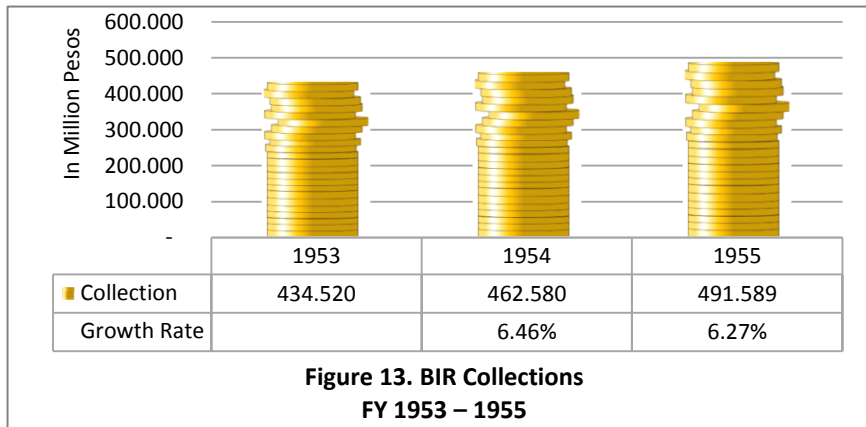
Chart 7.

**BIR ORGANIZATIONAL CHART**  
 March 6, 1954



Source: MO No. V-411 dated March 1, 1954 of Acting Collector of Internal Revenue J. Antonio Araneta and approved by Secretary of Finance Jaime Hernandez.

In FY ending 1955, collection escalated to 6.27% amounted to ₱491.589 Million compared to previous year.<sup>213</sup> This was attributed to the effect of the higher graduated rates of income tax imposed on individuals, and the effectiveness of the assessment and collection work undertaken during the period.<sup>214</sup> (Figure 13)



## B. Cost of Operations

Total expenditures of the Bureau in Fiscal Year (FY) ending 1954 was ₱4.371 Million. As compared to FY ending 1953 amounting to ₱4.024 Million, there was an increase of ₱347,082.76 or 7.94%. With the total collections of ₱462.580 Million during the period, exclusive of the collections on radio registration and tobacco inspection fees, ₱0.95 was the cost to collect per ₱100 revenue or an increase of 2.11% compared to cost of ₱0.93 last fiscal year.<sup>215</sup>

The following FY ending 1955, total expenditures reached ₱4.949 Million or 11.68% higher than the previous year's expenditures. Cost to collect per ₱100 revenue was ₱1.01 relating to ₱491.589 Million total collections during the period exclusive of the collection on radio registration

<sup>213</sup> *Forty-Eighth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1954 to June 30, 1955, p. 7*

<sup>214</sup> *Ibid., p. 8*

<sup>215</sup> *Forty-Seventh Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1953 to June 30, 1954, p. 23*

and tobacco inspection fees. An increase of 5.94% compared to previous year's cost was noted.<sup>216</sup> (Table 23)

**Table 23. Expenditures and Cost of Collecting ₱100  
FY 1953 – 1955**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1953	4,024,159.17		0.93	
1954	4,371,241.93	7.94	0.95	2.11
1955	4,949,071.64	11.68	1.01	5.94

## PERSONNEL COMPLEMENT

Total workforce of the Bureau in Fiscal Year (FY) ending 1954 was 1,574 employees which consisted of 1,526 regular and 48 temporary. An increase of 4.19% was noted as compared to total workforce of 1,508 during FY ending 1953. A total of 115 employees were given appointments, 114 of whom were regular and 1 temporary. However, a total of 49 employees were separated from the service, all of whom were regular.<sup>217</sup>

In FY ending 1955, workforce of the Bureau totaled to 1,727 employees comprising of 1,700 regular and 27 temporary. The number of employees showed an increase of 8.86% compared to previous year's total workforce. A total of 187 employees were given appointments, all of whom were regular. On the other hand, a total of 33 employees were separated from the service, 32 of whom were regular and 1 temporary.<sup>218</sup> (Table 24)

**Table 24. Number of Employees  
FY 1953 – 1955**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1953	1,508		
1954	1,574	66	4.19
1955	1,727	153	8.86

<sup>216</sup> *Forty-Eighth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1954 to June 30, 1955, p. 23*

<sup>217</sup> *Forty-Seventh Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1953 to June 30, 1954, pp. 80-81*

<sup>218</sup> *Forty-Eighth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1954 to June 30, 1955, pp. 84-86*



*Silverio Blaquera*

**Collector of Internal Revenue**  
(July 6, 1955 – December 31, 1956)

## SILVERIO BLAQUERA

Collector ***Silverio Blaquera***, after finishing his second year of high school in Manila, returned to Cagayan and before long, was engaged as a clerk in the then newly created sub-province of Apayao in Mt. Province. He was in Apayao for almost four years where he studied stenography by correspondence and passed the second grade civil service examination.

Collector Blaquera returned to Manila in 1917 and enrolled in the old Philippine School of Commerce. There, he took up speed studies and passed a first grade civil service examination for stenographers. Since he was one of the first few good stenographers during those days, he found no difficulty in landing a good job in the Bureau of Internal Revenue. He became a lawyer and was eventually appointed as Collector of Internal Revenue on July 6, 1955.

When Collector Blaquera was 64 years old, about to retire, President Magsaysay did not accept his retirement plan. Indeed, he was requested to continue discharging the duties of his office which he has been honestly and efficiently doing. With Collector Blaquera, President Magsaysay has found a “*rara avis*” (rare and unique person), as public officials go.<sup>219</sup>

## GENERAL ADMINISTRATION

Collector Blaquera, in his Forty-Ninth Annual Report to the Secretary of Finance, enumerated the major sources of revenues in 1955 which were as follows: Excise Taxes on domestic products; License, Business and Occupation Taxes; Income Taxes; Estate, Inheritance and Gift Taxes, Documentary Stamp Tax; Residence Tax; Revenue from Public Forests and Service Income. Other taxes included Excise Taxes on Imported Articles; Franchise Tax; War Profits Tax; and Fines and Forfeitures.<sup>220</sup>

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<sup>219</sup> *The Philippine Tax Journal*, Vol. I, July to December, 1956, pp. 795-796

<sup>220</sup> *Forty-Ninth Annual Report of the Collector of Internal Revenue for the Fiscal Year from July 1, 1955 to June 30, 1956*, p. 2

On June 15, 1956, thru the passage of Republic Act No. 1476, the imposition of registration and license fees for radio was abolished. All fees uncollected under the provision was condoned.<sup>221</sup>

During the period July 1955 to June 1956, the Specific Tax Division, charged with enforcing the provision of Title IV of the National Internal Revenue Code and the various revenue regulations and circulars pertaining to specific taxes, waged a relentless campaign against all persons who manufacture, sell and distribute illicitly manufactured articles subject to specific tax. Accordingly, the first to feel the brunt of this campaign were persons dealing in the illicit manufacture, sale and distribution of tobacco products, especially cigarettes.

Likewise, fieldmen under the Tobacco Tax Section were required to make a 24-hour surveillance over cigar and cigarette factories situated in districts around Manila. Other groups of factory agents were directed to wage an all-out campaign against peddlers of smuggled and/or Army-issue cigarettes the specific tax on which has not been paid.

Also, fieldmen of the Alcohol Tax Section waged relentless campaign against the sale of untax-paid distilled spirits and wines, particularly foreign whiskies (Scotch and Bourbon) which found their way to the black Market.<sup>222</sup>

Collector Blaquera recommended in his Annual Report of Fiscal Year July 1, 1955 to June 30, 1956 to the Secretary of Finance the following:

1. On offices of field collectors – Collector Blaquera reiterated his proposal from previous year the creation of offices of field collectors who would take over the functions of collecting, accounting and remitting national revenues from city and municipal treasurers who have their hands full of other duties and obligations.

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<sup>221</sup> *Forty-Ninth Annual Report of the Collector of Internal Revenue for the Fiscal Year from July 1, 1955 to June 30, 1956, p. 68*

<sup>222</sup> *Ibid., p. 57*



2. On the change of officials' designations – the Collector also proposed that the designation of Collector and Deputy Collector of Internal Revenue be changed to Commissioner and Deputy Commissioner of Internal Revenue, respectively.
3. On the increase of salaries of personnel – he also reiterated the previous year's request regarding increase in salary of the Bureau's personnel, based on the importance of their work, the nature of their duties, and the responsibilities attached to their positions. A salary schedule was recommended for adoption in the Bureau with a minimum salary of ₱15,000/month for the Commissioner (Collector) down to Janitor proposed at ₱1,560/month. According to the Collector, the proposed increased scale of salary may undoubtedly serve as an inducement to the employees of the Bureau especially those highly qualified and experienced in the line of work they are performing, to remain in the service, and as an incentive for them to render their best.
4. On the increase of travelling expenses – the Collector proposed an appropriation of at least ₱500,000 for the ensuing fiscal year for travelling expenses of personnel in the field charged with the detection of tax evasion.<sup>223</sup>

## ORGANIZATION

The first two (2) Regional Offices in Cebu and in Davao were established through BIR Memorandum Order (MO) No. V-536 dated July 20, 1955, as an initial step towards the Bureau's decentralization.<sup>224</sup>

On July 5, 1956, pursuant to the provision of Section 8 and 338 of the National Internal Revenue Code (NIRC) otherwise known as Commonwealth Act No. 466 and by virtue of MO No. V-634, the Philippines was divided into

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<sup>223</sup> *Forty-Ninth Annual Report of the Collector of Internal Revenue for the Fiscal Year from July 1, 1955 to June 30, 1956, p. 78-79*

<sup>224</sup> *Memorandum Order No. V-536 dated July 20, 1955*

eight (8) regional districts for internal revenue purposes effective July 1, 1956. These regional districts were as follows: Northern Luzon (Region No. 1); Central Luzon (Region No. 2); Manila and Palawan (Region No. 3); South Central Luzon (Region No. 4); Southern Luzon (Region No. 5); Eastern Visayas (Region No. 6); Western Visayas (Region No. 7); and Mindanao and Sulu (Region No. 8).<sup>225</sup> Each Regional Office was headed by a Regional Director, assisted by Chiefs of five (5) Branches, namely: Tax Audit, Administrative, Collection, Investigation, and Legal.

MO No. V-634 further provided that the National Office function was confined to executive direction, nationwide policy formulation and statistical controls. The set-up was decentralized and its functions was characterized by the separation of staff and line responsibility.

Other changes effected were the creation of Main IBM Unit in the Collection Department and IBM Unit in the Regional District, creation of Administrative and Coordinating Department, creation of Provincial Revenue Office, and abolition of the Tobacco Inspection, Radio Service and Field Revenue Services.<sup>226</sup> (Chart 8)

## **COLLECTION PERFORMANCE**

### **A. Comparative Collection**

Total revenue collections during Fiscal Year (FY) ending June 30, 1956 was ₱534.639 Million which means there was an increase of 8.76% from the previous Fiscal Year ending 1955 which was ₱491.589 Million.<sup>227</sup> The major sources of income which contributed greatly to the increase in the gross collections during the period were: excise taxes on domestic products; license, business and occupation taxes; income taxes; estate, inheritance

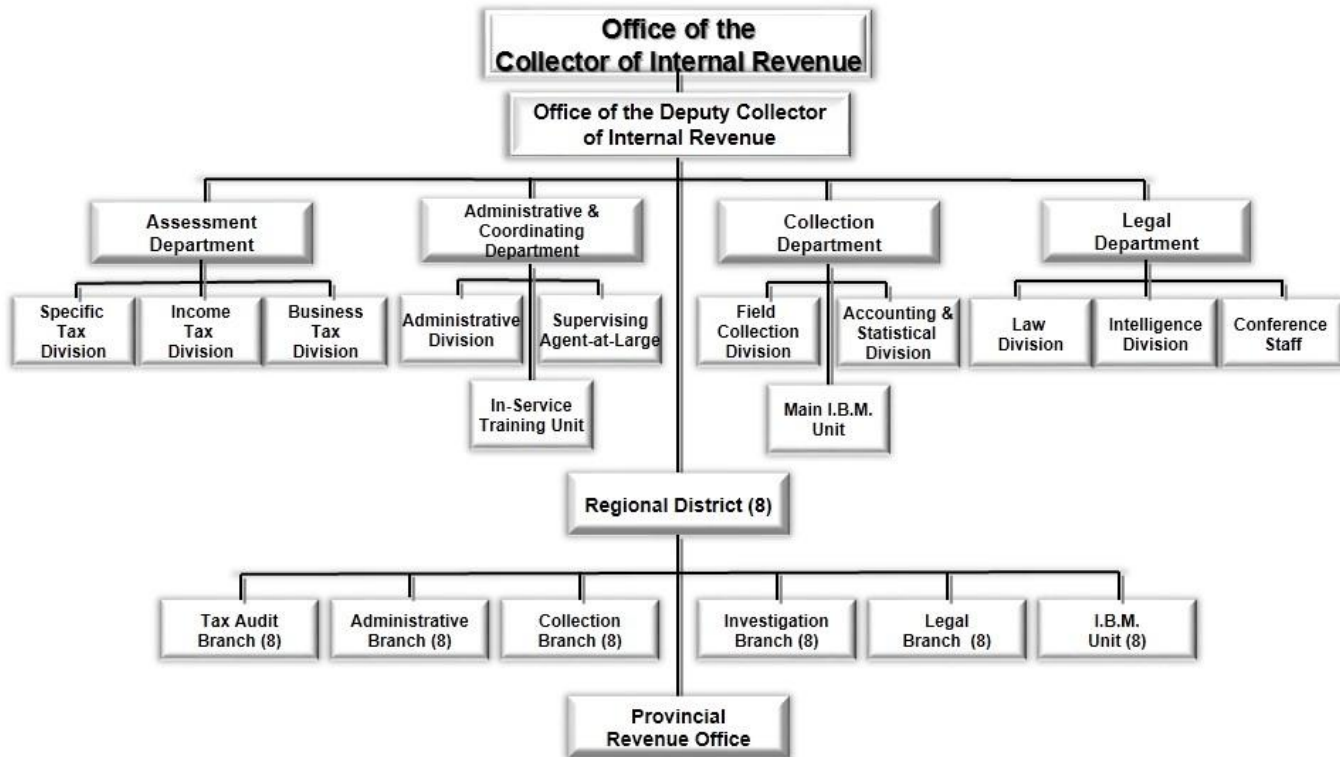
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<sup>225</sup> *Fiftieth Annual Report of the Collector of Internal Revenue for the Fiscal Year from July 1, 1956 to June 30, 1957, p. 5*

<sup>226</sup> *Memorandum Order No. V-634 dated July 5, 1956*

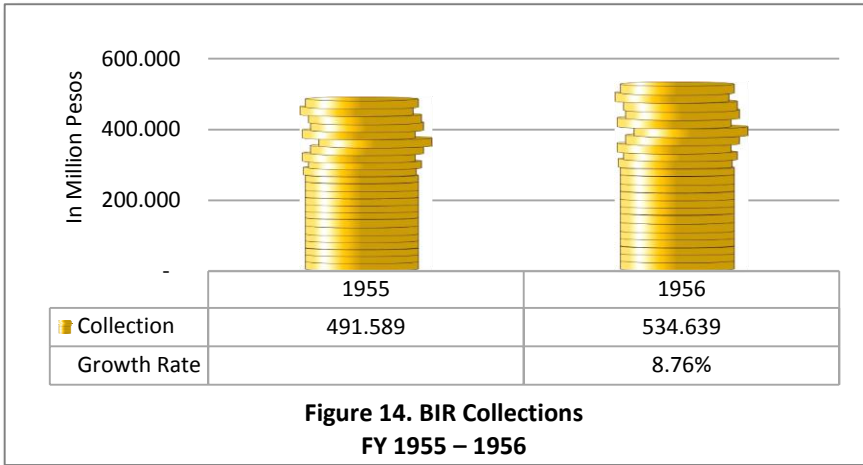
<sup>227</sup> *Forty-Ninth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1955 to June 30, 1956, p. 1*

**Chart 8.**  
**BIR ORGANIZATIONAL CHART**  
 July 1, 1956



Source: MO No. V-634 dated July 5, 1956 of Collector of Internal Revenue Silverio Blaquera and approved by Secretary of Finance Jaime Hernandez with the subject – Prescribing the relation of the National Office to lower operating levels and outlining the duties and functions thereof.

and gift taxes; documentary stamp taxes; residence taxes; and revenue from public forests and service income.<sup>228</sup> (Figure 14)



### B. Cost of Operations

Total expenditures of the Bureau in Fiscal Year (FY) ending 1956 reached ₱5.504 Million. As compared to FY ending 1955 with ₱4.949 Million expenditures, an increase of 10.08% was noted. With the total collections during the fiscal year amounting to ₱534.639 Million exclusive of the collection on radio registration and tobacco inspection fees, cost to collect every ₱100 revenue was ₱1.03 or an increase of 1.94% compared to FY ending 1955’s cost of ₱1.01.<sup>229</sup> (Table 25)

**Table 25. Expenditures and Cost of Collecting ₱100  
FY 1955 – 1956**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1955	4,949,071.64		1.01	
1956	5,503,563.39	10.08	1.03	1.94

<sup>228</sup> *Forty-Ninth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1955 to June 30, 1956, p. 2-3*

<sup>229</sup> *Ibid.*, p. 17

**PERSONNEL COMPLEMENT**

Total workforce of the Bureau in Fiscal Year (FY) ending 1956 was 1,830 consisted of 1,827 regular and 3 temporary employees. This number of employees showed an increase of 5.63% compared to FY ending 1955’s workforce of 1,727. A total of 139 employees were given appointments, all of whom were regular. However, a total of 38 employees were separated from the service, 37 of whom were regular and 1 temporary.<sup>230</sup> (Table 26)

**Table 26. Number of Employees  
FY 1955 – 1956**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1955	1,727		
1956	1,830	103	5.63

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<sup>230</sup> *Forty-Ninth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1955 to June 30, 1956, pp. 75-76*



*Jose Arañas*

**Commissioner of Internal Revenue**

(January 2, 1957 – July 21, 1959)

## JOSE ARAÑAS

Commissioner **Jose Arañas**, after completing his primary, intermediate and secondary course in San Narciso, Zambales studied stenography and typewriting at the Philippine Harvardian Institute and then law at the Philippine Law School (PLS). He also took special training in taxation and acquired a Master of Laws degree from the PLS to better his qualifications.

He started working for the BIR on March 18, 1929 as a temporary clerk shortly after finishing his secretarial course. He turned to law and in 1938, passed the bar examinations with a high average.

On October 4, 1939, he was designated Law Clerk; three years later, he was made Senior Law Clerk. After the Pacific war, he was named Agent and upon inauguration of the Republic, he was appointed Assistant Chief of the Law Division.<sup>231</sup>

On March 12, 1951 he was promoted to Chief of the Administration Division and concurrently Acting Head of the Law Division. Two years later, he was named Chief of the Business Tax Division and Head of the BIR-National Bureau of Investigation Probe Committee. He was eventually designated as Deputy Collector and later as Collector of Internal Revenue.

It was during his incumbency that the official designation of Collector and Deputy Collector of Internal Revenue were changed to Commissioner and Deputy Commissioner of Internal Revenue. Thus, Jose Arañas was the last Collector and the first Commissioner of the Bureau

Commissioner Arañas authored books and pamphlets on taxation. Some of his works were “Annotations and Jurisprudence on Business and Occupation Taxes”, “Annotations and Jurisprudence on the National Internal Revenue Code, as amended”, and “Know Your Income Tax”.

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<sup>231</sup> *The Lawyers Journal, Manila Philippines, Volume XXIV August 31, 1959 No. 8, p. 276*

He also conducted in-service training courses for BIR agents and examiners and taught taxation subjects at the San Beda College, University of the East, De La Salle College and Philippine Law School. He was also a professorial lecturer on taxation at the Far Eastern University and the Philippine Law School and was a member of the Philippine Veterans Legion, the “Union Zambalena” and the UE Faculty Council.<sup>232</sup>

During the latter part of his term as BIR Commissioner, he also served in the Tax Advisory Board.<sup>233</sup>

On June 17, 1958, Commissioner Arañas was temporarily detailed in Malacañang. Undersecretary of Finance, **Jose P. Trinidad** was designated by Philippine President Carlos P. Garcia as Acting Commissioner of Internal Revenue.<sup>234</sup>

On July 16, 1958, Deputy Commissioner of Internal Revenue Melecio R. Domingo was designated Acting Commissioner in the absence of Jose P. Trinidad, and on September 18, 1958, Regional Director Misael P. Vera was designated Acting Deputy Commissioner of Internal Revenue.<sup>235</sup>

On February 6, 1959, Jose Arañas resumed his duties as Commissioner of Internal Revenue replacing Melecio R. Domingo. Likewise, Misael P. Vera resumed his duties as Regional Director of Regional District No. 3, Manila.<sup>236</sup>

## GENERAL ADMINISTRATION

Commissioner Arañas implemented the assessment and collection functions of the Bureau as well as enforcement of tax laws. Various tax

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<sup>232</sup> *Fiftieth Annual Report of the Collector of Internal Revenue for the Fiscal Year from July 1, 1956 to June 30, 1957*, p. 78

<sup>233</sup> *The Lawyers Journal, Manila Philippines, Volume XXIV August 31, 1959 No. 8*, p. 276

<sup>234</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue for the Fiscal Year from July 1, 1957 to June 30, 1958*, p. 69

<sup>235</sup> *Fifty-Second Annual Report of the Commissioner of Internal Revenue for the Fiscal Year from July 1, 1958 to June 30, 1959*, p. 51

<sup>236</sup> *Ibid.*, p. 52



campaigns and information dissemination were conducted to intensify collection.

In February 1957, a campaign against carriers and transportation contractors was started. It was discovered that common carriers resorted to a new method of going around the requirement of tax clearance before the registration of a motor vehicle by “selling” or transferring their vehicles. Commissioner Arañas, in his Memorandum dated February 23, 1957 ruled that the vendee of the motor vehicle cannot secure a tax clearance unless outstanding liabilities were previously paid.

In as far as the millions of uncollected accounts, the big bulk of which were in the Manila area, the Manila-Palawan district (Regional District No. 3 – Manila and Palawan Region) was charged with the responsibility of making “Operations Collection” a success. The fieldmen, from February to June 1957 were pulled out from the offices of the City Revenue Agent, City Revenue Examiner and Investigation Branch of Manila district for detail in the Collection Branch and to actively assist in the collection of delinquent accounts. Cases closed for delinquent account involved a total sum of ₱14.9 Million for a three-month period ranging from April – June 1957.<sup>237</sup>

For the period from July 1, 1957 to June 30, 1958, the activities of the Bureau of Internal Revenue included the administration of the Tobacco Inspection Law because the Commissioner of Internal Revenue was entrusted with its enforcement.<sup>238</sup>

Commissioner Arañas, in his Fiftieth Annual Report (FY 1956-1957) recommended, apart from reiteration of the request on change of officials’ designations (Collector and Deputy Collector to Commissioner and Deputy Commissioner), the expansion of the library of the Law Division. There was a long felt need of the Bureau of an extensive library on the field of taxation. A space for the purpose has already been provided in the Law Division where

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<sup>237</sup> *Fiftieth Annual Report of the Collector of Internal Revenue for the Fiscal Year from July 1, 1956 to June 30, 1957, p. 86*

<sup>238</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 9*

special attorneys and other personnel of the Bureau may be able to work under better conditions and may take advantage of whatever research facilities be made available in the library.<sup>239</sup>

Likewise, the Commissioner also reiterated the recommendation in his Annual Report to the Secretary of Finance for the Fiscal Year from July 1, 1958 to June 30, 1959 that the lawyers, storekeepers and other employees performing responsible work but still receiving low salaries be given adequate compensation. With the implementation of Wage and Position Classification Office (WAPCO) pay plan, many offices and employees of the Bureau received salary adjustments compatible with their duties and responsibilities. However, there were still many positions which carry low classification and range levels so that the incumbents cannot be given the salary appropriate for the work performed by them. One of them were attorneys whose incumbents were doing research work, preparing rulings and decisions or handling cases in courts, provincial revenue officers and group supervisors.<sup>240</sup>

On June 19, 1959, Republic Act No. 2338, “An Act to provide for reward to informers of violations of the internal revenue and customs laws” was passed whereby informers were rewarded the 25% of the revenues, surcharges or fees recovered and/or fine or penalty imposed and collected from the tax violator. This law was intended to strictly enforce the payment of taxes and to further discourage tax evasion.<sup>241</sup>

## **ORGANIZATION**

On June 27, 1957, the eight (8) regional districts were further divided into ten (10) Regional Districts thru Memorandum Order (MO) No. V-727. The main objective in the creation of additional regional districts and inspection units was to finalize the decentralization of the BIR for the

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<sup>239</sup> *Fiftieth Annual Report of the Collector of Internal Revenue for the Fiscal Year from July 1, 1956 to June 30, 1957*, p. 79

<sup>240</sup> *Fifty-Second Annual Report of the Commissioner of Internal Revenue for the Fiscal Year from July 1, 1958 to June 30, 1959*, p. 66

<sup>241</sup> *Republic Act No. 2338*, retrieved from [http://www.lawphil.net/statutes/repacts/ra1959/ra\\_2338\\_1959.html](http://www.lawphil.net/statutes/repacts/ra1959/ra_2338_1959.html) on 7/11/2014

purpose of intensifying tax assessment and collection; enforcement of internal revenue laws, special laws and regulations; and implementation of the President's policy of developing the rural areas.<sup>242</sup>

The Medical and Dental Clinic of the Bureau was established in accordance with Republic Act No. 1800, which took effect on July 1, 1957, providing for the services of a physician, a dentist, a nursing aide and a dental aide. However, it was only after several weeks of operation that supplies of medicine and equipment came. Said clinic was concerned primarily with the maintenance of the health of Bureau personnel.<sup>243</sup>

On July 1, 1957, the Intelligence Division was renamed to Investigation Division and Conference Staff to Investigation Division by virtue of MO V-748.<sup>244</sup> (Chart 9)

MO No. V-731 dated July 2, 1957 was issued directing the Appellate Division to take action and render decisions on administrative appeals from assessment of internal revenue taxes, fees or charges, or claims for refund or tax credit of the same. It may conduct formal hearings on cases appealed to it or hold interviews with the taxpayers and their counsel for the proper determination of the issues involved. On administrative appeals, the policy of the Appellate Division was to request the taxpayers concerned to comply with the requirements of Department Order No. 213 of the Department of Finance to safeguard the rights of the government against prescription of action in assessment or collection of taxes.<sup>245</sup>

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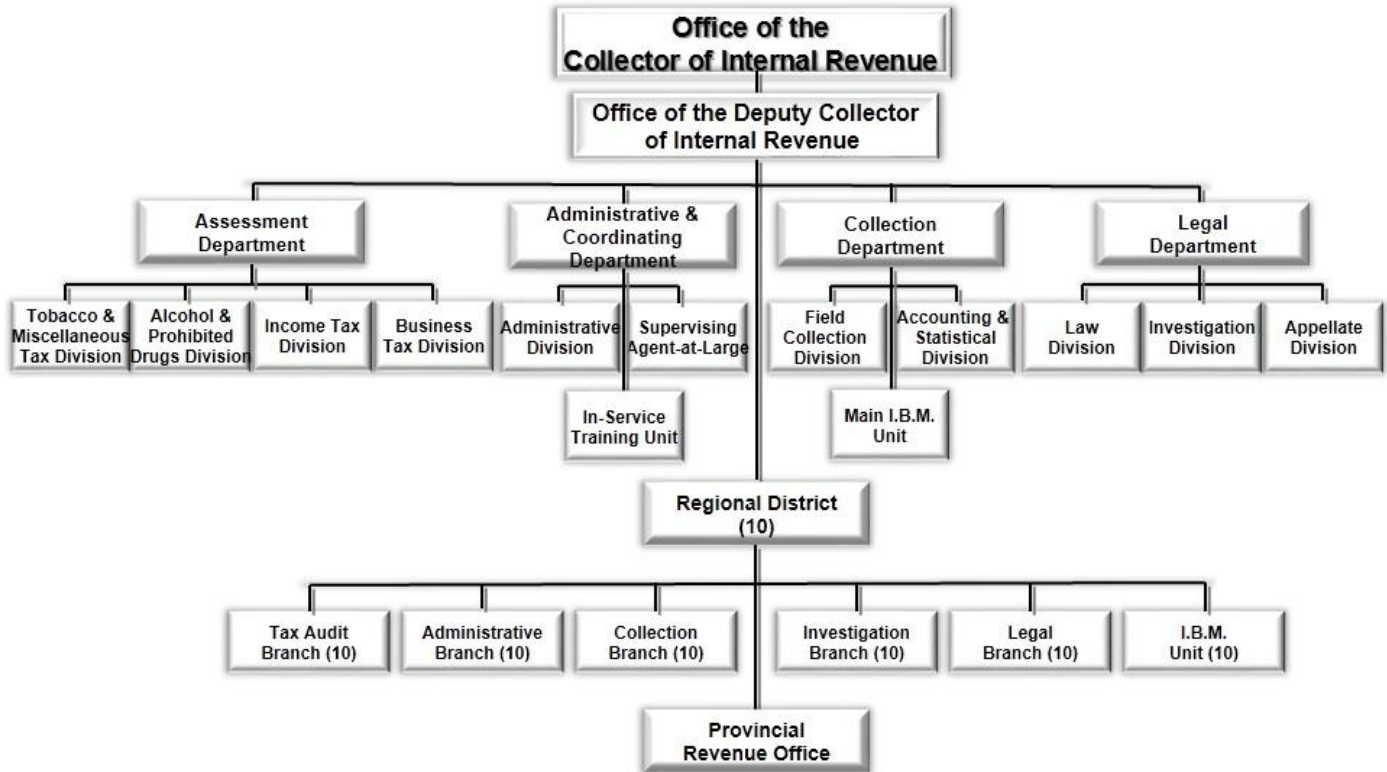
<sup>242</sup> Memorandum Order No. V-727 dated June 27, 1957

<sup>243</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue for the Fiscal Year from July 1, 1957 to June 30, 1958*, p. 76

<sup>244</sup> Memorandum Order No. V-748 dated July 15, 1957

<sup>245</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue for the Fiscal Year from July 1, 1957 to June 30, 1958*, p. 67

**Chart 9.**  
**BIR ORGANIZATIONAL CHART**  
 July 1, 1957



Source: MO No. V-748 dated July 15, 1957 of Collector of Internal Revenue Jose Arañas and approved by Secretary of Finance Jaime Hernandez.

On July 3, 1957 thru MO No. V-733, the Specific Tax Division was divided into Tobacco and Miscellaneous Tax Division and Alcohol and Prohibited Drugs Division under Assessment Department.<sup>246</sup>

Another reorganization was made effective on June 13, 1958 through the creation of Tax Census Division pursuant to Republic Act No. 2070 which was approved on the same date.<sup>247</sup>

The Tax Census Division was created to supervise the taking and consolidation into a National Tax Census of the statement of assets, income and liabilities of residents of the Philippines, whether individual or corporation. Other functions included the development and coordination of tax census data with the end in view of recommending the formulation of policies and reforms in the tax system and in revenue administration to achieve efficiency in the collection of taxes; the preparation of the rules, regulations and circulars to carry out the provisions of the Tax Census Law; the supervision, review and coordination of the giving of advice, policy guidance and technical assistance to the City and Municipal Treasurers and Regional Directors in the keeping and updating of their appropriate Tax Register; and the preparation of annual reports to the Secretary of Finance on the status of the tax census showing the extent to which the census has been compiled, tabulated and analyzed in relation to actual revenue collection. Functions above were implemented at the Regional level by the Tax Census Units created in each of the ten Regional Districts.<sup>248</sup>

On July 24, 1958, by virtue of MO No. V-837 which took effect on July 7, 1958, the Specific Tax Unit was created in each Regional District to take charge of all laws, rules and regulation relative to assessment and collection of specific taxes.<sup>249</sup>

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<sup>246</sup> Memorandum Order No. V-733 dated July 3, 1957

<sup>247</sup> Republic Act No. 2070, retrieved from <http://www.chanrobles.com/republicacts/republicactno2070.html> on 9/23/2014

<sup>248</sup> *Fifty-Second Annual Report of the Commissioner of Internal Revenue for the Fiscal Year from July 1, 1958 to June 30, 1959*, p. 58

<sup>249</sup> Memorandum Order No. V-837 dated June 24, 1958

## COLLECTION PERFORMANCE

### A. Comparative Collection

In Fiscal Year (FY) ending 1957, the Bureau was able to collect taxes amounting to ₱616.356 Million. This showed an increase of 15.28% compared to last year's collection of ₱534.639 Million.<sup>250</sup> This increase was due partly to the effect of the new tax laws increasing the rates of specific and license, business and occupation taxes. The decentralization of the Bureau into eight regional districts for a more efficient tax collection system also contributed in the increase.<sup>251</sup>

Total collection of ₱607.278 Million in FY ending 1958 as compared to the previous year showed a decrease of 1.47% in collection.<sup>252</sup> The overall decrease in collection was partly due to the tightening of dollar allocations to importers and manufacturers which diminished the volume of business from these sources. Another contributory factor was the exemptions from the percentage tax imposed on the sales of fish copra.<sup>253</sup>

Among the ten (10) Regional Districts (RD) in the country, five (5) RDs generated the highest collection during the period, to wit: 1) RD No. 3 – Manila and Palawan Region with collection of ₱487.64 Million; 2) RD No. 7 – East Visayas Region with collection of ₱30.14 Million; 3) RD No. 4 – South Central Luzon Region with ₱28.85 Million collection; 4) RD No. 8 – West Visayas Region with ₱17.08 Million collection; and 5) RD No. 1 – North Luzon Region with ₱12.59 Million collection.<sup>254</sup>

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<sup>250</sup> *Fiftieth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1956 to June 30, 1957, p. 7*

<sup>251</sup> *Ibid., p. 8*

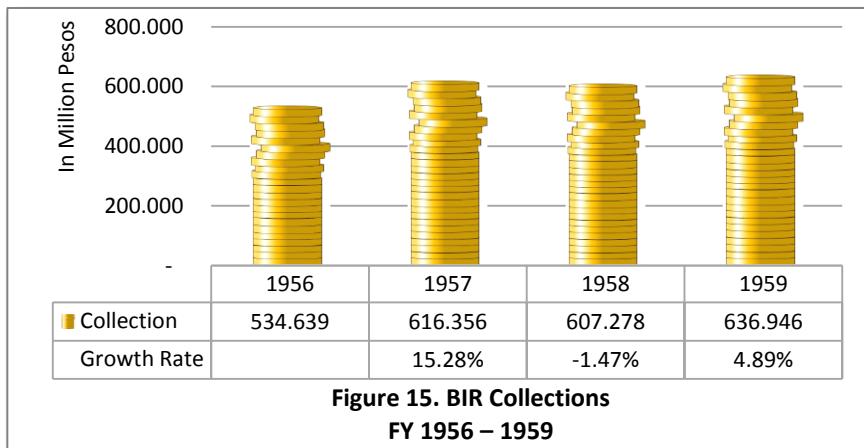
<sup>252</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 9*

<sup>253</sup> *Ibid., p. 10*

<sup>254</sup> *Ibid., p. 22*

In FY ending 1959, collection reached ₱636.946 Million. This showed an increase of 4.89% compared to the previous year's collection.<sup>255</sup> The overall increase in collection was due mostly to the increased collections on income tax on corporation, specific tax on cigarettes and license, business and occupation taxes.<sup>256</sup>

During the period, top five (5) RDs exceeding their collection over the previous year were as follows: 1) RD No. 1 – North Luzon Region with ₱4.91 Million excess or 39.04%; 2) RD No. 4 – South Central Luzon Region with ₱9.40 Million excess or 32.56%; 3) RD No. 8 – West Visayas Region with ₱3.10 Million excess or 18.13%; 4) RD No. 2 – Central Plain Region with ₱1.39 Million excess or 16.71%; and 5) RD No. 5 – South Luzon Region with ₱0.67 Million or 12.53%.<sup>257</sup> (Figure 15)



## B. Cost of Operations

The Bureau's total expenditures in Fiscal Year (FY) ending 1957 amounted to ₱6.764 Million. This showed an increase of 18.63% higher than the expenditures in FY ending 1956 amounting to ₱5.504 Million. Cost to collect per ₱100 revenue was ₱1.10 pertaining to ₱616.356 Million total

<sup>255</sup> *Fifty-Second Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1958 to June 30, 1959, p.9*

<sup>256</sup> *Ibid., p. 10*

<sup>257</sup> *Ibid., p.13*

collections during the period exclusive of the collections on tobacco inspection fees. Said cost was 6.36% higher than the cost of ₱1.03 in FY ending 1956.<sup>258</sup>

The following period, FY ending 1958, total expenditures was ₱7.769 Million or an increase of 12.94% compared to last year's expenditures. With the ₱607.278 Million total collections during the period inclusive of the collection on radio registration and tobacco inspection fees, the cost was ₱1.28 every ₱100 revenue collected or 14.06% higher than the previous year's cost.<sup>259</sup>

In FY ending 1959, the Bureau expended ₱10.004 Million or 22.34% higher than the previous year's expenditures. With the total collections of ₱636.946 Million during the year inclusive of the collection on radio registration and tobacco inspection fees, ₱1.57 was the cost to collect per ₱100 revenue. Said cost increased by 17.83% from last year's cost.<sup>260</sup> (Table 27)

**Table 27. Expenditures and Cost of Collecting ₱100  
FY 1956 – 1959**

Fiscal Year	Expenditures	% Inc./{(Dec.)	Cost of Collecting ₱100	% Inc./{(Dec.)
1956	5,503,563.39		1.03	
1957	6,763,786.26	18.63	1.10	6.36
1958	7,769,131.00	12.94	1.28	14.06
1959	10,004,472.30	22.34	1.57	17.83

<sup>258</sup> *Fiftieth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1956 to June 30, 1957, p. 23*

<sup>259</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, p. 32*

<sup>260</sup> *Fifty-Second Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1958 to June 30, 1959, p.10*



## PERSONNEL COMPLEMENT

Total workforce of the Bureau in Fiscal Year (FY) ending 1957 reached 2,002, all of whom were regular employees. The 3 temporary employees were given permanent appointment during the year. An increase of 8.59% was noted as compared to workforce during FY ending 1956 with 1,830 employees. A total of 242 employees were given appointments, however, 21 employees were separated from the service.<sup>261</sup>

In FY ending 1958, total workforce was 2,225 regular employees. This showed an increase of 10.02% compared to workforce of last year. A total of 304 employees were given appointments, whereas, 42 employees were separated from the service.<sup>262</sup>

In FY ending 1959, workforce of the Bureau totaled to 2,732 regular employees. As compared to previous year's workforce, an increase of 18.56% was noted. A total of 550 employees were given appointments, while 43 employees were separated from the service.<sup>263</sup> (Table 28)

**Table 28. Number of Employees  
FY 1956 – 1959**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1956	1,830		
1957	2,002	172	8.59
1958	2,225	223	10.02
1959	2,732	507	18.56

<sup>261</sup> *Fiftieth Annual Report of the Collector of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1956 to June 30, 1957, pp. 73-74*

<sup>262</sup> *Fifty-First Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1957 to June 30, 1958, pp. 70-71*

<sup>263</sup> *Fifty-Second Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1958 to June 30, 1959, pp. 52-54*



*Melecio R. Domingo*

**Commissioner of Internal Revenue**

(July 22, 1959 – February 19, 1962)

## MELECIO R. DOMINGO

Commissioner **Melecio R. Domingo** finished his elementary schooling in Laoag and his secondary course at the Negros Oriental High School. Upon graduation from high school, he taught at various elementary schools in the Visayas.

In 1918, he went to Manila and knocked the door of the BIR office. His lowly position at the BIR urged him into taking up law. After completing his preparatory law at the Philippine Institute, he entered law proper at the Philippine Law School where he set record in oratory, debate and literature. He was a consistent recipient of scholastic and academic honors.

Success did not come to Commissioner Domingo easily. He persevered and worked harder. His determination and patience gratified him in the form of successive promotions. The first important position he assumed was that of Acting Chief of the Assessment Department. Few years later, he was named Deputy Commissioner. He was appointed as Commissioner of Internal Revenue on July 22, 1959.<sup>264</sup>

Immediately after Commissioner Domingo's term on February 20, 1962, **Benedicto Padilla** was appointed as Acting Commissioner of Internal Revenue and held office until May 21, 1962, serving the Bureau for only three (3) months.<sup>265</sup>

## GENERAL ADMINISTRATION

It was a characteristic of Commissioner Domingo to lay out his plan of action immediately after his appointment. He intended to protect "honest" taxpayers from harassments and unnecessary disturbances by BIR agents through multiple inspections. He also planned to set up "Tax Clinics" in all regional offices to disseminate tax information, assist taxpayers and promote tax consciousness.<sup>266</sup>

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<sup>264</sup> *The Lawyers Journal, Manila Philippines, Volume XXIV July 31, 1959, No. 7, p. 222*

<sup>265</sup> *BIR, Philippine Revenue Journal, 75<sup>th</sup> Anniversary 1904-1979, p. 11*

<sup>266</sup> *The Lawyers Journal, Manila Philippines, Volume XXIV July 31, 1959, No. 7, p. 222*

Further, one of the most noteworthy development during the administration of Commissioner Domingo was the passage of Republic Act (RA) No. 2655 on June 18, 1960 which took effect on July 1, 1960 or upon the turn-over of the work of each city, provincial or municipal district treasurer to the collection agent of the Bureau of Internal Revenue. Said Act affected the collection of both the current and delinquent internal revenue taxes. At the same time, it provided for 2,000 new positions of collection agents and collection clerks to relieve provincial and city treasurers and their deputies of their duties as deputies of the Commissioner of Internal Revenue in the collection of national internal revenue taxes and the enforcement of all laws falling within the jurisdiction of the Bureau of Internal Revenue.

Each of the 33 cities, 1,217 municipalities and 96 municipal districts, a total of 1,346, had a Collection Agent who performed as his principal functions, the duties presently being performed by the city, municipal and municipal district treasurer in the collection of national internal revenue taxes. Collection Agents in cities and bigger municipalities have one or more Collection Clerks to assist them in their work. When RA No. 2655 was fully implemented with the transfer of the work of the treasurers to these Collection Agents, collections certainly rose because their full time and attention was devoted exclusively to this task.<sup>267</sup>

Another significant achievement during Commissioner Domingo's administration was the filing in the Deportation Board a record number of cases (172 cases in all) by the Law Division against delinquent alien taxpayers under the provisions of Republic Act No. 1093. One hundred twenty-three (123) cases were settled in this effort. The Law Division also contributed some of its more skilled lawyers in special investigating units such as PFFC, Anti-Graft Committee, Customs – Revenue Constabulary Team, and special committees created by the Commissioner of Internal Revenue.<sup>268</sup>

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<sup>267</sup> *Fifty-Third Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance for the Fiscal Year from July 1, 1959 to June 30, 1960, p. 40*

<sup>268</sup> *Ibid., p. 42*

A new rating system was also implemented and was authorized by Office Circular No. 146 and office memorandum to the Personnel Officer, both of the Commissioner of Internal Revenue, approved by the Secretary of Finance, dated May 11, 1959. In this system, the officer directly responsible for the personnel being rated furnished the information in the appropriate report form. The Rating Officer signed the report which was reviewed by the next higher official and approved by either the Commissioner, or the Deputy Commissioner, Department Head and Regional Directors, in their respective cases.<sup>269</sup>

Commissioner Domingo, in his Annual Report to the Secretary of Finance for the Fiscal Year from July 1, 1959 to June 30, 1960 recommended the following:

1. On the Construction of Concrete Buildings for the Regional Offices.

Commissioner Domingo recommended the construction of concrete buildings to house the ten (10) regional offices in the different parts of the country. During the last five years, the number of personnel has increased considerably thereby necessitating additional space to accommodate the personnel and the equipment needed. He stated further that almost all the other branch offices were housed in buildings which were fire hazards.

2. On the Purchase of more Furniture and Equipment and Motor Vehicles.

The Bureau needed more appropriation for the purchase of motor vehicles to be distributed to the provincial revenue offices which were not provided with jeeps. Additional office equipment were needed to replace the unserviceable ones and for the use of new employees.

3. On the Proper Classification of Positions relative to Wage and Position Classification Office (WAPCO).

There should be proper classification of positions so that salary appropriate for the work performed be granted.<sup>270</sup>

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<sup>269</sup> *Fifty-Third Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance for the Fiscal Year from July 1, 1959 to June 30, 1960, p. 63*

<sup>270</sup> *Ibid.*, p. 64

One of the major accomplishments of Acting Collector Padilla was the revamp in the Bureau. Pursuant to Section 12 of the National Internal Revenue Code, with the approval of Finance Secretary Fernando E.V. Sison, a reshuffle of personnel in key positions in the Bureau of Internal Revenue was effected. Several personnel were reassigned to new posts.<sup>271</sup>

Another accomplishment was the passage of the ruling thru the Secretary of Justice regarding the filing of income tax returns. This ruling was issued in view of the previous regulation that the income tax returns should be filed only at the place of legal residence of an individual filer or at the place of business of an entity or corporation.

The Secretary of Justice also ruled that the payment of income tax returns may be made at any BIR office or office of any municipal, provincial or city treasurer throughout the country other than the place where the income tax return was filed.<sup>272</sup>

## **ORGANIZATION**

Memorandum Order No. V-920 dated July 21, 1959 signed by Commissioner Domingo defined the functions of the Tax Census Division and Tax Census Unit. Pursuant to the provisions of Republic Act No. 2070, otherwise known as "An Act to provide for national tax census," there was a new Division that has been created in the Bureau of Internal Revenue, known as the Tax Census Division, under the administrative supervision of the Revenue Operations Executive (Administrative). There were also created Tax Census Units in the ten (10) Regional Districts under the immediate and direct supervision of the Regional Director.

The Tax Census Division supervised the taking and consolidation into a national tax census of the statement of assets, income and liabilities required by law to be filed by residents of the Philippines, whether individual or corporations; prepared in behalf of the Commissioner of Internal

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<sup>271</sup> *BIR, Philippine Revenue Service – March 1962 – December 1971, The Internal Revenue Courier Vol. 1, No. 3, p. 24*

<sup>272</sup> *Ibid., p. 1*

Revenue Annual Reports to the Secretary of Finance on the status of the tax census showing the extent to which the census has been compiled, tabulated, and analyzed in relation to actual revenue collection. The Tax Census Unit supervised the taking of the Regional tax census in the Regional District; processed tax census statements; maintained appropriate Tax Register of the District; conducted necessary verification and investigation relative to tax census statements; furnishing copies of reports thereof to the National Office for proper analysis and evaluation.<sup>273</sup>

On August 3, 1959, the position of Assistant Revenue Operations Executive in the different Departments was created thru MO No. V-948. This aimed to devote more time to the formulation of major objectives, long-range plans, policies and procedures affecting each Department.<sup>274</sup>

On July 25, 1960, a reorganization plan was approved by the Secretary of Finance effective August 1, 1960. The changes were as follows: (Chart 10)

- The Management and Planning Department was created with six (6) Divisions under it, namely: Budget, Accounting, National Supervisors, Statistical, Tax Census, and Tax Information.
- The Administrative and Coordinating Department was renamed to Administrative Services Department and establishment of four (4) Divisions under it, namely: General Services (formerly Administrative); Personnel; Cash and Disbursement; and Training.<sup>275</sup>
- The Alcohol Tax Division and Narcotic Drugs Division were established under Assessment Department.
- The Investigation Division was transferred from Legal Department to Assessment Department.
- The Delinquent Accounts Division, Collection Agents Division and Accounting Machines Division were established under Collection Department.

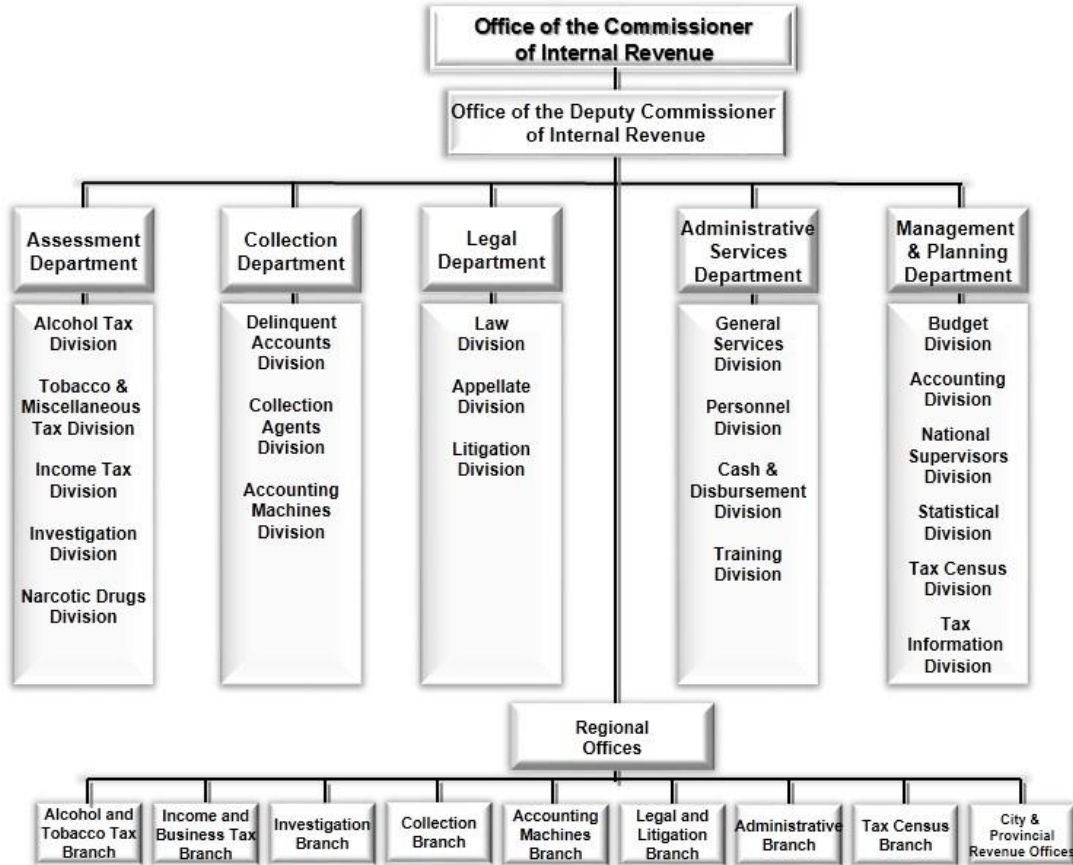
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<sup>273</sup> Memorandum Order No. V-920 dated July 21, 1959

<sup>274</sup> Memorandum Order No. V-948 dated August 3, 1959

<sup>275</sup> *Fifty Fourth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal year from July 1, 1960 to June 30, 1961, pp. 55-56*

**Chart 10.**  
**BIR ORGANIZATIONAL CHART**  
**August 1, 1960**



Source: 1961 Annual Report



- The Litigation Division was established under Legal Department.
- The Administrative Division was renamed to General Services Division.<sup>276</sup>

On February 12, 1962, the Organization and Methods (O & M) Staff was created under Memorandum Order No. V-12. This unit was placed under the Management and Planning Department which the main function was to provide continuing assistance to supervisors and served as a permanent unit to undertake scientific studies and analyses of the organizational and procedural problems of the Bureau.<sup>277</sup>

## COLLECTION PERFORMANCE

### A. Comparative Collection

In Fiscal Year (FY) ending 1960, the Bureau was able to generate ₱736.263 Million taxes. This collection showed an increase of 15.59% compared to previous year which was ₱636.946 Million.<sup>278</sup> Among the ten (10) Regional Districts (RD) in the country, eight (8) RDs excelled in collection performance compared to previous year. Top five (5) RDs were as follows: RD No. 5 – South Luzon Region with ₱4.53 Million increase in collection or 75.82%; RD No. 4 – South Central Luzon Region with ₱28.28 Million increase in collection or 73.93%; RD No. 2 – Central Plain Region with ₱3.07 Million increase in collection or 31.64%; RD No. 9 – North Mindanao Region with ₱1.22 Million increase in collection or 24.77%; and RD No. 10 – South Mindanao Region with ₱1.84 Million increase in collection or 18.81%.<sup>279</sup>

In FY ending 1961, collection increased to ₱839.104 Million or 13.97% higher than the previous year's collection.<sup>280</sup> During the period, nine

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<sup>276</sup> *Fifty-Fourth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1960 to June 30, 1961*, pp. 55-56

<sup>277</sup> *Fifty-Fifth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1961 to June 30, 1962*, p. 62

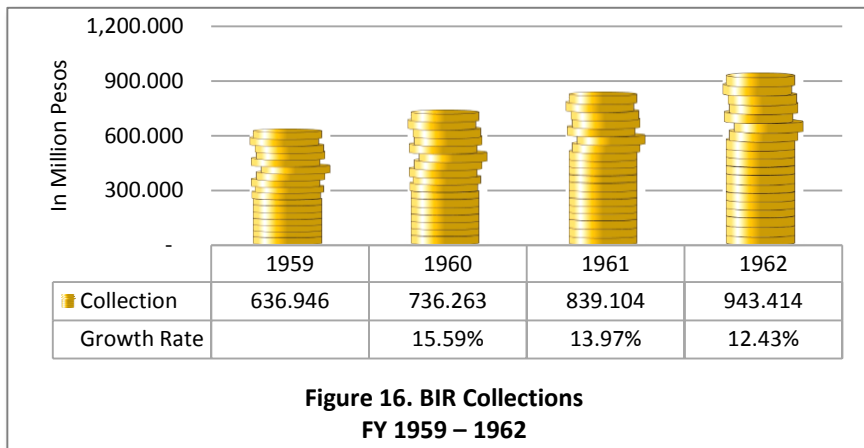
<sup>278</sup> *Fifty-Third Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1959 to June 30, 1960*, p. 1

<sup>279</sup> *Ibid.*, p. 5

<sup>280</sup> *Fifty-Fourth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1960 to June 30, 1961*, p. 1

(9) RDs increased their collection over the previous year. RD No. 2 – Central Plain Region registered the highest percent of increase in collection at 176% or ₱22.51 Million more than last year. Followed by RD No. 4 – South Central Luzon Region at 60.01% or ₱39.92 Million increase. Next were RD No. 3 – South Luzon Region, RD No. 1 – North Luzon Region and RD No. 10 – South Mindanao Region with collection increase of 55.52%, 33.96% and 24.78%, respectively.<sup>281</sup>

In FY ending 1962, ₱943.414 Million was collected by the Bureau, an increase of 12.43% compared to last year's collection.<sup>282</sup> Out of ten (10) RDs, nine (9) increased their collection compared to FY ending 1961. RD No. 5 – South Luzon Region topped the list with ₱9.96 Million increase or 60.97% more than that of last year. Followed by RD No. 4 – South Central Luzon Region with ₱41.81 Million increase in collection or 39.28%. The rest of the regions were RD No. 9 – North Mindanao Region with ₱2.99 Million increase or 38.96%; RD No. 2 – Central Plain Region with ₱10.95 Million increase or 31.02%; and 5) RD No. 10 – South Mindanao Region with ₱3.22 Million increase or 22.26%.<sup>283</sup> (Figure 16)



**Figure 16. BIR Collections  
FY 1959 – 1962**

<sup>281</sup> *Fifty-Fourth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1960 to June 30, 1961, p. 5*

<sup>282</sup> *Fifty-Fifth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1961 to June 30, 1962, p. 1*

<sup>283</sup> *Ibid., p. 5*

## B. Cost of Operations

Total expenditures of the Bureau in Fiscal Year (FY) ending 1960 amounted to ₱10.545 Million. An increase of 5.13% was noted compared to expenditures of FY ending 1959 amounting to ₱10.004 Million. With the total collections of ₱763.263 Million during the year inclusive of the collection on radio registration and tobacco inspection fees, cost to collect per ₱100 revenue was ₱1.43 or a decrease of 9.79% compared to FY ending 1959's cost of ₱1.57.<sup>284</sup>

The following FY ending 1961, expenditures of the Bureau totaled to ₱10.098 or 4.42% lower than the previous year's expenditures. Cost to collect was \*₱1.21 per ₱100 revenue relating to total collections of ₱839.104 Million during the year inclusive of the collection on tobacco inspection fees. As compared to last year's cost, a decrease of 18.18% was noted.<sup>285</sup>

In FY ending 1962, total expenditures of the Bureau reached ₱19.728 Million which was 48.81% higher than the expenditures of last year. With the ₱943.414 Million total collections during the year inclusive of the collection on tobacco inspection fees, the cost was ₱2.09 per ₱100 revenue collected or 42.11% higher than the previous year's cost.<sup>286</sup> (Table 29)

**Table 29. Expenditures and Cost of Collecting ₱100  
FY 1959 – 1962**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1959	10,004,472.30		1.57	
1960	10,544,969.81	5.13	1.43	(9.79)
1961	10,098,811.50	(4.42)	1.21	(18.18)
1962	19,728,615.00	48.81	2.09	42.11

<sup>284</sup> *Fifty-Third Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1959 to June 30, 1960, p. 2*

<sup>285</sup> *Fifty-Fourth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1960 to June 30, 1961, p.2*

<sup>286</sup> *Fifty-Fifth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1961 to June 30, 1962, p. 2*

## PERSONNEL COMPLEMENT

Total workforce of the Bureau in Fiscal Year (FY) ending 1960 was 2,759 regular employees. Said workforce was distributed to Manila and provinces with 1,340 and 1,419 employees, respectively. As compared to FY ending 1959's 2,732 employees, an increase of 0.98% was noted. A total of 34 employees were given appointments, while a total of 57 employees were separated from the service.<sup>287</sup>

The following period, FY ending 1961, 1,908 employees were added to the workforce of the Bureau totaled to 4,954 employees or 44.31% higher than last year's workforce. Said number of employees was distributed to Manila and provinces with 1,416 and 3,251 employees, respectively.<sup>288</sup>

In FY ending 1962, total workforce reached 5,060 employees which was distributed to Manila and provinces with 1,564 and 3,496 employees, respectively. An increase of 2.09% was noted as compared to the workforce last year.<sup>289</sup> (Table 30)

**Table 30. Number of Employees  
FY 1959 – 1962**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1959	2,732		
1960	2,759	27	0.98
1961	4,954	2,195	44.31
1962	5,060	106	2.09

<sup>287</sup> *Fifty-Third Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1959 to June 30, 1960, pp. 52-53, 56*

<sup>288</sup> *Fifty-Fourth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1960 to June 30, 1961, pp. 58-59, 62*

<sup>289</sup> *Fifty-Fifth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1961 to June 30, 1962, pp. 55-60*



*Jose B. Lingad*

**Commissioner of Internal Revenue**

(May 22, 1962 – May 31, 1963)

(Reappointed – July 5, 1963 – September, 24, 1963)

## JOSE B. LINGAD

Commissioner **Jose B. Lingad** studied law and was admitted to the Philippine Bar in 1938, the same year he was elected to public office as a town councilor.

After the Japanese invasion of the Philippines in 1941, Commissioner Lingad joined the armed resistance against the Japanese in Bataan. He survived the Bataan Death March and later joined the guerilla movement. He returned to military service and joined the troops and officers of the Philippine Commonwealth Army.

During the 1947 general elections, Commissioner Lingad was elected Governor of Pampanga as a member of the Liberal Party. Seated as Governor in 1948, he served a single term, being defeated for re-election in 1951 due to the fall-out from the Maliwalu massacre. During his tenure as Governor, he drafted Diosdado Macapagal, then in diplomatic corps, to run for a congressional seat under the Liberal Party in Pampanga. Macapagal's subsequent election as Congressman in the 2<sup>nd</sup> Congress in 1949 commenced a political career that led him to the Presidency just 12 years later.

When his protégé, Diosdado Macapagal, was elected President in 1961, Lingad joined the Macapagal administration, first as Commissioner of Internal Revenue, then Commissioner of Customs and, ultimately, Secretary of Labor.<sup>290</sup>

In June 1963, during the trip abroad of Commissioner Lingad, **Amable M. Aguiluz** was designated as caretaker of the Bureau until the former resumed his duties as Commissioner on July 5, 1963. Commissioner Lingad held position until September 24, 1963.<sup>291</sup>

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<sup>290</sup> Jose B. Lingad, retrieved from [http://en.wikipedia.org/wiki/Jos%C3%A9\\_B.\\_Lingad](http://en.wikipedia.org/wiki/Jos%C3%A9_B._Lingad) on 4/16/2015

<sup>291</sup> Fifty-Seven Annual Report of the Commissioner of Internal Revenue for the Fiscal Year from July 1, 1963 to June 30, 1964, p.82

On September 25, 1963, **Ramon T. Oben** was appointed as Acting Commissioner of Internal Revenue until January 27, 1964, serving the Bureau for only four (4) months.<sup>292</sup>

In the four (4) months term of Acting Commissioner Oben, the Philippines was divided anew into fifteen (15) Regional Offices and seventy-two (72) Inspection Districts under Revenue Regulations No. 3-63 dated November 15, 1963, which aimed to strengthen the decentralization of the Bureau's set up for the purpose of intensifying tax assessments and collections and the enforcement of revenue laws and regulations.<sup>293</sup>

Acting Commissioner Oben, as part of his function, went to the United States and Europe to promote the sale of Philippine Cigars.<sup>294</sup>

## GENERAL ADMINISTRATION

Programs to accelerate collection drive were prioritized by Commissioner Lingad. Among these were the following:

- “Operations Collection” was implemented on July 1, 1962 to August 31, 1962. The assessment work of the fieldmen in all regional districts was set aside to perform collection function. Policies and procedures were formulated, and directives issued for the proper, effective and prompt accounting, remitting and reporting of all internal revenue collections, foremost of which was Department Order No. 31-63 “providing for rules and regulations for the collection of internal revenue taxes, fees, and charges, their deposit and immediate remittance to the national treasury, and such other administrative functions for keeping of appropriate control records and reporting thereof.”<sup>295</sup>

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<sup>292</sup> *Fifty-Seven Annual Report of the Commissioner of Internal Revenue for the Fiscal Year from July 1, 1963 to June 30, 1964, p.82*

<sup>293</sup> *Revenue Regulations No. 3-63 dated November 15, 1963*

<sup>294</sup> *Official Gazette, The President's Week in Review (President Diosdado Macapagal), retrieved on Nov. 4, 2015 from <http://www.gov.ph> p. 3*

<sup>295</sup> *Fifty-Sixth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1962 to June 30, 1963, p. 30*

- “Operations New Taxpayers” was implemented on July 16, 1962 pursuant to Revenue Memorandum Order No. 38-62. This campaign was initiated to increase revenues in order to finance the Socio-Economic Program of President Diosdado Macapagal.<sup>296</sup>

Both tax collection campaigns brought to the Bureaus’ records new income tax filers who should pay taxes as well as old filers who have not filed correct income and other tax returns.<sup>297</sup>

During the Fiscal Year 1962 to 1963, several laws affecting internal revenue taxation were passed by the 5<sup>th</sup> Congress of the Republic of the Philippines during its second session and approved by the President of the Philippines, to wit:

1. Republic Act No. 3522 – an Act amending Section 32 of Republic Act No. 180, as amended, otherwise known as the Revised Election Code, so as to require certain information regarding income taxes of candidates, approved on June 20, 1963.

2. Republic Act No. 3538 – an Act exempting the Ford Foundation and its grants from the payment of gifts, franchise, specific, percentage, real property, and other taxes, duties and fees and to exempt foreign personnel engaged in the Ford Foundation Program from the payment of income tax, approved on June 20, 1963.

3. Republic Act No. 3589 – an Act amending Republic Act No. 2067, otherwise known as the Science Act of 1958, modifying the National Science Development Board, National Institute of Science and Technology, and Philippine Atomic Energy Commission, extending tax exemption privileges on grants, bequests and donations for scientific purposes to private educational institutions, approved on June 22, 1963.

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<sup>296</sup> Revenue Memorandum Order No. 38-62 dated July 16, 1962

<sup>297</sup> Fifty-Sixth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1962 to June 30, 1963, p. 24



4. Republic Act No. 3676 – an Act exempting the Ramon Magsaysay Award Foundation from the payment of taxes and fees, whether national or local, as well as contributions, gifts and donations given thereto, approved on June 22, 1963.

5. Republic Act No. 3696 – an Act further amending section 183 of Commonwealth Act No. 466, as amended, otherwise known as the National Internal Revenue Code, relative to the tax base of the sales tax on locally manufactured articles sold on installment basis, approved on June 22, 1963.

6. Republic Act No. 3704 – an Act amending sections 182 and 189 of the National Internal Revenue Code, by providing for an annual graduated fixed tax on rice and corn mills and exempting them from the percentage tax of 2%, approved on June 22, 1963.

7. Republic Act No. 3823 – an Act inserting section 79-A in Commonwealth Act No. 137, otherwise known as the Mining Act, to grant tax exemptions to certain mines, approved on June 22, 1963.

8. Republic Act No. 3825 – an Act amending sections 24 (b) (1) and 54 of Commonwealth Act No. 466, otherwise known as the National Internal Revenue Code, relative to the exemption of non-resident foreign insurance companies from income tax on reinsurance premiums, approved on June 22, 1963.

9. Republic Act No. 3841 – an Act amending section 22 (b), 24 (b) (1) and 34 (a), (b) and (d) of Commonwealth Act No. 466, otherwise known as the National Internal Revenue Code, as amended, relative to the liability of non-resident aliens and non-resident foreign corporations to income tax on their capital gains and exemptions of capital gains from income tax under certain conditions, approved on June 22, 1963.

Section 3 of Act No. 3841, which amended section 34 (a), (b) and (d) of the Tax Code by exempting capital gains from income tax under certain conditions, was vetoed by the President, on recommendation of the Bureau,

on the ground that the expected enormous loss of revenue cannot be justified due to the absence of a reasonable assurance of attaining the objectives behind the proposed grant of tax exemption.<sup>298</sup>

## ORGANIZATION

On May 31, 1962, the Collection Division was created thru Revenue Administrative Order (RAO) No. 3-62 under the Collection Department.<sup>299</sup> Said RAO defined the functions of the Regional Collection Supervisors, Collection Agents and Collection Clerks by virtue of the provisions of Republic Act No. 2655, otherwise known as an “Act to amend Section 6 and to repeal Section 7 of Commonwealth Act No. 466, otherwise known as the National Internal Revenue Code, and for other purpose”, whereby the duties of Deputy Provincial and City Treasurers as collectors of internal revenue taxes have transferred to Collection Agents and Collection Clerks.<sup>300</sup>

## COLLECTION PERFORMANCE

### A. Comparative Collection

Total collections in Fiscal Year (FY) ending 1963 was ₱1,132.778 Million, 20.07% higher than the previous year which was ₱943.414 Million.<sup>301</sup> The appreciable result in tax collection during the period was due to the relentless and coordinated campaigns against smugglers of untaxed cigarettes, liquors and other articles subject to tax, the launching of “Operations Collection” and “Operations New Taxpayers” as well as the sustained education campaigns to awaken the tax consciousness of the people.<sup>302</sup> (Figure 17)

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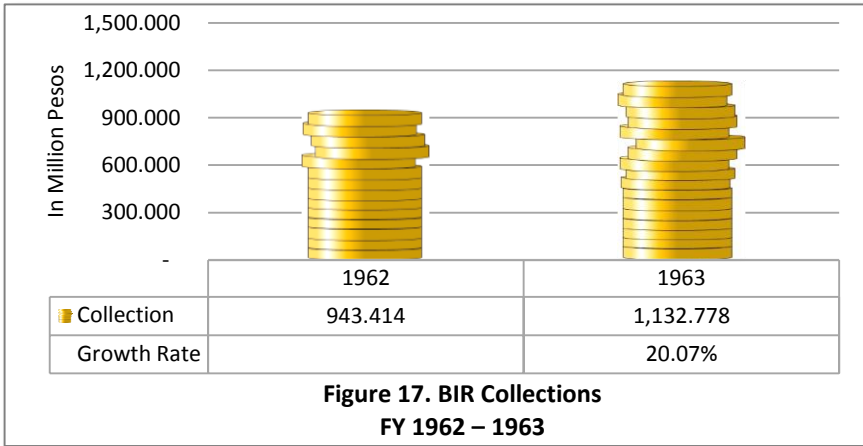
<sup>298</sup> *Fifty-Sixth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1962 to June 30, 1963, pp. 34-35*

<sup>299</sup> *Revenue Administrative Order No. 3-62 dated May 31, 1962*

<sup>300</sup> *Republic Act No. 2655, retrieved from <http://www.chanrobles.com/republicacts/republicactno2655.html> on 9/23/2014*

<sup>301</sup> *Fifty-Sixth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1962 to June 30, 1963, p. 1*

<sup>302</sup> *Ibid., p. 2*



During the period, ten (10) Regional Districts (RD) increased their collections over the previous year. RD No. 5 – South Luzon Region posted the highest percent of increase in collection at 87.50% or ₱23.02 Million more than that of last year. Followed by RD No. 8 – West Visayas Region which registered ₱20.52 Million increase or 74.03%. Ranked third was RD No. 10 – South Mindanao Region with ₱7.61 Million increase in collection or 43% higher than the previous year. Next was RD No. 9 – North Mindanao Region with ₱4.41 Million increase in collection or 41.34%. Lastly, RD No. 6 – Bicol Region with ₱1.12 Million increase in collection or 25.94%.<sup>303</sup>

## B. Cost of Operations

Total expenditures of the Bureau in Fiscal Year (FY) ending 1963 amounted to ₱22.136 Million. This showed an increase of 10.88% compared to ₱19.729 Million expenditures during FY ending 1962. With the total collections of ₱1,132.778 Million during the year inclusive the collection on tobacco inspection fees, the cost was ₱1.95 per ₱100 revenue collected. Said cost was 7.18% lower than the ₱2.09 cost of FY ending 1962.<sup>304</sup> (Table 31)

<sup>303</sup> *Fifty-Sixth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1962 to June 30, 1963, pp. 4-5*

<sup>304</sup> *Ibid.*, p. 2

**Table 31. Expenditures and Cost of Collecting ₱100  
FY 1962 – 1963**

Fiscal Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1962	19,728,615.00		2.09	
1963	22,136,410.80	10.88	1.95	(7.18)

## PERSONNEL COMPLEMENT

The Bureau's workforce in Fiscal Year (FY) ending 1963 totaled to 5,613 regular employees. As compared to FY ending 1962's workforce, an increase of 9.85% was noted or an additional of 553 employees to the total workforce.

During the period, the WAPCO Salary Adjustments was issued. 4,334 positions had been issued this adjustment and the 1,279 positions left were unadjusted. These unadjusted positions include those whose incumbents have pending administrative cases, those with efficiency ratings of less than 85%, those with pending appointments, those who were already receiving the authorized salaries or the second step of the range of their positions on July 1, 1962, and those already receiving the maximum salary of their eligibilities.<sup>305</sup> (Table 32)

**Table 32. Number of Employees  
FY 1962 – 1963**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1962	5,060		
1963	5,613	553	9.85

<sup>305</sup> *Fifty-Sixth Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1962 to June 30, 1963, pp. 43-44*



*Benjamin N. Tabios*

**Acting Commissioner of Internal Revenue**

(January 28, 1964 – August 25, 1965)

## **BENJAMIN N. TABIOS**

Acting Commissioner ***Benjamin N. Tabios***, as a student, was a recipient of scholastic honors. He graduated with high honors from Bukidnon Elementary School and Silliman University High School. He took up a combined law and business course and hurdled both Bar and CPA examinations in 1948.<sup>306</sup>

He was a guerrilla and army officer (2<sup>nd</sup> lieutenant) with the 109<sup>th</sup> infantry division (Mindanao) and 6<sup>th</sup> infantry division Philippine Army, from 1943 to 1946.

He was an Accountant and later Office Manager of the Union Express Brokerage in 1946 to 1949 while a student of law. He was Vice President of the Malaybalay Express Lines in 1947 to 1955 and 1959 to 1962. He was a Chief Legal Officer of the Court of Tax Appeals in 1955 to 1959. Later, he became a Partner in the law firm of Sycip, Salazar & Associates.

During President Diosdado Macapagal's governance, he was a busy man in the Liberal administration. He held positions such as: Acting Director of the Bureau of Fiber and Inspection Service; Director of the National Marketing Corporation; Undersecretary of Industry; Chairman of the Philippine Tobacco Board; Chairman of the RP Delegation to the ECAFE Conference on Industry and Natural Resources; and Co-Chairman of the Philippine Trade Mission to Europe. After which, he became the Acting Commissioner of Internal Revenue, the most important position he held in government office.<sup>307</sup>

## **GENERAL ADMINISTRATION**

Acting Commissioner Tabios, in his Fifty-Seventh and Fifty-Eighth Annual Report to the Secretary of Finance reported that the activities of the Bureau during the period covering July 1, 1963 to June 30, 1964 and July 1,

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<sup>306</sup> *The Philippines Officials Review '67, First Edition, Compiled and Edited by Magbanua, Mijares & Associates, p. 115*

<sup>307</sup> *Philippine Government Elective Officials 1966 Semi Pictorial Directory by Vivencio (Bebeng) Urera, Second Edition, p. 34*

1964 to June 30, 1965, respectively, included the administration of Tobacco Inspection Law because the Commissioner of Internal Revenue was entrusted with its enforcement.<sup>308</sup>

Programs initiated to contribute in the generation of collection were the relentless and coordinated campaigns against smugglers of untaxed cigarettes, liquors and other articles subject to tax, the continuous implementation of “Operations New Taxpayers” as well as the sustained education campaigns to awaken the tax consciousness of the people, which have all produced appreciable results.<sup>309</sup>

Another tax collection campaign, the “Operation Blue Pencil” was launched. This caused the filing in various court action for collection of taxes and defending assessments in the Court of Tax Appeals and filing of criminal charges against tax evaders and the filing of deportation proceedings against delinquent alien taxpayers.<sup>310</sup>

New laws affecting Internal Revenue Taxation were likewise implemented during Commissioner Tabios’ term, to wit:

1. Republic Act No. 4362 – an Act amending Section 66 of Republic Act No. 2023 authorizing the exemption of cooperative registered under this Act from the payment of certain taxes, approved on June 19, 1965.

2. Republic Act No. 4481 – an Act exempting the Catholic Relief Services-NCWC and the Tools for Freedom Foundation from the payment of certain taxes, approved on June 19, 1965.

3. Republic Act No. 4522 – an Act exempting from determination of gain or loss any exchange of property for stocks in corporations under certain conditions amending for the purpose paragraphs two, three and five, subsection (c), Section 35 of the National Internal Revenue, as amended, approved on June 19, 1965.

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<sup>308</sup> *Fifty-Seventh Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1963 to June 30, 1964, p. 1 and Fifty-Eight Annual Report of Commissioner of Internal Revenue for the Fiscal Year from July 1, 1964 to June 30, 1965, p. 1*

<sup>309</sup> *Fifty-Eight Annual Report of Commissioner of Internal Revenue for the Fiscal Year from July 1, 1964 to June 30, 1965, p. 2*

<sup>310</sup> *Ibid.*, pp. 40, 45

4. Republic Act No. 4574 – an Act amending subsection (B) of section 182 and first paragraph of Section 192 of the National Internal Revenue Code, relative to annual taxes on occupation, (amendment to section 191 was vetoed), approved on June 19, 1965.

5. Republic Act No. 4620 – an Act further amending certain Sections of Republic Act No. 3127, as amended, relative to Basic Industries Act, approved on June 19, 1965.<sup>311</sup>

During the 60<sup>th</sup> anniversary of the Bureau, the BIR Official Seal was approved by the Heraldry Committee of the Office of the President. The BIR Official Seal set in boldface the cheerful recognition given the Bureau’s growing role in the socio-economic phases of nation-building. Indeed, the BIR seal design delineated in symbols the vital part the Bureau played in the governmental scheme:



The pillar, solid and strong, representing the BIR, supports the seal of the Republic, or the government of the Philippines. The ocean-going vessel and communication tower in the left center of the seal; the row of factories on the right center; the bundles of harvested palay on each side of the pillar – all these point out the inter-link between the BIR, commerce and industry, trade and agriculture, transportation and communication and, national prosperity and progress.<sup>312</sup>

## ORGANIZATION

On February 27, 1964, Revenue Regulations (RR) No. 2-64 was approved amending Sections 8, 11, 14 and 15 of RR No. 3-63. Said regulations mandated the division of the Philippines into fifteen (15) Regional Offices and seventy-two (72) Inspection Districts.<sup>313</sup>

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<sup>311</sup> *Fifty-Eight Annual Report of Commissioner of Internal Revenue for the Fiscal Year from July 1, 1964 to June 30, 1965, p. 50*

<sup>312</sup> *Official Publication of Bureau of Internal Revenue, Manila Philippines, May, 1964, Vol. I No. 5*

<sup>313</sup> *Revenue Regulations No. 2-64 dated February 27, 1964*



On August 1, 1964, Revenue Administrative Order (RAO) Nos. 3-64, 4-64, 5-64 and 6-64 were issued. RAO 3-64 prescribed the organization and functions of Specific Tax Department. This was pursuant to the provisions of Republic Act No. 4164 otherwise known as the Appropriations Law for the Fiscal Year 1964-1965, creating an additional department in the Bureau of Internal Revenue. The Specific Tax Department was under the supervision and control of the Commissioner of Internal Revenue and was intended to assist all organizational levels of management in the Bureau to effectively carry out the policies and procedures relative to the administration and enforcement of the internal revenue law on specific taxes. The Specific Tax Department had four (4) divisions under it, namely: Tobacco & Miscellaneous Tax Division, Alcohol Tax Division, Tobacco Inspection Service, and Specific Tax Enforcement Division.<sup>314</sup>

RAO No. 4-64 on the other hand prescribed the creation of the Withholding Tax Division which was directly under the supervision and control of the Revenue Operations Head particularly the Assessment Department. The Withholding Tax Division took charge in the processing of all withholding tax returns on wages, income tax returns involving withholding tax on wages including the processing of refunds and or deficiency taxes that may still be due after processing; investigates withholding tax cases in Regional Office Nos. 4, 5 and 6; processed all withholding tax returns at source and collated data therefrom to determine the income from fixed and determinable sources of all taxpayers, resident or otherwise; processed and collated all withholding taxes withheld by government offices from various private entities under Republic Act No. 1051 and maintained complete records of all withholding tax employers, enterprises and/or government agencies for the purpose of determining the income allowable to each individual taxpayer. The Withholding Tax Section previously under the Income Tax Division became the Withholding Tax Division and all personnel, equipment, supplies, records, documents and pending papers of the Withholding Tax Section shall be transferred to and absorbed by the new division.<sup>315</sup>

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<sup>314</sup> Revenue Administrative Order No. 3-64 dated August 1, 1964

<sup>315</sup> Revenue Administrative Order No. 4-64 dated August 1, 1964

RAO No. 5-64 prescribed the creation of the Property Division which was directly under the supervision and control of the Revenue Operations Head particularly the Administrative Services Department. The Property Division took charge in the procurement of supplies, equipment, furniture for the use of the Bureau of Internal Revenue; attended to the printing of revenue stamps, labels and other accountable forms; printing, binding and reproduction of annual reports, pamphlets and other regular publication; kept custody of all office property and equipment. The Property Section previously under the General Services Division became the Property Division and all personnel, equipment, supplies, records, documents and pending papers of the Withholding Tax Section were transferred to and absorbed by the new division.<sup>316</sup>

RAO No. 6-64 prescribed the organization and functions of the Special Services Department. This was pursuant to the provision of Sections 79 (B) and 551 of the Revised Administrative Code and the exigencies of the revenue service required. The said department was under the supervision and control of the Commissioner of Internal Revenue. Its main objective was to assist all organizational levels of management in the Bureau to effectively carry out the policies enunciated by the Commissioner of Internal Revenue. The Special Services Department had four (4) units under it, namely: Data Processing Center, Tax Census Division, Tax Information Division, and Laboratory Center.<sup>317</sup>

On October 20, 1964, RAO No. 12-64 was issued prescribing the organization and functions of the Office of International Operations. The said office was directly under the supervision and control of the Commissioner of Internal Revenue. In addition, it was assigned to assist all management levels of organization to formulate, develop and implement policies and procedures relative to the administration and enforcement of the internal revenue law as it bears relation to the business of taxpayers the substantial portion of which involves foreign tax laws, import and export taxation, foreign exchange, and/or other foreign element and to provide technical research support to tax conventions and internal revenue

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<sup>316</sup> Revenue Administrative Order No. 5-64 dated August 1, 1964

<sup>317</sup> Revenue Administrative Order No. 6-64 dated August 1, 1964

extension services abroad. Said office had three (3) units under it namely: Revenue Attaché Service Unit, Technical and Policy Research Unit, and Audit and Intelligence Unit.<sup>318</sup>

Another major reorganization was approved and took effect on November 2, 1964 by virtue of Revenue Administrative Order (RAO) No. 14-64. Salient features were as follows: establishment of Tobacco Inspection Board and Accountable Forms Committee under the direct supervision of the Commissioner of Internal Revenue; and establishment of Inspection Department having three (3) units under it, namely: Inspection Division, Internal Security Division and Internal Audit Service.<sup>319</sup> (Chart 11)

On July 1, 1965, the Delinquent Accounts Division was renamed to Tax Accounts Division under the Collection Department through RAO No. 4-65.<sup>320</sup>

## **COLLECTION PERFORMANCE**

### **A. Comparative Collection**

Gross collection in Fiscal Year (FY) ending 1964 reached a total of ₱1,302.696 Million. This was 15% higher than the collection of the previous year which was ₱1,132.778 Million. Among the fifteen (15) Regional Offices (RO) in the country, five (5) ROs posted the highest income during the period, to wit: RO No. 5 & 6 – North and South Manila Region with ₱772.27 Million collection; RO No. 4 – South Central Region with ₱224.37 Million collection; RO No. 7 – Southern Luzon Region with ₱61.20 Million collection; RO No. 11 – Negros Island Region with ₱56.01 Million; and RO No. 3 – Central Plain Region with ₱52.67 Million collection.<sup>321</sup>

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<sup>318</sup> Revenue Administrative Order No. 12-64 dated October 20, 1964

<sup>319</sup> Revenue Administrative Order No. 14-64 dated November 2, 1964

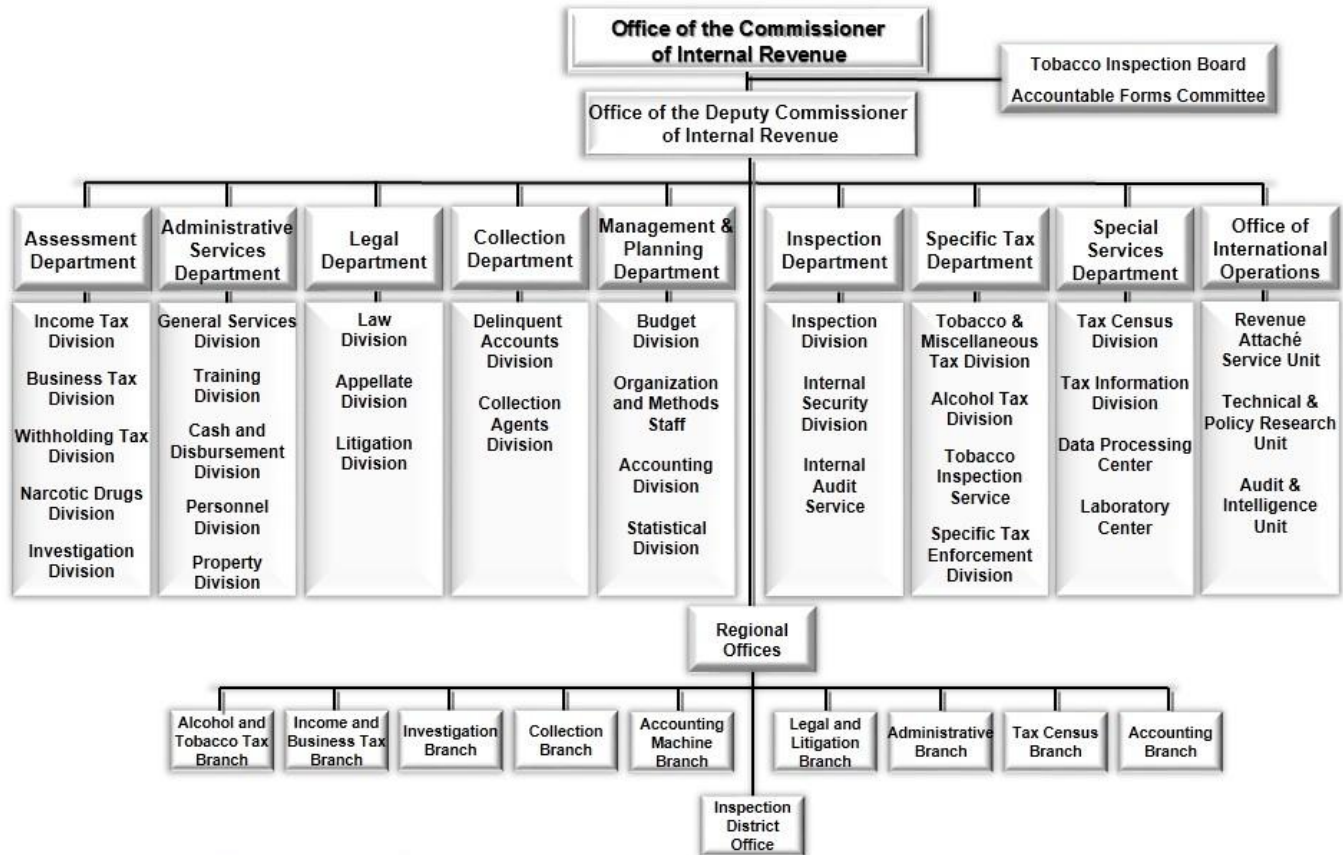
<sup>320</sup> Revenue Administrative Order No. 4-65 dated May 31, 1965

<sup>321</sup> *Fifty-Seventh Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1963 to June 30, 1964, pp. 1 & 9*

**Chart 11.**

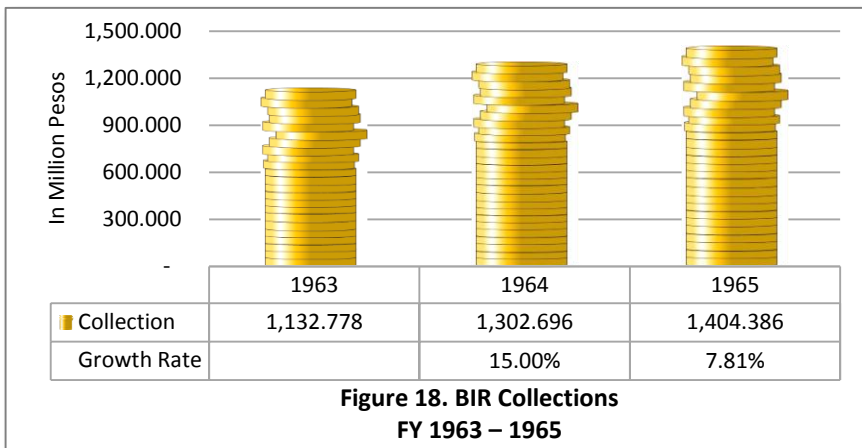
**BIR ORGANIZATIONAL CHART**

**November 2, 1964**



Source: RAO No. 14-64 dated Nov. 2, 1964 of Acting Commissioner of Internal Revenue Benjamin N. Tabios and approved by the Secretary of Finance Rufino G. Hechanova with subject: Prescribing the relation of the National Office to lower operating levels and outlining the duties and functions thereof.

In FY ending 1965, collection increased by 7.81% or ₱1,404.386 Million as against the previous year. Out of fifteen (15) ROs, thirteen (13) of which increased its collection compared to previous year. RO No. 9 – Eastern Visayas Region posted the highest percent of increase in collection at 58.69% or ₱1.87 Million more than that of last year. Followed by RO No. 15 – Western Region registered ₱3.51 Million increase in collection or 45.23%. RO No. 8 – Bicol Region, RO No. 1 – Ilocos Region and RO No. 13 – Northern Mindanao posted increase in collection at 32.41%, 28.90%, and 19.81%, respectively.<sup>322</sup> (Figure 18)



## B. Cost of Operations

Total expenditures of the Bureau in Fiscal Year (FY) ending 1964 amounted to ₱27.371 Million which was 19.13% higher than the expenditures during FY ending 1953 amounting to ₱22.136 Million. With the total collections of ₱1,302.696 Million during the period inclusive of the collection on tobacco inspection fees, the cost was ₱2.10 every ₱100 revenue collected. This cost was 7.14% higher than the cost of ₱1.95 in FY ending 1963.<sup>323</sup>

<sup>322</sup> *Fifty-Eight Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1964 to June 30, 1965, pp. 1 & 9*

<sup>323</sup> *Fifty-Seventh Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1963 to June 30, 1964, p.2*

In FY ending 1965, the Bureau expended ₱29.129 Million or an increase of 6.03% compared to previous year's expenditures. With the ₱1,404.386 Million total collections during the year inclusive of the collection on tobacco inspection fees, cost to collect per ₱100 revenue was ₱2.07 or a decrease of 1.45% compared to last year's cost.<sup>324</sup> (Table 33)

**Table 33. Expenditures and Cost of Collecting ₱100  
FY 1963 – 1965**

Fiscal Year	Expenditures	% Inc./Dec.)	Cost of Collecting ₱100	% Inc./Dec.)
1963	22,136,410.80		1.95	
1964	27,371,655.41	19.13	2.10	7.14
1965	29,129,453.41	6.03	2.07	(1.45)

## PERSONNEL COMPLEMENT

Total workforce of the Bureau in Fiscal Year (FY) ending 1964 reached 5,758 regular employees. As compared to the workforce of 5,613 during FY ending 1963 an additional of 145 employees or an increase of 2.52% was noted.<sup>325</sup>

The following period, FY ending 1965, total workforce was 6,353 regular employees or 9.37% higher than last year's workforce. A total of 595 employees were added to the overall workforce of the Bureau.<sup>326</sup> (Table 34)

**Table 34. Number of Employees  
FY 1964 – 1965**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1963	5,613		
1964	5,758	145	2.52
1965	6,353	595	9.37

<sup>324</sup> *Fifty-Eight Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1964 to June 30, 1965, p. 2*

<sup>325</sup> *Fifty-Seventh Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1963 to June 30, 1964, p. 51*

<sup>326</sup> *Fifty-Eight Annual Report of the Commissioner of Internal Revenue to the Honorable Secretary of Finance of the Philippines for the Fiscal Year from July 1, 1964 to June 30, 1965, p. 55*

# CHAPTER VI

## NEW DIRECTION IN TAX ADMINISTRATION



*Misael P. Vera*

**Commissioner of Internal Revenue**  
(August 30, 1965 – September 25, 1975)



**MISAEAL P. VERA**

Commissioner **Misael P. Vera** finished his primary and intermediate education in his hometown in Bustos, Bulacan, then transferred to Manila where he completed his secondary education at the Torres High School. He finished his Associate in Commercial Science course at the Jose Rizal College. Later, he enrolled at the Far Eastern University and in 1936 he graduated with the degree of Bachelor of Science in Commerce. He studied law at the Arellano University and at his early fifties he succeeded both as a Certified Public Accountant (CPA) and a lawyer.

He was awarded a Certificate of Distinction by his Alma Mater, the Far Eastern University, for obtaining the highest honors. He was a topnotcher in the Board Examination for Certified Public Accountants. He also boasted of his Certificate of Merit awarded by the Mutual Security Agency (now Agency for International Development).

Commissioner Vera entered the Bureau of Internal Revenue in 1939 as Student Examiner, then he was promoted to Agent. From 1948 to 1950 he was Agent-In-Charge and from 1952 to 1953 as a Senior Examiner. He became Supervisor of the Special Tax Fraud Investigation Squad, and Chairman of 2<sup>nd</sup> Division Conference Staff and promoted to Assistant Chief of BIR-NBI Group and later Assistant Regional Director of Regional District No. 3 comprising Palawan and whole Manila in 1956. He was promoted to Acting Deputy Commissioner in 1958 and later Deputy Commissioner of Internal Revenue in 1959.

While in the Bureau, he became a government pensionado to the United States in 1952, specializing in business administration in the field of taxation. He was taken in as a professorial lecturer on taxation and CPA review by the University of the Philippines in 1959. Then followed the invitation of the Far Eastern University to make him a professorial lecturer on taxation and tax accounting.

He was appointed as BIR Commissioner on August 30, 1965 and in recognition of his meritorious services in the Bureau, President Ferdinand E.

Marcos reappointed him as Commissioner after his first appointment lapsed at the end of the Diosdado Macapagal administration.

## GENERAL ADMINISTRATION

When Commissioner Vera assumed office in 1965, significant changes in the Bureau began through the adoption of “New Direction” in tax administration. The most notable programs implemented were the “Blue Ribbon Master Program” which aimed for a humane and better service to taxpayers, more reasonable but vigorous enforcement of tax laws, and curbing of abuses both on the part of taxpayers and BIR personnel; and the “Voluntary Tax Compliance Program” which undertook the campaign to flush out professionals both in the private and government to report out their true income and pay their professional taxes.<sup>327</sup> These programs were created primarily to establish good rapport between the taxpayers and the BIR and to eventually improve collection performance.

In the same year, an integrated processing system through the use of IBM 1401 Electronic Data Processing Machine was installed to facilitate the processing of papers, returns and other transactions of taxpayers with the Bureau. The pilot project started in Regional Office No. 4 for the automatic processing of the 1965 income tax returns.<sup>328</sup>

In 1966, the taxpayers were provided permanent Tax Account Number (TAN) to facilitate the identification of taxpayers and insure faster verification of their tax liabilities, tax credits and refunds. This permanent number was also utilized as the control number to facilitate processing and recording through the use of electronic data processing machines.<sup>329</sup>

In February 1967, the Tax Returns Compliance Program was launched on a nation-wide basis. This program was an intensive and vigorous campaign on tax compliance. The objectives of this program were:

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<sup>327</sup> *BIR, Philippine Revenue Journal, 75<sup>th</sup> Anniversary 1904-1979, p. 12*

<sup>328</sup> *59<sup>th</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1966, p. XII*

<sup>329</sup> *Ibid., p. 21*

1) make people conscious of their obligations as citizens in the matter of paying taxes promptly and honestly; 2) minimize harassment of taxpayers; 3) eliminate red-tape in the transactions of official business with the Bureau; and 4) go after highly-placed tax evaders.<sup>330</sup>

On April 1-7, 1967, the President declared “Tax Consciousness Week” upon the recommendation of the Bureau of Internal Revenue. This intensive tax education campaign aimed to disseminate to the public various tax information and new tax laws and to emphasize to the public of their obligation to support the government by paying their taxes promptly and honestly.<sup>331</sup>

On November 15, 1966, the BIR Employees Association, Inc. (BIREA) amended its Articles and By-Laws and re-submitted to and approved by the Securities and Exchange Commissions (SEC) on the same date. The election of officers was held on February 25, 1967. The Association was originally registered with the Securities and Exchange Commissions (SEC) on May 3, 1962. However, its By-Laws has pending approval with the said Commission on February 19, 1963 and thus the Association was inactive.

Considered as the first major accomplishment of the Association was the passage of Republic Act (RA) No. 4900, increasing the salaries of officials and employees of the Bureau of Internal Revenue, which took effect on July 1, 1967. The increase of salaries of the BIR officials and employees was fully implemented in April 1968.

On the same year, the BIR Savings and Loan Association (BIRSALA) was created. This another project of the BIREA was primarily to bail needy revenue personnel out of the clutches of loan sharks or usurers.

On January 25, 1969, thru a Memorandum Agreement, the BIREA took over the administration of the BIR Mutual Aid Group (BIRMAG). This was primarily conceived by a group of BIR employees for the purpose of

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<sup>330</sup> *60<sup>th</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1967, p. 15*

<sup>331</sup> *Ibid., p. 45*

extending immediate aid and assistance to the bereaved families of its deceased members. Alarmed by the deaths of some revenue employees who unfortunately were not members of the BIRMAG, the BIREA, through its Board of Directors, adopted a resolution wherein all BIREA members were automatically members of the BIRMAG.<sup>332</sup>

During the Fiscal Year 1967-1968, the BIR Management Improvement Program (BIRIP) was implemented towards the improvement of systems and procedures and full utilization of personnel to attain the mission of BIR to increase tax collection. These projects were as follows:

- 1) Tax Returns Compliance Program
- 2) Forms Revision
- 3) Revision of the Administrative Schedules and Paragraphs to Tax Numeric Code Scheme
- 4) Manual Development
- 5) Automatic Data Processing Program
- 6) Revenue Accounting
- 7) Management Audit Survey
- 8) Records Management
- 9) Training
- 10) Collection through Banks
- 11) Personnel
- 12) Equipment Standardization
- 13) Tax Fraud Program
- 14) Building Program<sup>333</sup>

In 1969, a new source of revenue was added through the enactment of RA No. 5448, otherwise known as the Science Stamp Tax Law, “an Act Imposing a Tax on Privately Owned Passenger Automobiles, Motorcycles and Scooters, and a Science Stamp Tax, to Constitute a Special Science Fund, Defining the Programs, Projects and Activities of Science Agencies to be

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<sup>332</sup> *BIR, Philippine Revenue Journal, 75<sup>th</sup> Anniversary 1904-1979, pp. 37-38*

<sup>333</sup> *61<sup>st</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1968, pp. 27-31*

Financed Therefrom and For Other Purposes.”<sup>334</sup> This new law provided for ₱10.7 Million in the total gross collection for the year.<sup>335</sup>

On October 29, 1969, the Civil Service Commission approved the Merit Promotion Plan and the System of Ranking Positions, a significant innovation on BIR personnel administration. A new hope was ushered in for the Revenue Personnel upon the approval of BIR Merit Promotion Plan which intended to free the Bureau from political incursion and patronage in the area of promotion, selection and recruitment.<sup>336</sup>

In 1970, the Central Bank of the Philippines was directed to receive internal revenue tax payments through banking system under Executive Order (EO) No. 206 effective January 9, 1970. It minimized the old practice of delaying remittances of collection and expedited the preparation and submission of tax reports. A total collection of ₱147 Million was realized from payments of certain kinds of taxes through this banking system.<sup>337</sup>

Remarkable innovations and improvements during the year 1971 were “Package Audit” whereby all the taxpayer’s liabilities were thoroughly examined only once a year and “Investigation by Lines of Business” whereby interrelated industries were examined by a specific group of examiners who specialized in the industry.<sup>338</sup>

Upon the proclamation of Martial Law on September 21, 1972, the New Society began. Economic, social and political reforms were implemented. One of these reforms was to change the entire government’s setup to serve the Filipino people with funds that were properly paid in as taxes. Thus, several tax amnesty decrees issued by President Marcos were promulgated to enable the erring taxpayers a chance to reconcile with the government directives. These amnesties generated a windfall revenue of about ₱1 Billion.

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<sup>334</sup> Republic Act No. 5448, retrieved from [http://www.lawphil.net/statutes/repacts/ra1969/ra\\_5448\\_1969.html](http://www.lawphil.net/statutes/repacts/ra1969/ra_5448_1969.html) on 9/22/2014

<sup>335</sup> BIR Annual Report FY 1969, p. 2

<sup>336</sup> BIR Annual Report FY 1970, p. 25

<sup>337</sup> *Ibid.*, p. 2

<sup>338</sup> BIR Annual Report FY 1971, p.29

Other reforms initiated by the government was the overhauling of the Philippine Tax Code. Presidential Decree (PD) No. 69 which revised the Philippine Tax Code clearly stated the objectives of reforms in internal revenue taxations which were “simplified tax-incentive policies, increasing the financial resources of the government, making it more an effective tool for redistribution of income and wealth and keeping it in step with modernization”.<sup>339</sup>

For the first time in the history of BIR, revenues were collected from what was called as the “Amnesty Tax”.<sup>340</sup>

In 1974, the Bureau focused more on tax administration improvement on employee discipline and attitudes, employee benefits, supplies and equipment and the like. This improvement was made to conform with the standards of New Society, to uplift the morale of the personnel and encourage them to be more efficient and effective in their work assignments. To keep revenue personnel attuned to the ideals and objectives of the New Society, a series of seminars on Martial Law and the New Society at all organization levels of the Bureau, from the National Office to the Revenue District Office were held under the supervision of the Training Division.<sup>341</sup>

In 1975, the beneficial effects of the various tax amnesties and that of Martial Law in awakening and motivating tax consciousness and tax compliance in the citizenry was vividly translated from the steep and sudden rise of income tax returns processed since 1973. This brought to the number of recorded income tax returns processed totaled 4.46 Million for individuals, corporations and partnerships combined.<sup>342</sup>

## **ORGANIZATION**

In 1965, the Fraud Investigation Division and the Prosecution Division which directly handled all tax evasion cases tainted with fraud, and

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<sup>339</sup> *BIR, Philippine Revenue Journal, 75<sup>th</sup> Anniversary 1904-1979, p. 13*

<sup>340</sup> *BIR Annual Report FY 1973, p. 8*

<sup>341</sup> *BIR Annual Report FY 1974, pp. 11-12*

<sup>342</sup> *BIR Annual Report FY 1975, p. 22*

the Special Laws Enforcement Division were organized.<sup>343</sup> In September of the same year, a Commissioner's Advisory Council was created to seek the expert advice and help of the various sectors of the country on how to improve the tax administration of the Bureau.<sup>344</sup>

On May 31, 1965, Revenue Administrative Order (RAO) No. 4-65 was issued revitalizing the Delinquent Accounts Division and renaming it to Tax Accounts Division. This Order was issued with the aim to improve the existing tax machinery and assign to it the definite responsibility for developing and maintaining a simplified, adequate and centralized system for controlling the recording and reporting of all tax liabilities and payments of taxpayers. It absorbed the personnel records, equipment and supplies of the Delinquent Accounts Division.<sup>345</sup>

On October 12, 1965, by virtue of Revenue Administrative Order (RAO) No. 9-65, pursuant to the provisions of Republic Act No. 3456, otherwise known as "The Internal Auditing Act of 1962", the Internal Audit Department under the Office of the Commissioner was organized with three (3) Divisions under it namely: Operations Audit Division, Personnel Audit Division and Fiscal Audit Division. However, the Inspection Department was abolished.<sup>346</sup> (Chart 12)

On April 29, 1966, thru Revenue Administrative Order (RAO) No. 5-66, the Prosecution Division under the Legal Department was created. The personnel of the division consisted of Trial Attorneys, Legal Officers, Clerks, Stenographers and Messengers. Its primary function was to study and take proper action on cases referred to it for criminal prosecution of persons violating internal revenue laws including revenue officials and employees.<sup>347</sup>

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<sup>343</sup> *BIR, Philippine Revenue Journal, 75<sup>th</sup> Anniversary 1904-1979, p. 12*

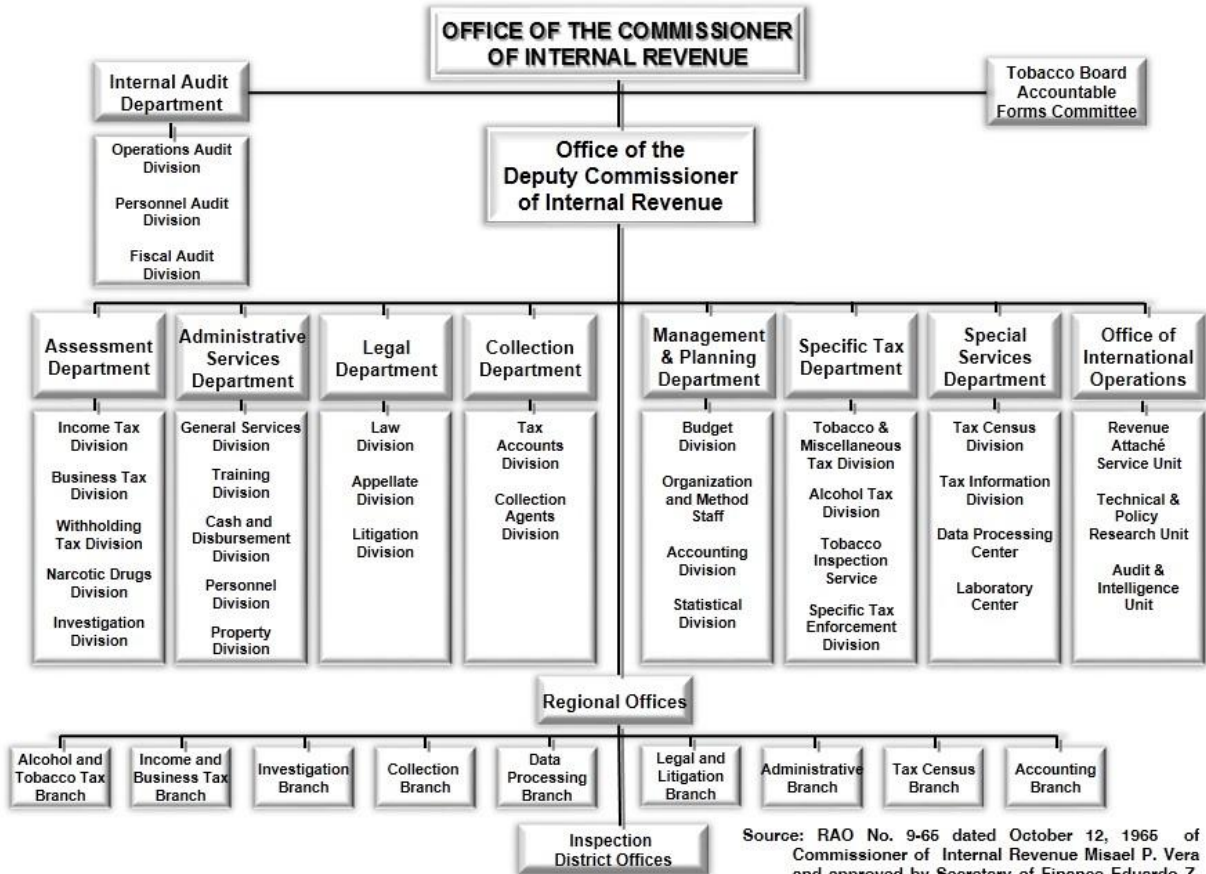
<sup>344</sup> *59<sup>th</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1966, p. XIII*

<sup>345</sup> *Revenue Administrative Order No. 4-65 dated May 31, 1965*

<sup>346</sup> *Revenue Administrative Order No. 9-65 dated October 12, 1965*

<sup>347</sup> *Revenue Administrative Order No. 5-66 dated April 29, 1966*

**Chart 12.**  
**BIR ORGANIZATIONAL CHART**  
**October 12, 1965**



Source: RAO No. 9-65 dated October 12, 1965 of Commissioner of Internal Revenue Misael P. Vera and approved by Secretary of Finance Eduardo Z. Romualdez



RAO 7-66 dated December 16, 1966 prescribed the division of the Philippines into twenty (20) Regional Offices and ninety (90) districts for internal revenue purposes pursuant to the provisions of Section 8 and 338 of Commonwealth Act No. 466.<sup>348</sup>

RAO No. 1-67 dated January 3, 1967 was issued prescribing the statement of BIR organization and functions in conformity with the BIR Reorganization Plan of December 2, 1966, as follows: (Chart 13)

- The Commissioner, assisted by the Deputy Commissioner (Administration) and Deputy Commissioner (Operations) is the chief administrator of the Bureau of Internal Revenue. The organization functions along two major management areas: administration and operations. These in turn were divided into service areas.

- Under Administration were the following main activity areas: Administrative Services, Management Planning, Technical Services (formerly Specific Services) and Internal Audit. Under Operations were the following: Assessment, Collection, Specific Tax, Special Operations and Legal.

- The National Office was divided into nine (9) departments, representing the main activities needed in the formulation of policies and programs and the direction, coordination and control of all activities of the revenue service.

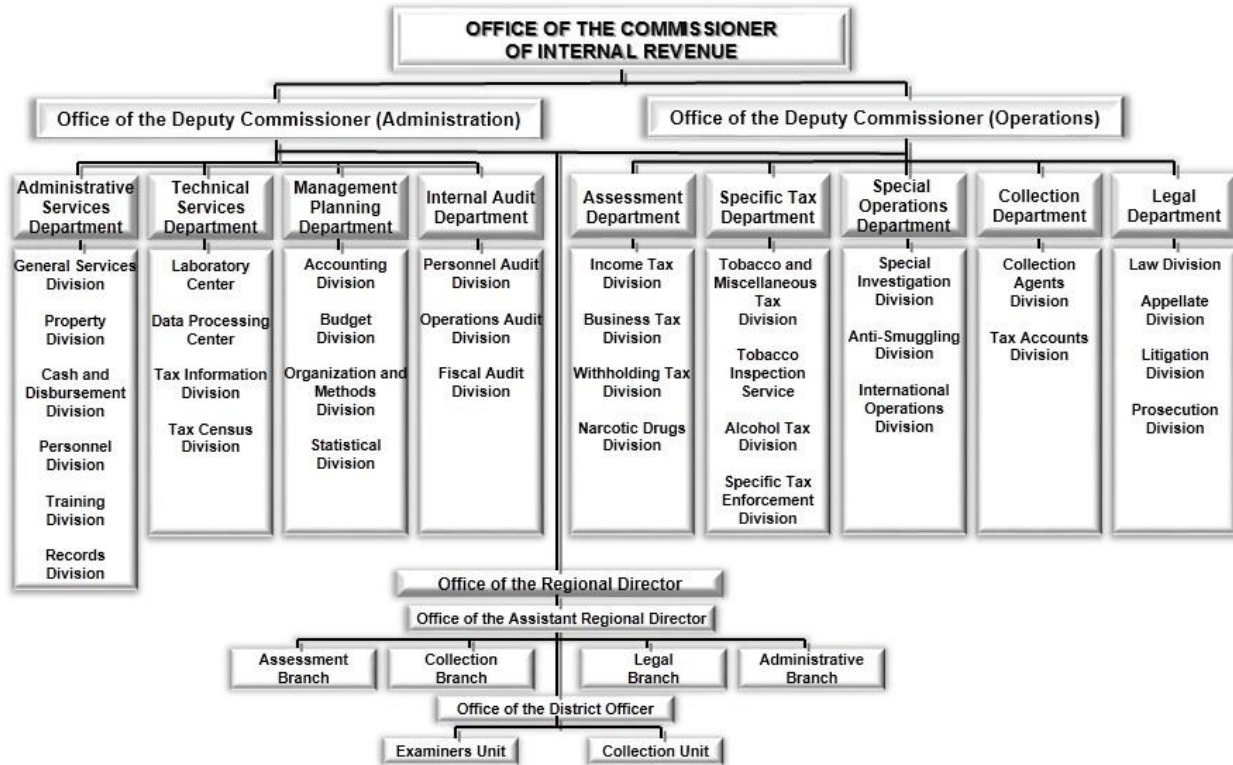
- The field service was divided into geographical operational areas. There were twenty (20) regional offices and ninety (90) revenue districts spread over the country. Each regional office was headed by a Regional Director who was directly responsible to the Deputy Commissioner (Administration) or Deputy Commissioner (Operations) depending on the management area involved.<sup>349</sup>

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<sup>348</sup> Revenue Administrative Order No. 7-66 dated December 16, 1966

<sup>349</sup> Revenue Administrative Order No. 1-67 dated January 3, 1967

**Chart 13.**  
**BIR ORGANIZATIONAL CHART**  
**January 3, 1967**



Source: RAO No. 1-67 dated January 3, 1967 of Commissioner of Internal Revenue Misael P. Vera and approved by the Secretary of Finance Eduardo Z. Romualdez with subject: Statement of BIR Organization and Functions

On August 26, 1968, RAO No. 2-68 was issued pursuant to the provisions of Section 79 (b) of the Revised Administrative Code prescribing the reorganization of the Special Investigation Division into two divisions namely, Fraud Investigation Division and Audit Division, both of which shall be under the Special Operations Department. This was in line with the policy to place emphasis on the criminal prosecution of taxpayers who wilfully violate internal revenue laws and regulations in order to serve as a strong deterrent in the commission of all forms of tax evasion and to provide a forceful approach to hasten the degree of voluntary compliance and pursuant to the provisions of Section 79 (b) of the Revised Administrative Code.

The National Tax Unit was constituted into a division known as the Fraud Investigation Division and the remaining unit of the division was constituted into another division known as Audit Division. Under RAO No. 2-68, the Fraud Investigation Division shall administer the fraud investigation program of the bureau through the enforcement of the penal sanctions of the National Internal Revenue Code and related statutes by gathering and developing information concerning alleged criminal violations thereof. The Audit Division shall administer and enforce the provisions of the National Internal Revenue Code and related statutes insofar as it affects tax cases falling within the jurisdiction of the division except the criminal prosecution of taxpayers which should be given to the Fraud Investigation Division.<sup>350</sup>

On September 5, 1968, by virtue of RAO No. 1-68, the Anti-Smuggling Division was reorganized and known as the Special Laws Enforcement Division under the Special Operations Department. The reorganization of the division was the answer to the need for a centralized investigating unit for the processing of applications, follow-through system relative to special laws affecting revenue matters, and to provide for a permanent fact-finding investigative body composed of personnel having specialized training and experience, as well as to insure a uniform application and interpretation of tax exemptions and tax privileges under the provisions of the National

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<sup>350</sup> *Revenue Administrative Order No. 2-68 dated August 26, 1968*

Internal Revenue Code and other special laws administered by the Bureau of Internal Revenue.<sup>351</sup>

On November 20, 1968, RAO No. 3-68 was issued prescribing the transfer of the Revenue Attaché Service Unit to the Special Operations Department. This Order was issued in view of the expanded duties and operational coverage of the Revenue Attaches assigned abroad and to effectively implement the staffing pattern in accordance with the ranking of positions.<sup>352</sup>

On November 29, 1968, RAO No. 6-68 was issued creating the Accountable Forms Division (AFD) and transferring the Training Division to the Management Planning Department, amending RAO Nos. 1-67 and 9-64 pursuant to Department Order 21-68 dated November 29, 1968 to take over and discharge the functions performed by the Accountable Forms Committee. The AFD was under the Administrative Services Department. As a consequence of the creation of AFD, all functions performed by other units of the Bureau relative to the processing of accountable forms and the registration and custody of bonds in the Bureau were transferred to this Division.

The Accountable Forms Division was created to simplify and consolidate in one unit the custody and responsibility for keeping complete and accurate records of the stocks and disposition of internal revenue strip stamps, documentary stamps and other accountable forms used exclusively for internal revenue purposes. This responsibility included the registration and custody of all bonds files in the Bureau.

The Training Division which was previously under the Office of the Revenue Operations Head (Administrative Services) by virtue of RAO 1-67 dated January 3, 1967 was transferred under the Office of the Revenue Operations Head (Management Planning), hence, in addition to the existing function of the Management Planning, they were tasked to develop, recommend and administer training plans and programs for all personnel of

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<sup>351</sup> *Revenue Administrative Order No. 1-68 dated September 5, 1968*

<sup>352</sup> *Revenue Administrative Order No. 3-68 dated November 20, 1968*

the Bureau. With the transfer, the Management Planning supervised five (5) divisions as follows: Accounting Division, Budget Division, Organization and Methods Division, Statistical Division and Training Division.

On May 2, 1969, RAO No. 2-69 was issued prescribing the reorganization of the Property Division amending Revenue Administrative Order No. 6-68 dated November 29, 1968. This RAO redefined the functions of the divisions of the Administrative Services Department.<sup>353</sup>

On September 8, 1969, RAO No. 5-69 was issued prescribing the creation of Specific Tax Branch in each of the Revenue Regions Except in Revenue Region Nos. 5, 6, 7 & 8. This was to restore the decentralized set-up for tax administration to achieve maximum personnel efficiency and for a more effective supervision of the operations of establishments in the provinces subject to the payment of specific taxes and/or tobacco inspection fees. However, the National Office through the Specific Tax Department and its subordinate divisions continued to exercise direct control and supervision over all establishments concerned situated in Revenue Regions Nos. 5, 6, 7, and 8 and in the municipalities of San Pedro, Laguna, and Apalit, Pampanga. This was due to the proximity of those establishments to the National Office making it more convenient and efficient for the taxpayers to transact their business with the said office without having to undertake the usual routing of their papers through any regional office also located within Manila and its environs.<sup>354</sup>

On April 25, 1970, the first BIR-owned building ever built by the Bureau was inaugurated to house the Revenue District (RD) Office No. 32, Cavite City. The 856 square meters lot was donated by the city government of Cavite.<sup>355</sup>

On August 7, 1970, RAO No. 8-70 was issued prescribing the creation of the Intelligence Unit which shall be under the direct control of the Commissioner of Internal Revenue and his Deputy (Operations) in view of

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<sup>353</sup> *Revenue Administrative Order No. 2-69 dated May 2, 1969*

<sup>354</sup> *Revenue Administrative Order No. 5-69 dated September 8, 1969*

<sup>355</sup> *BIR Annual Report FY 1970, p. 2*

the need for a more vigorous campaign against smuggling, syndicated crimes and the apprehension of face stamps, fake receipts and other falsified papers.<sup>356</sup>

On December 14, 1970, RAO No. 14-70 was issued prescribing the creation of a Gasoline and Miscellaneous Specific Tax Division amending pertinent provisions of Revenue Administrative Order No. 1-67. This division was established to cope with the increasing volume of transactions in the manufacture, importation and/or distribution of articles subject to specific tax, other than manufactured products of tobacco and alcohol and to achieve maximum efficiency in the inspection and control of the operations of establishments concerned. The Gasoline and Miscellaneous Specific Tax Division was under the Specific Tax Department together with its other divisions, namely: Tobacco Tax Division, Alcohol Tax Division and Tobacco Inspection Service.<sup>357</sup>

On the same year, the construction of the ₱1.5 Million Data Processing Center building started which was located at the BIR allotted lot of the Government Center in Quezon City. Likewise, another BIR-building in Talavera, Nueva Ecija on a portion of the Bureau of Public Highways compound was erected to house RD No. 20, Talavera, Nueva Ecija.<sup>358</sup>

In 1971, a “Nationwide Reorganization” was implemented. Apart from the organizational revamp caused by the creation of five new Divisions and the consequent abolition of five other divisions, there was the reassignment of key men to other departments, divisions and Regional Offices. The five (5) new Divisions created were the Agricultural & Natural Resources (Audit) Division; Manufacturing (Audit) Division; Financing, Real Estate & Transfer Tax (Audit) Division; Services & Miscellaneous (Audit) Division; and Special Investigation Division. The following Divisions and one (1) Department were defunct: Audit Division; International Operation Division; Special Laws Enforcement Division; Fraud Investigation Division; and Special Operations Department.<sup>359</sup>

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<sup>356</sup> *Revenue Administrative Order No. 8-70 dated August 7, 1970*

<sup>357</sup> *Revenue Administrative Order No. 14-70 dated December 14, 1970*

<sup>358</sup> *BIR Annual Report FY 1970, p. 2*

<sup>359</sup> *BIR Annual Report FY 1971, p.29*

On March 10, 1971, RAO No. 2-71 was issued prescribing the changing of the name of Tax Census Division to Tax Register Division by virtue of the provisions of Section 8 of Republic Act No. 5268, which amended further Republic Act No. 2070, entitled “An Act to Provide for National Tax Census”. The said division was under the supervision of the Revenue Operations Head – the Technical Services formulated and recommended policies, plans and programs and developed techniques and procedures relating to tax register work.<sup>360</sup>

On February 3, 1972, RAO No. 3-72 was issued prescribing the reorganization of Data Processing Center to enhance its operational efficiency and effectiveness and in view of the recent acquisition of a much bigger and more sophisticated electronic computer. The Center was under the administrative control and supervision of the Revenue Operations Head (Technical Services Department) and was composed of three (3) branches: Input/Output Control Branch, Operations Branch and Administrative Branch.<sup>361</sup>

On October 2, 1972, RAO No. 9-72 was issued prescribing the restoration of the Tobacco Inspection Service created under Section 9 of Act 2613 known as “Tobacco Inspection Law” to be directly under the administrative supervision and control of the Commissioner of Internal Revenue. The said restoration was in acquiescence to the unanimous decision of the members of the Philippine Tobacco Board, a policy-making body of the National Government for the promotion and revitalization of the Philippine Tobacco Industry.<sup>362</sup>

On May 21, 1975, RAO No. 2-75 was issued prescribing the creation of the Assets, Liabilities and Networth Unit which shall be under the direct authority of the Commissioner of Internal Revenue and be a unit of the Assessment Department. The said unit was created due to a number of people who failed to comply with the requirements of Presidential Decree (P.D.) No. 379 (Assets & Liabilities) in relation to P.D. 631 and allied

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<sup>360</sup> Revenue Administrative Order No. 2-71 dated March 10, 1971

<sup>361</sup> Revenue Administrative Order No. 3-72 dated February 3, 1972

<sup>362</sup> Revenue Administrative Order No. 9-72 dated October 2, 1972

regulations with varied reasons such as honest mistakes, inadvertence to sheer indifference and outright defiance.<sup>363</sup>

On July 28, 1975, RAO No. 6-75 was issued prescribing the organization and functions of the Special Tax Compliance Unit under the Intelligence and Security Division pursuant to Letter of Instructions No. 204 dated July 24, 1974. This included the functions to conduct exclusive investigation on cases pertaining to gains provided for under Section 53 & 54 in relation to Section 24 of the Internal Revenue Code; perform the functions embodied in the MOA between the BIR and Philippine Tourism Authority; conduct of investigation of the alleged salting of foreign exchange abroad by persons engaged in the tourist industry, pursuant to the directive of President Marcos; and conduct a study on the qualifications of tax exemption and incentives under P.D. 535 and recommend its cancellation for not complying with the rules on the matter.<sup>364</sup>

On July 1, 1975, thru RAO No. 8-75, in conformity with the BIR Reorganization Plan, as provided in P.D. No. 640 dated January 21, 1975, the approved staffing pattern of the Bureau was revised. Organizational changes were as follows: (Chart 14)

- The Office of the Assistant Commissioner was created with nine (9) Divisions under it, namely: Performance Control; Tax Fraud; Intelligence; International Operations; Investment Incentives; Agricultural and Natural Resources; Financing, Real Estate and Transfer Tax; Manufacturing; and Service and Miscellaneous Tax.

- Eight (8) new Services were renamed as follows: Legal Department to Legal Service; Collection Department to Collection Service; Specific Tax Department to Specific Tax Service; Assessment Department to Assessment Service; Administrative Services Department to Administrative

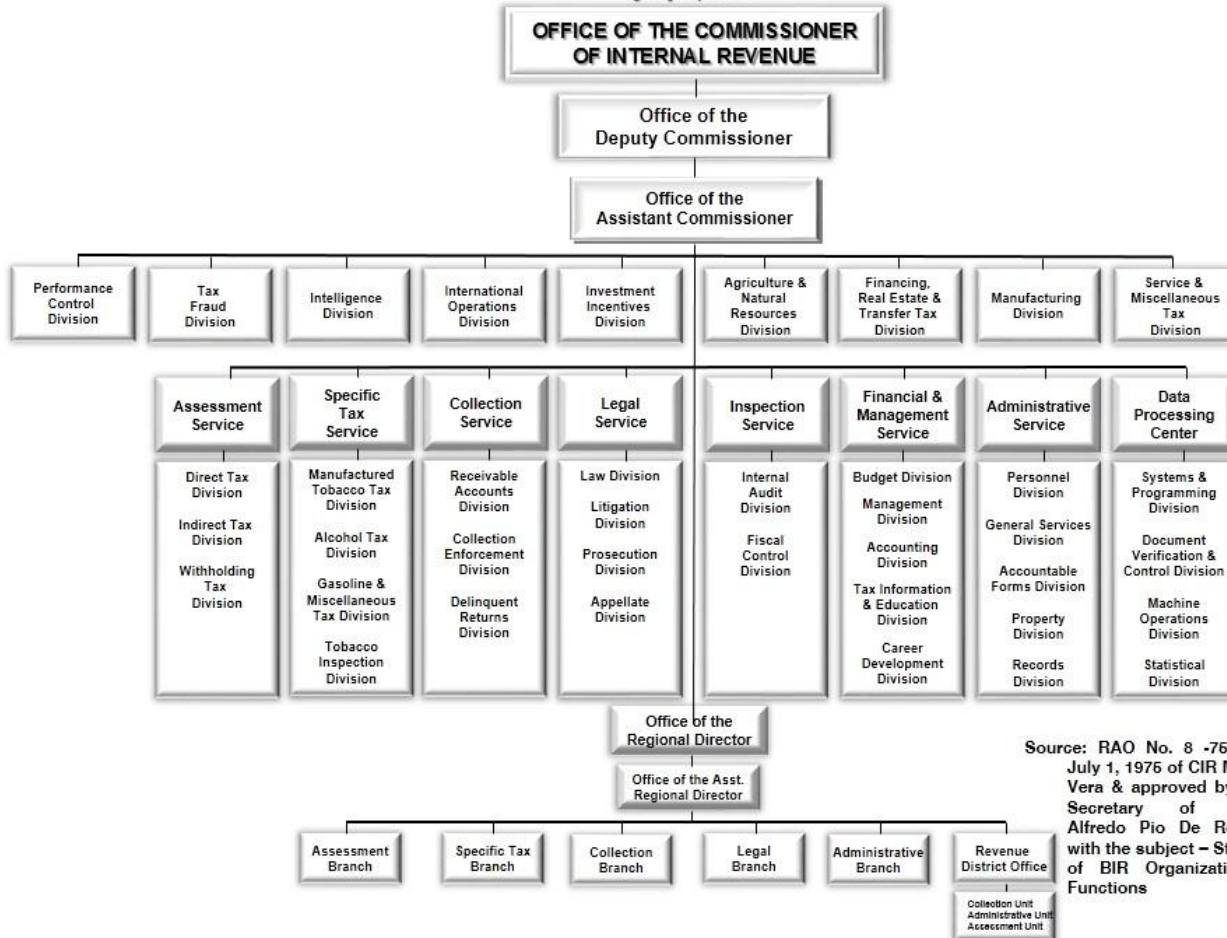
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<sup>363</sup> Revenue Administrative Order No. 2-75 dated May 21, 1975

<sup>364</sup> Revenue Administrative Order No. 6-75 dated July 28, 1975



**Chart 14.**  
**BIR ORGANIZATIONAL CHART**  
 July 1, 1975



Source: RAO No. 8 -76 dated July 1, 1976 of CIR Misael P. Vera & approved by Acting Secretary of Finance Alfredo Pio De Roda, Jr. with the subject - Statement of BIR Organization and Functions

Service; Internal Audit Department to Inspection Service; Management Planning Department to Financial and Management Service; and Technical Services Department to Data Processing Center.

- The Assessment Service had four (4) Divisions, namely: Direct Tax; Indirect Tax; and Withholding Tax.

- The Specific Tax Service had four (4) Divisions, namely: Manufactured Tobacco Tax; Alcohol Tax; Gasoline & Miscellaneous Tax; and Tobacco Inspection.

- The Collection Service had three (3) Divisions, namely: Receivable Accounts; Collection Enforcement; and Delinquent Returns.

- The Legal Service had four (4) Divisions, namely: Law; Litigation; Prosecution; and Appellate.

- The Inspection Service had two (2) Divisions, namely: Internal Security and Fiscal Control

- The Financial & Management Service had five (5) Divisions, namely: Budget; Management; Accounting; Tax Information & Education; and Career Development.

- The Administrative Service had five (5) Divisions, namely: Personnel; General Services; Accountable Forms; Property; and Records.

- The Data Processing Center had four (4) Division, namely: Systems & Programming; Document Verification & Control; Machine Operations; and Statistical.

- Under the Regional Offices were the following offices: Assessment Branch, Specific Tax Branch, Collection Branch, Legal Branch, Administrative Branch, and Revenue District Office.

- The twenty (20) Regional Offices was reduced to seventeen (17) comprising of ninety-one (91) Regional Districts.<sup>365</sup>

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<sup>365</sup> Revenue Administrative Order No. 8-75 dated July 1, 1975

## COLLECTION PERFORMANCE

### A. Comparative Collection

Collection performance during Commissioner Vera's administration was commendable over the years. From ₱1.215 Billion collection in Fiscal Year (FY) ending 1966 to ₱6.859 Billion in FY ending 1975.

In FY ending 1966, total internal revenue collection was ₱1.468 Billion. Of this amount, ₱1.215 Billion was collected thru BIR Collection Agents while ₱0.253 Billion was collected thru BOC. It was during Commissioner Vera's term that the collection of internal revenues thru Bureau of Internal Revenue (BIR) Collection Agents was reported separately from collection thru Bureau of Customs (BOC).<sup>366</sup> Among the fifteen (15) Regional Offices (RO) all over the country, nine (9) ROs increased their collection (collection thru BOC excluded) compared to previous year. RO No. 1 – Ilocos Region topped the list at 14.59% increase in collection or ₱3.15 Million more than the collection of the previous year. Followed closely by RO No. 15 – Western Mindanao at 14.51% increase in collection or ₱1.63 Million. Next were RO No. 4 – South Central Luzon Region, RO No. 5 & 6 – North and South Manila Region and RO No. 3 – Central Plain Region at 10.47%, 6.55% and 6.30% increase in collection, respectively.<sup>367</sup>

In FY ending 1967, total internal revenue collected by the Bureau was ₱1.735 Billion. Exclusive of collection thru the BOC, the total collection made by BIR thru its Collection Agents was ₱1.146 Billion. This showed a decrease of 5.68% from the previous year's collection.<sup>368</sup> From fifteen (15) ROs, the country was divided further to twenty (20) Revenue Regions (RR) during the period. Five (5) RRs with highest generated income were as follows: RR No. 8 – South Manila with ₱540.92 Million; RR No. 6 – South Central Luzon with ₱300.80 Million; RR No. 7 – North Manila with ₱149.36 Million; RR No. 9 –

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<sup>366</sup> 59<sup>th</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1966, p. XIV

<sup>367</sup> *Ibid.*, p. 42

<sup>368</sup> 60<sup>th</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1967, p. 18

Southwestern Luzon with ₱79.04 Million; and RR No. 5 – Eastern Central Luzon with ₱57.09 Million.<sup>369</sup>

The Bureau's total collection in FY ending 1968 was ₱1.939 Billion. The Collection Agents of the BIR was able to collect ₱1.594 Billion which was 39.10% higher than the previous year's collection.<sup>370</sup> Among twenty (20) Revenue Regions, fifteen (15) RRs increased their collection over the previous year. RR No. 15 – Panay and Romblon registered the highest percent of increase in collection over the previous year's collection at 103.09% or ₱7.52 Million. Followed by RR No. 19 – Southwestern Mindanao at 50.55% increase in collection or ₱3.77 Million, RR No. 13 – Central Visayas at 41.35% increase or ₱17.47 Million, RR No. 6 – South Central Luzon at 29.19% increase or ₱87.79 Million, and lastly, RR No. 12 – Eastern Visayas at 28.51% increase or ₱1.55 Million.<sup>371</sup>

In FY ending 1969, the total internal revenue collection was ₱2.256 Billion. The BIR thru its Collection Agents collected ₱1.89 Billion which was 18.32% higher compared to the previous year. The increases registered were from income taxes- 37.01%, occupation and business taxes- 32.98% and specific tax- 24.38%.<sup>372</sup> During the period, nineteen (19) RRs increased their collection compared with the previous year's collection. RR No. 20 – Northwestern Mindanao posted 61.14% or ₱4.49 Million more than its previous year's collection. RR No. 17 – Central Mindanao registered ₱7.53 Million increase or 57.77%. RR No. 10 – Southeastern Luzon generated ₱2.94 Million increase or 49.53%. RR No. 9 – Southwestern Luzon and RR No. 13 – Central Visayas posted 35.43% or ₱30.82 Million and 33.87% or ₱20.23 Million increases, respectively.<sup>373</sup>

In FY ending 1970, the Bureau registered a gross internal revenue collection of ₱2.488 Billion. Of this gross collection, ₱2.084 Billion was

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<sup>369</sup> *60<sup>th</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1967, p. 59*

<sup>370</sup> *61<sup>st</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1968, p. 55*

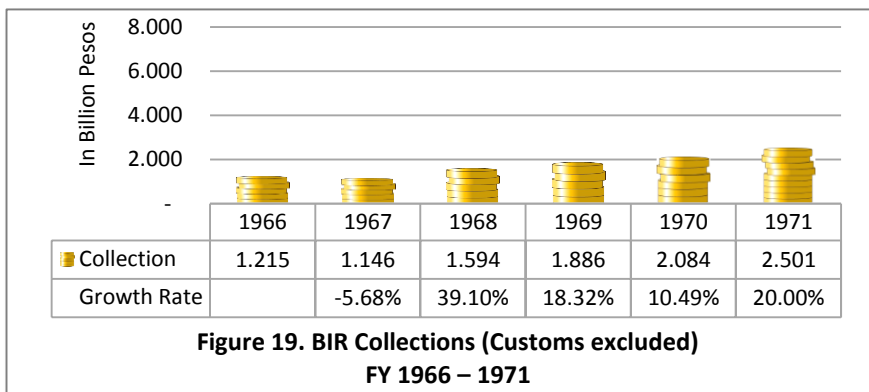
<sup>371</sup> *Ibid., pp. 58-63*

<sup>372</sup> *BIR Annual Report FY 1969, p. 64*

<sup>373</sup> *Ibid., pp. 66-67*

collected by the BIR Collection Agents. Compared to last year, an increase of 12.39% was realized.<sup>374</sup> Eighteen (18) RRs performed well during the period. RR No. 10 – Southeastern Luzon posted the highest percent of increase in collection at 80.12% or ₱7.11 Million more than its collection in FY ending 1969. Followed by RR No. 1 – Northwestern Luzon at 61.99% or ₱20.58 million increase. RR No. 12 – Eastern Visayas ranked third at 44.26% or ₱3.37 Million increase. Next was RR No. 15 – Panay and Romblon at 43.59% or ₱6.08 Million increase. Lastly, RR No. 7 – North Manila at 24.22% or ₱34.52 Million increase.<sup>375</sup>

In FY ending 1971, gross internal revenue collection was ₱3.011 Billion. The collection of BIR thru its Collection Agents was ₱2.501 Billion, an increase of 20% from previous year. This increase in collection was brought by the general nationwide reorganization of key personnel, the implementation of the novel “Investigation by Lines of Business, and the “Package Audit Plan”.<sup>376</sup> During the period, sixteen (16) RRs increased their collection over last year. RR No. 10 – Southeastern Luzon ranked first at 84.60% or P13.53 Million increase. Followed closely by RR No. 17 – Central Mindanao at 82.50% or P14.05 Million increase. Next were RR No. 20 – Northwestern Mindanao, RR No. 7 – North Manila and RR No. 16 – Northeastern Mindanao at 66.20%, 62.20% and 53.21% increase, respectively.<sup>377</sup> (Figure 19)



<sup>374</sup> BIR Annual Report FY 1970, p. 12

<sup>375</sup> *Ibid.*, pp. 44-76

<sup>376</sup> BIR Annual Report FY 1971, p. 39

<sup>377</sup> *Ibid.*, p. 42

## B. Collection vs. Goal

In FY ending 1972, total collection thru BIR Collection Agents was ₱2.793 Billion<sup>378</sup>, an excess of 64.30% compared to goal of ₱1.700 Billion<sup>379</sup>. An increase of 11.67% was realized compared to collection over the previous year. If the collection wasn't adversely affected by major tax incentive laws such as Basic Industries Act (RA No. 3127), Textile Assistance (RA No. 4086), Investments Incentives Act (RA No. 5186) and the Mining Industry (CA No. 137), it should have been higher.<sup>380</sup> During the period, sixteen (16) RRs surpassed their collection over FY ending 1971. Five (5) RRs topping the list were as follows: RR No. 10 – Southeastern Luzon with ₱8.07 Million increase or 27.34%; RR No. 16 – Northeastern Mindanao with ₱7.17 Million increased or 26.07%; RR No. 2 – Cagayan Valley with ₱1.95 Million increase or 25.97%; RR No. 17 – Central Mindanao with ₱7.75 Million increase or 24.95%; and lastly, RR No. 1 – Northwestern Luzon with ₱11.99 Million increase or 24.68%.<sup>381</sup>

In FY ending 1973, collection thru BIR Collection Agents was ₱4.170 Billion<sup>382</sup>, an excess of 43.81% as against the total goal of ₱2.900 Billion<sup>383</sup>, and an increase of 49.32% as against that of the previous year. The successful nationwide grant of tax amnesties and international campaigns in the continents of Europe and the Americas on the various tax amnesties and the decision to grant "Tax Holidays" to Balikbayan returnees were the significant accomplishments of the Bureau that brought to sharper increases in collection for the year.<sup>384</sup> During the period, eighteen (18) RRs increased its collection over last year. RR No. 3 – North Central Luzon posted the highest percent increase in collection at 96.34% or ₱14.10 Million. Ranked second was RR No. 1 – Northwestern Luzon at 92.82% or ₱56.23 Million increase in collection. Third was RR No. 14 – Negros Island at 80.51% or ₱63.54 Million increase in collection. Fourth was RR No. 12 – Eastern Visayas

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<sup>378</sup> BIR Annual Report FY 1972, p. 43

<sup>379</sup> BIR Annual Report 1980, p. 40

<sup>380</sup> BIR Annual Report FY 1972, p. 6

<sup>381</sup> *Ibid.*, p. 45

<sup>382</sup> BIR Annual Report FY 1973, p. 42

<sup>383</sup> BIR Annual Report 1980, p. 40

<sup>384</sup> BIR Annual Report FY 1973, p. viii

at 71.08% or ₱6.78 Million increase in collection. Lastly was RR No. 8 – South Manila at 69.78% or ₱591.33 Million increase in collection.<sup>385</sup>

In FY ending 1974, the Bureau thru its Collection Agents was able to generate ₱5.555 Billion<sup>386</sup> collection, an excess of 11.10% compared to the total goal of ₱5 Billion<sup>387</sup>, and 33.19% higher than the collection of the previous year. This increased collection was attributed to the improved procedures, efficiency of revenue personnel, growing tax cooperation of taxpayers and the support of the administration.<sup>388</sup> Among the twenty (20) Revenue Regions, eleven (11) RRs surpassed its collection compared to the previous year. RR No. 7 – North Manila almost doubled its collection during the period. It generated ₱393.77 Million increase in collection or 99.44% higher than the previous year's collection. RR No. 9 – Southwestern Luzon posted ₱94.41 Million increase in collection or 75.95%. RR No. 4 – Western Central Luzon registered ₱94.41 Million increase in collection or 75.95%. RR No. 20 – Northwestern Mindanao registered ₱16.46 Million increase in collection or 67.24%. RR No. 6 – South Central Luzon posted ₱755.56 Million increase in collection or 61.25%.<sup>389</sup>

In FY ending 1975, collection of the Bureau thru its Collection Agents reached to ₱6.859 Billion<sup>390</sup> level. This surpassed the total target of ₱4.700 Billion<sup>391</sup> during the period or an excess of 45.94%. The collection also increased to 23.48% as against the previous year. This continued success in collection performance was because of the proclamation of Martial Law in September 21, 1972, which redirected the attitudes of both the taxpaying public and the BIR personnel regarding taxes under the new order. Despite of tax losses and exemptions due to liberal tax incentive grants under several laws and Republic Acts and by the Board of Industries (BOI) under RA Nos. 5186 and 6135, the collections this year pushed up by at least

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<sup>385</sup> *BIR Annual Report FY 1973, p. 47*

<sup>386</sup> *BIR Annual Report FY 1974, p. 58*

<sup>387</sup> *BIR Annual Report 1980, p. 40*

<sup>388</sup> *BIR Annual Report FY 1974, p. XII*

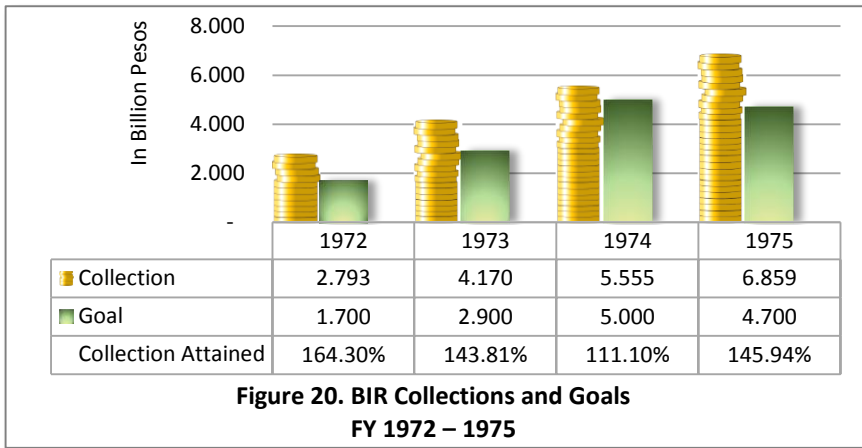
<sup>389</sup> *Ibid., p. 58*

<sup>390</sup> *BIR Annual Report FY 1975, p. 12*

<sup>391</sup> *BIR Annual Report 1980, p. 40*

another ₱600 Million.<sup>392</sup> During the year, twenty (20) Regions were reduced to seventeen (17). Among these 17 Regions, two (2) of which posted the highest income, namely, Revenue Regions 4-B Quezon City and 4-A Manila with ₱5.41 Billion collection combined.<sup>393</sup> (Figure 20)

**C. Cost of Operations**



The Bureau expended ₱30.612 Million in FY ending 1966 which was 4.84% higher than the expenditures in FY ending 1965 amounting to ₱29.129 Million. With the total collections of ₱1.467 Billion, BIR and BOC combined, during the year, the cost to collect per ₱100 revenue was ₱2.09 or 0.96% higher than the cost of ₱2.07 in FY ending 1965.<sup>394</sup>

The following period, FY ending 1967, total expenditures was ₱30.525 Million or 0.28% lower than previous year’s expenditures. With the ₱1.734 Billion total collections, BIR and BOC combined, during the period, cost to collect per ₱100 revenue was ₱1.76 or a decrease of 18.75% compared to last year’s cost.<sup>395</sup>

<sup>392</sup> BIR Annual Report FY 1975, pp. 5, 7-8

<sup>393</sup> BIR Annual Report 1976, p. 16

<sup>394</sup> 59<sup>th</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1966, p. 49

<sup>395</sup> 60<sup>th</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1967, p. 68



In FY ending 1968, total expenditures amounted to ₱34.828 Million or 12.35% higher than the expenditures last period. Cost to collect per ₱100 revenue was ₱2.18 pertaining to ₱1.594 Billion total collection of the BIR during the period. This showed an increase of 19.27% compared to previous year's cost.<sup>396</sup>

In FY ending 1969, expenditures of the Bureau totaled to ₱47.057 Million or 25.99% higher than the previous year's expenditures. The cost was ₱2.49 per ₱100 revenue collected relating to BIR total collections of ₱1.886 Billion. An increase of 12.45% was noted compared to cost of last year.<sup>397</sup>

In FY ending 1970, total expenditures was ₱45.993 Million or a decrease of 2.32% compared to last year's expenditures. With the ₱2.084 Billion BIR total collections during the period, cost to collect per ₱100 revenue was ₱2.21 or 12.67% lower than the previous year's cost.<sup>398</sup>

In FY ending 1971, total expenditures reached ₱46.601 Million or 1.30% higher than the expenditures last year. Relative to BIR total collections during the year amounting to ₱2.501 Billion, the cost to collect per ₱100 revenue was ₱1.86 or substantially lower than the preceding year by 18.82%.<sup>399</sup>

In FY ending 1972, the Bureau expended ₱58.783 Million which was 20.72% higher than last year's expenditures. With the ₱2.793 Billion BIR total collections during the period, the cost was ₱2.10 per ₱100 revenue collected or a bit higher of 11.43% compared to previous year's cost.<sup>400</sup>

The following FY ending 1973, expenditures of the Bureau totaled to ₱65.650 Million or an increase of 10.46% compared to last year's

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<sup>396</sup> 61<sup>st</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1968, p. 64

<sup>397</sup> BIR Annual Report FY 1969, p. 87

<sup>398</sup> BIR Annual Report FY 1970, p. 31

<sup>399</sup> BIR Annual Report FY 1971, pp. 7, 9, 15

<sup>400</sup> BIR Annual Report FY 1972, pp. 5, 8, 14, 57

expenditures. The cost to collect every ₱100 revenue had markedly gone down to ₱1.57 or 33.76% from the cost of the previous year.<sup>401</sup>

In FY ending 1974, total expenditures reached ₱66.701 Million or 1.58% higher than the expenditures last year. With the BIR total collections of ₱5.555 Billion during the period, the cost was ₱1.20 every ₱100 revenue collected or 30.83% lower than the previous year's cost.<sup>402</sup>

In FY ending 1975, total expenditures of the Bureau reached ₱113.442 Million or 41.20% higher than the expenditures of the previous year. Cost to collect per ₱100 revenue was ₱1.65 relative to BIR total collections of ₱6.859 Billion during the period. This cost was 27.27% higher than the cost of last year.<sup>403</sup> (Table 35)

**Table 35. Expenditures and Cost of Collecting ₱100  
FY 1965 – 1975**

Fiscal Year	Expenditures	% Inc./{(Dec.)	Cost of Collecting ₱100	% Inc./{(Dec.)
1965	29,129,453.41		2.07	
1966	30,612,100.71	4.84	*2.09	0.96
1967	30,525,875.00	(0.28)	*1.76	(18.75)
**1968	34,828,551.00	12.35	2.18	19.27
1969	47,057,525.00	25.99	2.49	12.45
1970	45,992,700.00	(2.32)	2.21	(12.67)
1971	46,600,735.00	1.30	1.86	(18.82)
1972	58,782,779.00	20.72	2.10	11.43
1973	65,650,000.00	10.46	1.57	(33.76)
1974	66,701,536.95	1.58	1.20	(30.83)
1975	113,441,664.15	41.20	1.65	27.27

\*Cost to collect based on Gross Collections (BIR and BOC) against Expenditures

\*\*Year started the computation of cost to collect based on Gross Collections  
(BIR only) against Expenditures

<sup>401</sup> BIR Annual Report FY 1973, pp. viii, 1, 10-11

<sup>402</sup> BIR Annual Report FY 1974, p. 59

<sup>403</sup> BIR Annual Report FY 1975, pp. 5, 40

## PERSONNEL COMPLEMENT

The workforce of the Bureau in Fiscal Year (FY) ending 1966 totaled to 6,338 employees. 15 employees were separated from the service or decreased by 0.24% compared to 6,353 workforce of FY ending 1965.<sup>404</sup>

The following period, FY ending 1967, total workforce of the Bureau was 6,439 employees or an additional of 101 employees. This showed an increase of 1.57% compared to last year's workforce.<sup>405</sup>

In FY ending 1968, a total of 186 employees were hired by the Bureau making a total workforce of 6,625. As compared to previous year's workforce, an increase of 2.81% was noted.<sup>406</sup>

In FY ending 1969, total workforce reached 6,734 employees which was 1.62% higher than the workforce last year or an additional of 109 employees.<sup>407</sup>

In FY ending 1970, workforce of the Bureau totaled to 6,973 employees which was 3.43% higher than last year's workforce or an additional of 239 employees.<sup>408</sup>

The following period, FY ending 1971, total workforce of the Bureau was 6,556 employees. This number of employees decreased the workforce of the previous year by 6.36% due to separation of 417 employees from the service.<sup>409</sup>

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<sup>404</sup> 59<sup>th</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1966, p. 49

<sup>405</sup> 60<sup>th</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1967, p. 68

<sup>406</sup> 61<sup>st</sup> Annual Report of the Commissioner of Internal Revenue for the fiscal year ended June 30, 1968, p. 64

<sup>407</sup> BIR Annual Report FY 1969, p. 87

<sup>408</sup> BIR Annual Report FY 1970, p. 57

<sup>409</sup> BIR Annual Report FY 1971, pp. 9, 35

In FY ending 1972, total workforce was 6,516 employees or a decrease of 0.61% compared to previous year’s workforce. 40 employees were separated from the service during the period.<sup>410</sup>

In FY ending 1973, 956 employees were separated from the service making a total workforce of the Bureau to 5,560. This showed a decrease of 17.19% compared to workforce of the previous year.<sup>411</sup>

In FY ending 1974, workforce of the Bureau totaled to 5,405 employees or a decrease of 2.87% compared to last year’s workforce. A total of 155 employees were separated from the service.<sup>412</sup>

The following FY ending 1975, total workforce was 5,511 employees or 1.92% higher than the workforce last year. A total of 106 employees were added to the total workforce of the Bureau during the period.<sup>413</sup> (Table 36)

**Table 36. Number of Employees  
FY 1965 – 1975**

Fiscal Year	No. of Employees	Increase/(Decrease)	
		Number	%
1965	6,353		
1966	6,338	(15)	(0.24)
1967	6,439	101	1.57
1968	6,625	186	2.81
1969	6,734	109	1.62
1970	6,973	239	3.43
1971	6,556	(417)	(6.36)
1972	6,516	(40)	(0.61)
1973	5,560	(956)	(17.19)
1974	5,405	(155)	(2.87)
1975	5,511	106	1.92

<sup>410</sup> BIR Annual Report FY 1972, p. 8

<sup>411</sup> BIR Annual Report FY 1973, p. 1

<sup>412</sup> BIR Annual Report FY 1975, p. 5

<sup>413</sup> *Ibid.*, p. 5



*Eren J. Plana*

**Commissioner of Internal Revenue**

(September 26, 1975 – April 30, 1980)

## EFREN I. PLANA

Commissioner **Efren I. Plana** graduated valedictorian from the Mapa High School class 1948. He was salutatorian and cum laude from the University of the Philippines, College of Law in 1954. He placed 13<sup>th</sup> in the ensuing Bar Exams with a grade of 92.8%.

He first entered government service in 1953 in the Department of Justice as Private Secretary to the Secretary of Justice. He held several positions in the same Department until he became the Assistant Chief Legal Counsel in 1968. Afterwards, he became the Chief Legal Counsel and Director of Project Assistance & Supervision Department in the Board of Investments until 1970.

In 1970 to 1972, he was appointed as Undersecretary of National Defense. He was also appointed as Acting Undersecretary of Justice before he became the Associate Justice of the Court of Appeals from 1973 to 1975.<sup>414</sup>

He was appointed as Commissioner of Internal Revenue on September 26, 1975.<sup>415</sup>

Commissioner Plana's affiliations in professional societies and civic organizations were the Integrated Bar of the Philippines, Phi Kappa Phi International Honor Society, Philippine Society of International Law, American Society of International Law, and International Society for Comparative Public Law.<sup>416</sup>

Among the works authored by Commissioner Plana were Investment Incentives in the Philippines (1969), Tax Law Innovation (1978), and The Philippines: Continued Liberalization of Investment Restrictions, OFC Asia-

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<sup>414</sup> *Information Sheet/Personal Data Sheet (PDS) of Efren I. Plana (As of October 1, 1975)*

<sup>415</sup> *BIR Service Record, Personnel Division, September 16, 2014*

<sup>416</sup> *Information Sheet/Personal Data Sheet (PDS) of Efren I. Plana (As of October 1, 1975)*

Pacific (1997). He also drafted the original Board of Investments Rules and Regulations in 1968.<sup>417</sup>

## GENERAL ADMINISTRATION

On December 20, 1976, Revenue Memorandum Order (RMO) No. 57-76 was issued by Commissioner Plana directing the Special Audit Group and all other concerned to brook no interference in the conduct of their investigation. It came to his attention that pressure was brought to bear upon examiners, especially those in the said group, to scale down the deficiency tax assessments. Hence, the examiners concerned were required to report to the Commissioner, any such interference, internal and external especially within the BIR, including those coming from government functionaries, so that necessary counter measures could be taken forthwith, including the report thereof to higher authorities as may be warranted.<sup>418</sup>

In 1977, President Marcos by virtue of Presidential Decree (PD) No. 1158, promulgated the National Internal Revenue Code (NIRC) of 1977, which updated and improved the 1939 Tax Code.<sup>419</sup>

On the same year, a new Taxpayer Account Number (TAN) System was introduced called the TAN Soundex System. This new system assured that only one TAN would be assigned to each taxpayer. This feature was essential to the establishment of a masterfile system.

Likewise, the Revenue Tax Receipt (RTR) System where RTR is issued for every corresponding tax payments to check malversation and insure adequate security was also introduced. The RTRs were self-carbonized with security features to minimize tampering. Another innovation was the

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<sup>417</sup> Efren Plana/ACCRAALAW/ZoomInfo.com, retrieved from <http://www.zoominfo.com/p/Efren-Plana/37766939> on 9/23/2014

<sup>418</sup> Revenue Memorandum Order No. 57-76 dated December 20, 1976

<sup>419</sup> Philippine Revenue Journal, 80<sup>th</sup> Anniversary 1904-1984, p. 26

preparation of data bank thru 17.01B-1 form containing data on payments made by individuals not subject to withholding tax that were processed for cross checking taxpayer's declarations against their incomes and expenses.<sup>420</sup>

In 1978, the changes in tax system were complemented by the Bureau's efforts toward more effective tax surveillance and enforcement, reduction of delinquent accounts, a heightened voluntary tax compliance, improved administration, and enhancement of the quality of personnel.<sup>421</sup>

An important change in the RTR System of payment of revenue collections was the issuance of the Confirmation Receipt (CR) for tax payments upon the presentation by the taxpayer of the revenue tax receipt. The purpose of the confirmation receipt was to insure that payment has really been made with the authorized agent bank. In order to detect malversation of funds by collecting officers in areas not reached by the RTR System, RMO No. 23-78 was issued directing Regional Directors or Revenue District Officers to confirm that the collection report of collecting officers were submitted on time and that upon submission, the reports must immediately be meticulously scrutinized against the Official Receipt (OR) issued to big taxpayers such as loggers, miners, agricultural producers, manufacturers and other taxpayers.<sup>422</sup>

On October 1, 1978, Revenue Memorandum Circular (RMC) No. 84-78 was issued prescribing the qualification requirement in the recruitment/promotion of Revenue Examiners in the Bureau. The policy provided that only Certified Public Accountants or Lawyers (Members of the Philippine Bar) with 18 units in Accounting were considered for recruitment to Revenue Examiner I position to professionalize the assessment service and to provide the Bureau with personnel who have potentials for future advancement.<sup>423</sup>

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<sup>420</sup> *BIR Annual Report 1977*, pp. 32, 34

<sup>421</sup> *BIR Annual Report 1978*, p. 39

<sup>422</sup> *Ibid.*, p. 40

<sup>423</sup> *Revenue Memorandum Circular No. 84-78 dated October 1, 1978*



In 1979, improvements in the tax system were imposed. These were 1) Energy Tax on Electric Power Consumption (BP 36); 2) Capital Gains Tax (BP 37); 3) Travel Tax (BP 38); 4) Omnibus Tax Law (BP 41); and 5) Specific Tax on Premium & Regular Gasoline (EO 550).<sup>424</sup>

On the same period, the Data Processing Service through the installation of a 370-148 IBM computer did a full data capture of income tax returns for studies being conducted on gross income taxation.

Moreover, the computerized Management Information System of the Bureau was initially started.<sup>425</sup> New tax returns were also introduced during the year in accordance with Batas Pambansa Blg. 37, the Individual Capital Gains Tax Return (1701E) and the Individual Capital Gains Tax Return for Installment Payment Received (1701E-1).<sup>426</sup>

## **ORGANIZATION**

On September 3, 1976, Revenue Administrative Order (RAO) No. 3-76 was issued prescribing the re-creation of the Specific Tax Branch in Revenue Region No. 10-A Cagayan De Oro City whereby a substantial amount of specific taxes collectible therefrom were generated such as a good number of rectifying plants, compounders, bonded terminals for petroleum products & leaf tobacco dealers. Their duties included the supervision of establishments subject to and dealing with articles subject to specific tax and collecting the specific taxes due thereon.<sup>427</sup>

The Bureau's National Office was transferred from the Finance Building in Manila to its own 12-storey building in Quezon City, which was inaugurated on June 3, 1977. This ₱100 Million edifice equipped with modern facilities not only for the employees but also for the taxpaying public, boosted employee morale and enhanced service to taxpayers.<sup>428</sup>

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<sup>424</sup> *BIR Annual Report 1979*, p. 43

<sup>425</sup> *Ibid.*, p. 47

<sup>426</sup> *Ibid.*, p. 46

<sup>427</sup> *Revenue Administrative Order (RAO) No. 3-76 dated September 3, 1976*

<sup>428</sup> *Philippine Revenue Journal, 75<sup>th</sup> Anniversary 1904-1979*, p. 13

## COLLECTION PERFORMANCE

### A. Comparative Collection

The BIR's gross collection for Calendar Year (CY) 1976 amounted to ₱8.27 Billion, an increase of 20.57% or ₱1.41 Billion over that of CY 1975.<sup>429</sup> Compared to goal of ₱7.80 Billion<sup>430</sup> for the current year, an excess of 6.03% or ₱0.47 Billion was generated. This increase was realized notwithstanding the ₱153 Million decline in the collection of the Amnesty Tax which has reached its expected low level. Major sources of income registered substantial increases. The increases in major sources of revenue were effected at a time when domestic economic activity was affected to a large extent by global recessionary conditions. In addition, there was the forced decline in mineral production by as much as 43 percent and general decrease in the Bureau's other exports.<sup>431</sup>

Revenue Regions (RR) 4-B – Quezon City and 4-A – Manila posted the highest income among the 17 regions with ₱3.3 Billion and ₱3.1 Billion, respectively. This was followed by RR No. 4-C – San Pablo City with ₱374 Million collection. Fourth was RR No. 3-A – San Fernando, Pampanga with ₱366 Million collection and fifth was RR No. 7 – Cebu City contributing ₱294 Million. Combined with all other regions, these contributed ₱6.46 Billion or 78.1% to the National collection of ₱8.27 Billion.<sup>432</sup>

For CY 1977, revenue collection of the Bureau reached ₱10.62 Billion<sup>433</sup> exceeding the goal of ₱10.60 Billion<sup>434</sup> by 0.28%, and the collection of the preceding year higher by 28.52% or ₱2.36 Billion. All the sources of taxes, both major and minor, increased. Improved collection may be attributable to administrative improvement programs and new tax measures.<sup>435</sup>

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<sup>429</sup> *BIR Annual Report 1976, p. 8*

<sup>430</sup> *BIR Annual Report 1980, p. 40*

<sup>431</sup> *BIR Annual Report 1976, p. 8*

<sup>432</sup> *Ibid., p. 16*

<sup>433</sup> *BIR Annual Report 1977, p. 6*

<sup>434</sup> *BIR Annual Report 1980, p. 40*

<sup>435</sup> *BIR Annual Report 1977, p. 6*

Of the 17 revenue regions, RR No. 4-B – Quezon City and 4-A – Manila still contributed the highest with ₱4.2 Billion and ₱1.8 Billion, respectively. The third highest contributor was RR No. 7 – Cebu City with a collection of ₱157 Million, followed by RR No. 6-B – Bacolod City with a collection of ₱156 Million and RR No. 4-C – San Pablo City contributing an amount of ₱118 Million.<sup>436</sup>

For CY 1978, gross collection of the Bureau amounted to ₱12.49 Billion<sup>437</sup> was short by 1.67% against the goal of ₱12.70 Billion<sup>438</sup>. However, the collection increased by 17.48% or ₱1.89 Billion more than that of CY 1977. The progressive collection performance was brought about by a vigorous campaign for the collection of taxes embodied in previous presidential decrees, new tax measures and a continuing administrative improvement program.<sup>439</sup>

The top regions that registered excess collections over their assigned goal for the year were as follows: RR No. 10A – Cagayan de Oro which posted ₱18.56 Million excess or 20.96%; RR No. 2 – Tuguegarao City which registered ₱3.35 Million excess or 10.31%; RR No. 8 – Tacloban City which posted ₱1.07 Million excess or 4.32%; and lastly, RR No. 5 – Legaspi City which posted ₱0.66 Million excess or 2.33%.<sup>440</sup>

The Bureau's gross collection for CY 1979 amounted to ₱16.19 Billion.<sup>441</sup> This was ₱435.83 Million in excess of the collection goal for the period amounting to ₱15.75 Billion.<sup>442</sup> The gross collection exceeded the collection in the preceding year by ₱3.70 Billion or 29.65%. The increase in the collection can be attributed to intensified tax campaigns, expanded withholding tax system and increased rates of specific taxes on gasoline and other petroleum products, cigarettes and alcohol beverages (Batas Pambansa Blg. 3, 4 and 5). The progressive revenue collection performance

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<sup>436</sup> *BIR Annual Report 1977, p. 11*

<sup>437</sup> *BIR Annual Report 1978, p. 6*

<sup>438</sup> *BIR Annual Report 1980, p. 40*

<sup>439</sup> *BIR Annual Report 1978, p. 6*

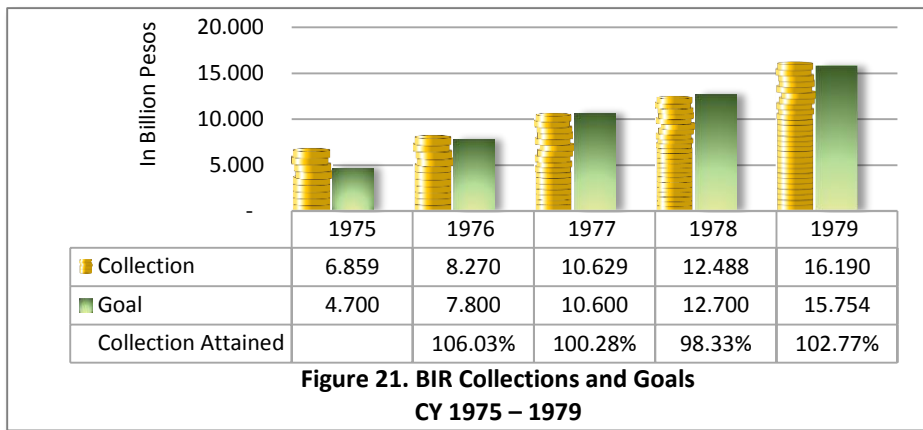
<sup>440</sup> *Ibid., p. 15*

<sup>441</sup> *BIR Annual Report 1979, p. 7*

<sup>442</sup> *Ibid., p. 13*

was attained through the continuous reforms instituted in the Bureau’s tax system and administration.<sup>443</sup>

The top five (5) regions which relatively registered an excess in collection as compared with their goal were as follows: RR No. 11-A – Cotabato City with ₱16.86 Million excess or 39.61%; RR No. 7 – Cebu City with ₱83.14 Million excess or 36.52%; RR No. 5 – Legaspi City with ₱6.07 Million excess or 16.52%; RR No. 10B – Butuan City with ₱7.38 Million excess or 12.91%; and RR No. 9 – Zamboanga City with ₱7.75 Million excess or 11.10%.<sup>444</sup> (Figure 21)



For CY 1976, the Bureau’s expenditures totaled ₱107.48 Million. Matched against its income of ₱8.27 Billion, its operations cost resulted to ₱1.30 for every ₱100 collected – showing a decrease of ₱0.4. The drop in cost was principally due to the non-inclusion of the capital outlay release which generally was about ₱20 Million. Another factor which contributed to the decrease in costs is the lower expenditure on supplies and materials which dropped from ₱17.75 Million last year to ₱13.24 Million this year.<sup>445</sup>

In CY 1977, gross collection of ₱10.65 Billion was attained at a total expenditure of ₱117.43 Million. Due to the substantial increase of ₱2.29

<sup>443</sup> BIR Annual Report 1979, p. 4

<sup>444</sup> *Ibid.*, p. 11

<sup>445</sup> BIR Annual Report 1976, p.21

Billion over the collection of the previous year, the cost of collection dropped to ₱1.10 per ₱100 revenue collected.<sup>446</sup>

For CY 1978, it cost the Bureau ₱126.67 million to collect ₱12.49 billion gross revenue collection for 1978 or ₱1.01 for every ₱100 revenue collected.<sup>447</sup>

In CY 1979, it cost the Bureau ₱138.23 Million to collect ₱16.19 Billion Gross Revenue Collection for 1979 or ₱0.94 for every ₱100 revenue collected.<sup>448</sup> (Table 37)

**Table 37. Expenditures and Cost of Collecting ₱100  
CY 1975 – 1979**

Calendar Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1975	113,441,664.15		1.65	
1976	107,485,747.70	(5.54)	1.30	(26.92)
1977	117,435,334.28	8.47	1.10	(18.18)
1978	126,678,993.67	7.30	1.01	(8.91)
1979	138,233,838.26	8.36	0.94	(7.45)

## PERSONNEL COMPLEMENT

The number of employees gradually increased from 5,832 in CY 1976 to 6,383 in CY1977. In CY 1978, the number of personnel further increased from 6,454 to 6,680 in CY 1979 or a growth of 11.43% in 4 years.<sup>449</sup> (Table 38)

**Table 38. Number of Employees  
CY 1975 – 1979**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
1975	5,511		
1976	5,832	321	5.50
1977	6,383	551	8.63
1978	6,454	71	1.10
1979	6,680	226	3.38

<sup>446</sup> BIR Annual Report 1977, p.13

<sup>447</sup> BIR Annual Report 1978, p.16

<sup>448</sup> BIR Annual Report 1979, p.15

<sup>449</sup> BIR Annual Reports 1976, p. 5; 1977, p. 8; 1978, p. 8; 1979, p. 6



*Ruben B. Ancheta*

**Commissioner of Internal Revenue**

(May 1, 1980 – March 16, 1986)

## RUBEN B. ANCHETA

Commissioner **Ruben B. Ancheta** obtained his Bachelor of Laws and Bachelor of Science in Jurisprudence from the University of the Philippines. He passed the bar examinations in 1962 with a score of 81.55%. He took his Master's degree (Master of Arts in Development Economics) from Williams College, Williamstown, Massachusetts, and Doctorate degree (Doctor of Laws - Honoris Causa) from the University of Sto. Tomas, Philippines. He also took Economic Management Course in Washington, D.C.

His first work in government was at Program Implementation Agency in 1962 as a Legal Aide until he was promoted as Deputy Director General in the same office in 1973. Afterwards, he entered National Economic and Development Authority (NEDA) as Acting Assistant Director General and later became a full-fledged Assistant Director General until October 29, 1979. He joined the Bureau on October 30, 1979 and was designated as Acting Deputy Commissioner. He was appointed as Commissioner of Internal Revenue on May 1, 1980.<sup>450</sup>

## GENERAL ADMINISTRATION

Commissioner Ancheta implemented a Management Audit and Improvement Program alongside with maximizing the use of the computer by establishing the regional Data Center and upgrading the computer capability.<sup>451</sup> Extensive tax information campaigns; updating the knowledge of examiners and other personnel through training programs; strengthening the regional offices through delegation of more functions were likewise instituted that contributed to the increase in collection.<sup>452</sup>

In 1981, tax measures to increase revenue were to provide for the taxation of certain passive income (Presidential Decree (PD) No. 800, January 16, 1981) and the grant of Tax Amnesty on untaxed income and/or

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<sup>450</sup> BIR: *Personnel Division (Service Record of Ruben B. Ancheta) & Records Management Division (PDS of Ruben B. Ancheta)*

<sup>451</sup> BIR Annual Report 1980, pp. 31-32

<sup>452</sup> *Ibid.*, p. 5

wealth earned or acquired during the taxable years 1974 to 1980 and requiring the filing of the statement of assets, liabilities and net worth under PD No. 1740 as amended by PD No. 1840.<sup>453</sup>

Other improvements in tax enforcement were implemented such as the taxpayer's master file thru a color-coded carding system (RMO No. 15-82, May 10, 1982); subjecting to 20% final tax the interest payments on bonds or similar evidences of indebtedness, among others.<sup>454</sup>

In 1982, the following initiatives were implemented: enhanced voluntary tax compliance; better BIR-Taxpayer relationship; "Operation Linis" Project; improved computerization program; increase in the Specific Tax rates on distilled spirits and other alcohol products, and the resolution of pending tax cases. Increase in collection was attributed to these efforts.<sup>455</sup>

In 1983, the Gross Income Taxation was implemented thru the passage of Batas Pambansa (BP) Blg. 135, for taxpayers earning compensation income starting 1982. With this system, only taxpayers deriving income from business operations or the practice of profession were subjected to audit and investigation.<sup>456</sup>

In 1984, progressive reforms were instituted in the BIR tax system and tax administration, such as, stricter implementation of the business and withholding tax laws, the proper channeling of audit efforts, the increased rates of specific taxes on gasoline and other petroleum products, cigarettes and alcoholic products, and the continuous development of personnel through various training programs.<sup>457</sup>

In 1985, efforts of the Bureau was geared towards legislative and administrative reforms especially in the effective enforcement of business and withholding tax laws and regulations; sustained and massive tax

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<sup>453</sup> *BIR Annual Report 1981, p. 19*

<sup>454</sup> *BIR Annual Report 1982, pp. 27*

<sup>455</sup> *Ibid., p. 1*

<sup>456</sup> *BIR Annual Report 1983, P. 7*

<sup>457</sup> *BIR Annual Report 1984, p. 1*



information campaigns; extensive training program to update the knowledge of examiners and other personnel; and strengthening the regional offices through delegation of more substantive functions.<sup>458</sup>

## **ORGANIZATION**

On August 1, 1980, the Bureau was again reorganized under Executive Order (EO) No. 608 with BIR implementing issuance Revenue Administrative Order (RAO) No. 2-80 dated October 2, 1980.<sup>459</sup> (Chart 15)

Pursuant to RAO 2-80 re: "Implementation of Executive Order No. 608 Reorganizing the Bureau of Internal Revenue Issued on August 1, 1980", the following changes were effected:

The Financial and Management Service was retained; Administrative Service was renamed as Personnel and Administrative Service; the Data Processing Center and Inspection Service were retained; Assessment Service was renamed as National Assessment Office; Specific Tax Service was renamed as Specific Tax Office; Legal Service was renamed as Legal Office; Collection Service was renamed as Collection Office; and Planning & Policy Service and Sector Operations Office were created.

A service, office or center in the Central Office was headed by a Revenue Service Chief who was assisted by an Assistant Revenue Service Chief except the Sectoral Operations, Legal and National Assessment Offices which had two Assistant Revenue Service Chiefs.

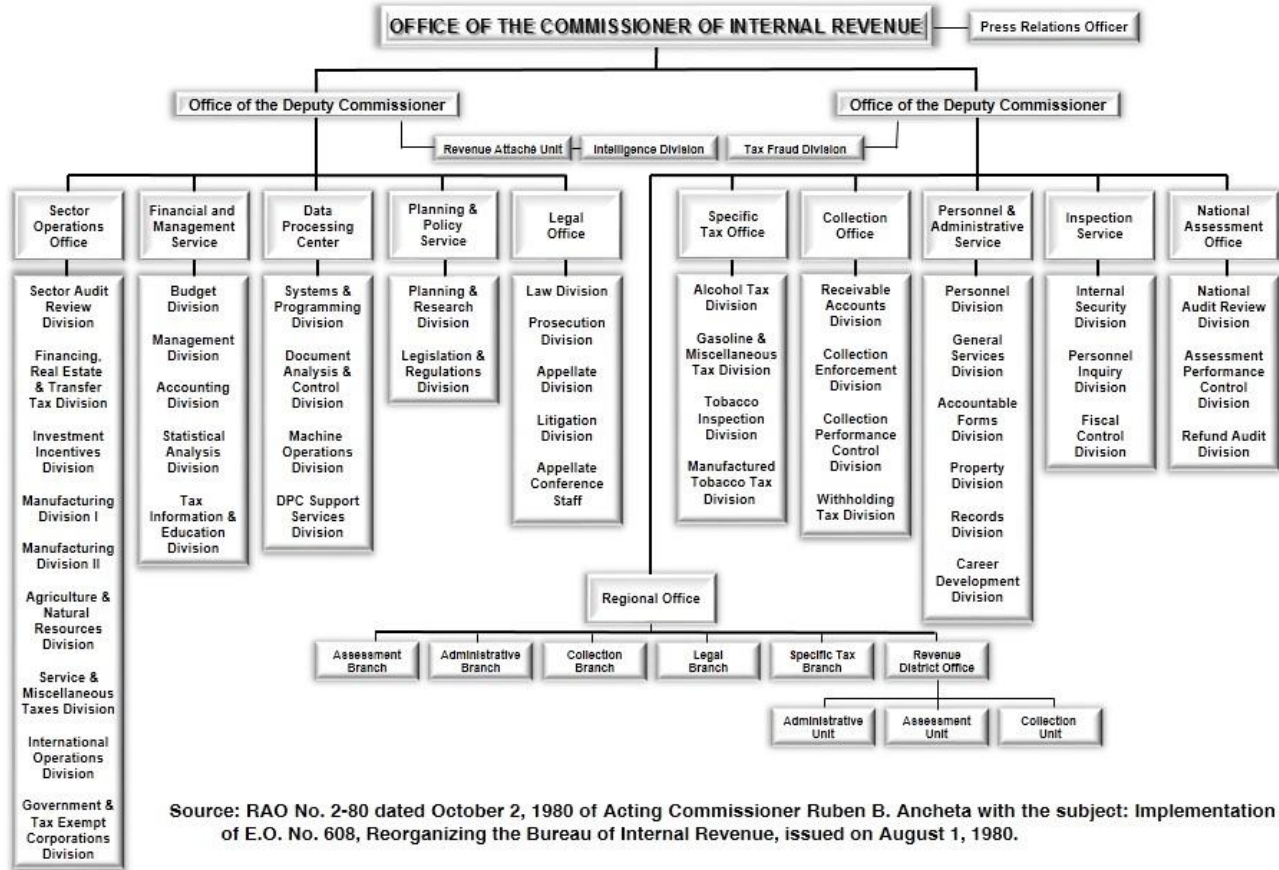
In order to effect closer supervision and locate allied organizational units under a single supervisory authority, the following offices or units were transferred/created:

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<sup>458</sup> *BIR Annual Report 1985, p. 1*

<sup>459</sup> *Revenue Administrative Order (RAO) No. 2-80 dated October 2, 1980*

**Chart 15.**  
**BIR ORGANIZATIONAL CHART**  
**October 1, 1980**



Source: RAO No. 2-80 dated October 2, 1980 of Acting Commissioner Ruben B. Ancheta with the subject: Implementation of E.O. No. 608, Reorganizing the Bureau of Internal Revenue, issued on August 1, 1980.

1. The Revenue Attaché Section of the International Operations Division was constituted as a separate unit and transferred to the Office of the Commissioner.
2. A position for a Press Relations Officer, who shall also be the Chief of the Tax Information and Education Division was created in the Office of the Commissioner.
3. The Financing, Real Estate and Transfer Tax Division, Investment Incentives Division, Manufacturing Division (which was now divided into two divisions), Agriculture and Natural Resources Division, Service and Miscellaneous Taxes Division and International Operations Division, all under the Office of the Commissioner were transferred to the Sector Operations Office.
4. The Special Projects Office was abolished and its functions were transferred to the Planning and Policy Service.
5. A Government and Tax Exempt Corporations Division was created to form part of the Sector Operations Office.
6. The Direct Taxes Division was renamed Sector Audit Review Divisions and was transferred to the Sector Operations Office.
7. The Indirect Taxes Division was renamed National Audit Review Division and remained under the National Assessment Office.
8. The Delinquent Returns Division was renamed Collection Performance Control Division.
9. The Performance Control Division was abolished and its functions are transferred to the collection Performance Control Division under the Collection Office and the Assessment Performance Control Division under the National Assessment Office.<sup>460</sup>

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<sup>460</sup> Revenue Administrative Order (RAO) No. 2-80 dated October 2, 1980

10. The Withholding Tax Division was transferred to the Collection Office.
11. The Enforcement Section of the Withholding Tax Division was renamed Tax Refund Audit Division and shall remain under the jurisdiction of the National Assessment Office.
12. The Tax Information and Education Division under the Office of the Commissioner was transferred to the Financial and Management Service.
13. The Career Development Division under the Financial and Management Service was transferred to the Personnel and Administrative Service
14. The Seized and Forfeited Properties Section of the Property Division was transferred to the Collection Enforcement Division.
15. The Appellate Conference Staff was constituted as an Ad Hoc body under the Legal Office by the Commissioner upon recommendation of the Deputy Commissioner concerned, as the need arises.<sup>461</sup>

One (1) Deputy Commissioner was added to assist the Commissioner in the exercise of supervision and control over the subordinate units of the Bureau and abolished the positions of two Assistant Commissioners.<sup>462</sup>

On September 17, 1981, RAO No. 5-81 was issued prescribing the creation of the Regional Data Centers in Revenue Region No. 4-A and 4-B. This aimed to attain an effective Management Information System bringing the computing power closer to the end-user to insure the availability of timely and accurate computer processable data at the Central computing

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<sup>461</sup> Revenue Administrative Order (RAO) No. 2-80 dated October 2, 1980

<sup>462</sup> The LAWPHIL Project, retrieved from [http://www.lawphil.net/executive/execord/eo1980/eo\\_608\\_1980.html](http://www.lawphil.net/executive/execord/eo1980/eo_608_1980.html) on 10/03/2014

facility at the DPC and enable the regional offices to service their own operational and information requirements.<sup>463</sup>

On March 29, 1982, RAO No. 3-82 was issued prescribing the creation of the International Taxation Division to be placed directly under the Legal Office. This Order was issued to implement more effectively the Reorganization of the Bureau under E.O. No. 608 by eliminating overlapping functions and integrating homogeneous and interrelated activities involved in tax treaty implementation and interpretation.<sup>464</sup>

On February 1983, the Revenue Information Systems Service Inc. (RISSI), an independent office from BIR was created, replacing the Data Processing Center which was abolished by virtue of EO 873.<sup>465</sup> RISSI was a government-owned foundation with the Minister and Deputy Minister of Finance, the Commissioner and Deputy Commissioner of the BIR as members of the Board of Trustees.

On March 3, 1983, thru RAO No. 3-83, the Revenue Accounting and Monitoring Division under the Financial Management Service was created to control effectively the processing, consolidation, recording and reconciliation of collection reports. At the same time, the Revenue District Offices (RDOs) were reclassified to measure their potentials in generating more revenues based on revenue collection, number to tax filers, labor force and land area.<sup>466</sup> (Chart 16)

On December 19, 1983, RAO No. 2-84 was issued prescribing the reorganization of the Specific Tax Office and statement of its functions. It was composed of the Tobacco Tax Division, Alcohol Tax Division, Oil and Miscellaneous Division, Field Operations Division and the BIR Laboratory. The said order was issued to efficiently supervise all activities relating to the administration, enforcement and collection of specific and other taxes or fees; to achieve optimum utilization of personnel and other resources of the

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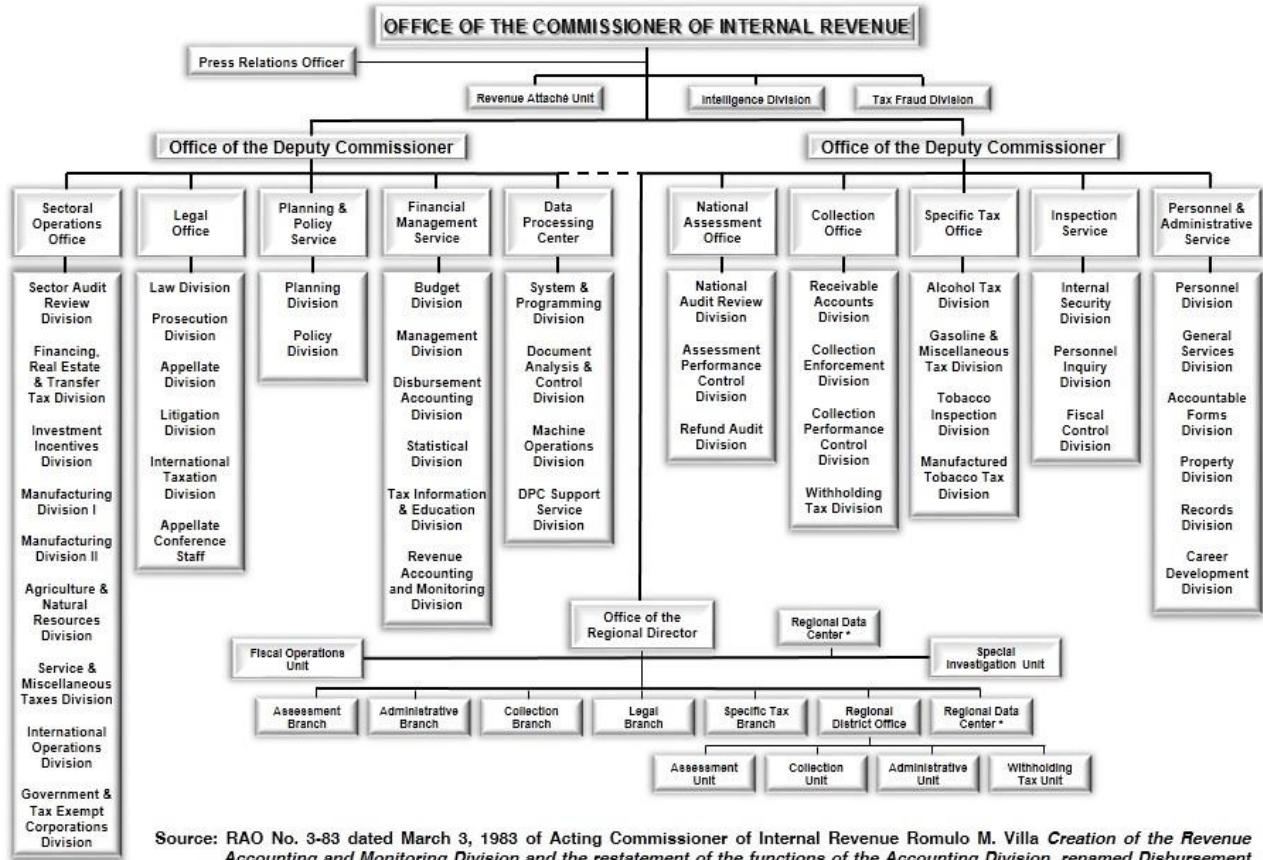
<sup>463</sup> *Revenue Administrative Order (RAO) No. 5-81 dated September 17, 1981*

<sup>464</sup> *Revenue Administrative Order (RAO) No. 3-82 dated March 9, 1982*

<sup>465</sup> *BIR Annual Report 1983, p. 14*

<sup>466</sup> *Ibid., pp. 18-19*

**Chart 16.**  
**BIR ORGANIZATIONAL CHART**  
**March 3, 1983**



Source: RAO No. 3-83 dated March 3, 1983 of Acting Commissioner of Internal Revenue Romulo M. Villa *Creation of the Revenue Accounting and Monitoring Division and the restatement of the functions of the Accounting Division, renamed Disbursement Accounting Division*

On February 24, 1984, RAO No. 4-84 was issued prescribing the splitting of the Financing, Real Estate and Transfer Taxes Division and the Services and Miscellaneous Taxes Division of the Sector Operations Office into four divisions pursuant to Section 6 (b) of E.O. No. 608 dated August 1, 1980. These were as follows: (1) Banks, Financing and Insurance Division (BFID), (2) Real Estate and Transfer Taxes Division (RETT), (3) Construction and Service Industry Division (CSID), and (4) Franchise and Miscellaneous Taxes Division (FMTD).

On August 27, 1984, RAO No. 10-84 was issued prescribing the reorganization of the Personnel and Administrative Service and statement of its functions including the divisions under it down to section level pursuant to E.O. No. 608. This Order was issued to attain better performance and productivity of revenue personnel through the creation of offices which shall oversee the suitability of working conditions and employees' general health care. The Personnel and Administrative Service had the following divisions: Personnel Division, Career Development Division, Records Division, General Services Division, Property Division, Accountable Forms Division, Medical and Dental Division and Facilities Maintenance Division.<sup>467</sup>

On September 10, 1984, the Revenue Computer Center (RCC) was inaugurated. It was a three-story building constructed in the Bureau's compound at Diliman, Quezon City. Being the repository of vital revenue records and the heart of the computer network of the BIR, the building was equipped with halon fire suppression and sprinkler system as safeguards against fire. It was also equipped with a central air-conditioning system, modern telecommunication system, fire alarm and stand-by generating system to assure continuity of operations even during power interruptions.<sup>468</sup>

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<sup>467</sup> Revenue Administrative Order (RAO) No. 10-84 dated August 27, 1984

<sup>468</sup> BIR Annual Report 1984, p. 20

## COLLECTION PERFORMANCE

### A. Collection vs. Goal

For CY 1980, the gross collection of the Bureau reached ₱19.366 Billion which reflected an increase of 19.62% over that of CY 1979. The increase in collection over the previous year was attributed to improvements in tax system through legislation, administrative reforms such as maximizing the use of computer, extensive tax information campaigns, updating the knowledge of examiners and other personnel through training programs, strengthening the regional offices through delegation of more functions and the reorganization brought about by Executive Order No. 608. However, the collection was 4.60% short of the goal for the period.<sup>469</sup>

The top regions that exceeded their collection goal included RR No. 4C – San Pablo City with an excess of 42.60% or ₱99.85 Million, RR No. 2 – Tuguegarao City with 5.77% or ₱3.38 Million excess, RR No. 9 – Zamboanga City with 2.85% or ₱2.65 Million excess, and lastly, RR No. 10B – Butuan City with 0.26% or ₱220,000 excess in collection over goal.<sup>470</sup>

For CY 1981, the Bureau's gross collection was ₱19.982 Billion or 3.18% more than the preceding year. The relatively low rate of increase in collection was attributed to the general economic slowdown with GNP real growth at only 4.8% as against the original forecast of 5.0% for 1981 while the inflation rate was 10.0% against the 12% growth forecast.<sup>471</sup>

Revenue Regions No. 4-B – Quezon City and 4-A – Manila collected 75.8% of the total collection (excluding excise taxes) of the Bureau for 1981 with RR No. 4-B – Quezon City collecting 56.3% and RR No. 4-A – Manila collecting 19.5% of the total collections. Performance-wise, top five included RR No. 6-B – Bacolod City with 150.42% increase, followed by RR No. 4-C – San Pablo City at 53.96% increase, RR No. 10-A – Cagayan de Oro

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<sup>469</sup> *BIR Annual Report 1980*, p. 5

<sup>470</sup> *Ibid.*, p. 13

<sup>471</sup> *BIR Annual Report 1981*, p. iv



City at 39.63%, RR No. 1 – Baguio City at 38.44% increase and RR No. 6-A – Iloilo City at 35.65% increase.<sup>472</sup>

For CY 1982, gross collection of the Bureau reached ₱21.196 Billion surpassing the CY 1981 collection by 6.07% despite adverse economic conditions. The increase in collection was attributed to the enhanced voluntary compliance, better BIR-Taxpayer relationship, success of “Operations Linis” Project, improved computerization program, increase in the Specific Tax rates on distilled spirits and other alcohol products and the resolution of pending tax cases.<sup>473</sup>

Regional collections (excluding excise taxes) exceeded those of CY 1981 by 5.24%. The top regions that exceeded their collection goal for the year included RR No. 3A – San Fernando, Pampanga with 13.61% excess or ₱19.33 Million more than its target; RR No. 6A – Iloilo City with 7.93% or ₱6.66 Million excess; RR No. 8 – Tacloban City with 4.42% or ₱2.38 Million excess; RR No. 1 – Baguio City with 4.39% or ₱6.63 Million excess; and lastly, RR No. 10B – Butuan City with 3.09% or ₱3.06 Million excess over assigned goal.<sup>474</sup>

For CY 1983, the BIR gross collections of ₱22.644 Billion was 1.45% more than the target of ₱22.320 Billion and 6.83% over that of previous year’s collection. The significant increase in collection and the attainment of BIR’s goal to the vigorous and sustained tax information campaigns to encourage voluntary tax compliance, effective implementation and monitoring of the withholding tax system, the increase of tax rates on cigarettes, alcoholic beverages, petroleum products and the observed inelastic demand for such articles, and the dedication and remarkable teamwork displayed by the Bureau’s entire work force.<sup>475</sup>

During the year, RR No. 10A – Cagayan de Oro posted the largest percent of excess over target at 36.24% or P62.88 Million. RR No. 1 – Baguio

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<sup>472</sup> BIR Annual Report 1981, p. 7

<sup>473</sup> BIR Annual Report 1982, p. 1

<sup>474</sup> *Ibid.*, p. 9

<sup>475</sup> BIR Annual Report 1983, p. 1

followed closely at 34.13% or P58.65 Million excess. RR No. 3A – San Fernando, Pampanga, RR No. 6A – Iloilo City and RR No. 3B – Valenzuela City exceeded over target at 12.9%, 9.51% and 6.91%, respectively.<sup>476</sup>

BIR gross collection for CY 1984 was reported to be ₱33.080 Billion which was ₱10.44 Billion or 46.09% more than that of CY 1983. Likewise, it was ₱1.48 Billion or 4.68% over the ₱31.600 Billion goal. The significant increase in revenue collections was attributed to the progressive reforms instituted in the BIR tax system and tax administration, such as, stricter implementation of the Bureau's business and withholding tax laws; the proper channeling of audit reports; the increased rates of Specific Taxes on gasoline and other petroleum products, cigarettes and alcoholic products; and the continuous development of personnel through various training programs.<sup>477</sup>

Fifteen (15) Revenue Regions exceeded their assigned targets ranging from 0.19% to 37.74%. RR No. 1 – Baguio City registered the largest percent of excess at 37.74% or P95.73 Million more than its target. Followed by RR No. 4B – Quezon City at 30.74% or ₱3,344.82 Million excess. Next were RR No. 11A – Cotabato City which posted 29.65% or P25.41 excess; RR No. 4A – Manila which posted 27.9% or P851.43 Million excess; and lastly, RR No. 10A – Cagayan de Oro which registered 25.65% or P69.25 Million excess over target.<sup>478</sup>

For CY 1985, the total gross collections amounted to ₱41.658 Billion which was 25.93% over that of CY 1984. However, the collection was 1.7% short of the goal for the period which was ₱42.380 Billion. The efforts for CY 1985 were geared toward legislative and administrative reforms especially in the effective enforcement of business and withholding tax laws and regulations; sustained and massive tax information campaigns; extensive training program to update the knowledge of examiners and other

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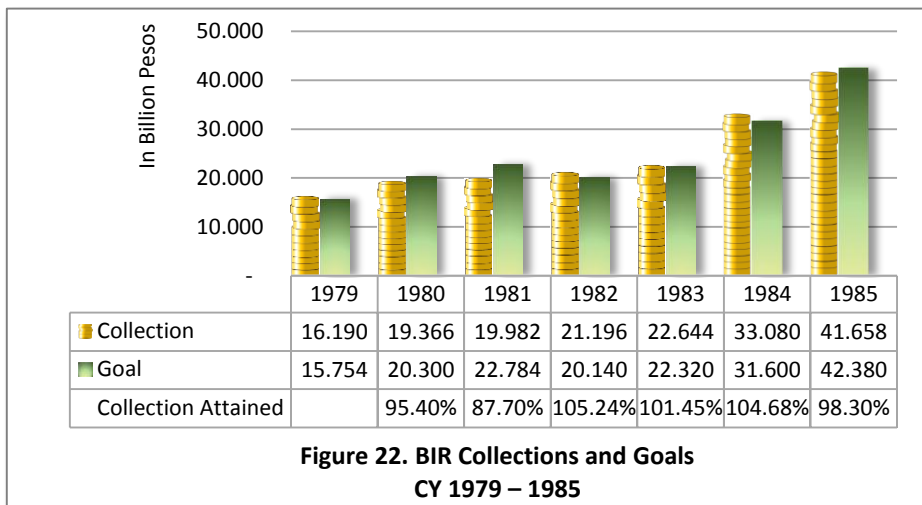
<sup>476</sup> BIR Annual Report 1983, p. 26

<sup>477</sup> BIR Annual Report 1984, p. 1

<sup>478</sup> *Ibid.*, pp. 26-27

personnel; and strengthening the regional offices through delegation of more substantive functions.<sup>479</sup>

All seventeen (17) regions surpassed their previous year's collection ranging from 4.14% to 78.18% while thirteen (13) regions exceeded their regions' targets ranging from 5.35% to 32%. The largest percent of excess over target was posted by RR No. 5 – Legaspi City with 32% or P29.12 Million more than its target. Followed nearly by RR No. 3A – San Fernando, Pampanga which posted 31.70% or P108.10 Million excess over target. Ranked third was RR No. 11B – Davao City with 21% or P46.41 Million excess over target. The rest of the regions were RR No. 6A – Iloilo City and RR No. 4A – Manila with excess of 17.39% and 16.16% over target, respectively.<sup>480</sup> (Figure 22)



## B. Cost of Operations

From CY 1972 to CY 1980, the cost to collect every ₱100 revenue has decreased annually by 8.3%. Starting at ₱2.0 in 1972, the cost of operations of the Bureau slowly but steadily went down to only ₱1.0. At the

<sup>479</sup> BIR Annual Report 1985, p. 1

<sup>480</sup> *Ibid.*, pp. 5 & 29-31

same time, our collection multiplied almost sevenfold from ₱2.86 Billion in 1972 to ₱19.37 Billion this year.

Based on absolute terms, the Bureau's total expenditures rose from ₱58.78 Million in 1972 to ₱185.72 Million in 1980 or a little over threefold only. Improved efficiency and effectiveness of operations as well as limited appropriations granted the Bureau were the factors that contributed to maintaining low cost of collection of tax revenues.<sup>481</sup>

For CY 1981, the cost of collection was maintained at ₱1.00 per ₱100 revenue despite incurring a total amount of ₱272.766 Million in expenditure.<sup>482</sup>

In CY 1982, the total expenditure amounted to ₱248.952 Million, while the collection cost was ₱1.17 per ₱100 revenue.<sup>483</sup>

For CY 1983, there was a slight decrease in the total expenditure of ₱247.519 Million as compared to the previous year which resulted to a lower collection cost of ₱1.09 per ₱100 revenue.<sup>484</sup>

In CY 1984, the Bureau posted a lower collection cost of ₱0.99 per ₱100 revenue as compared to the previous year amidst its total expenditure of ₱329.045 Million.<sup>485</sup>

For CY 1985 operation, the Bureau spent ₱431.56 Million to collect a total sum of ₱41.7 Billion. The expenses incurred represented a cost of ₱1.04 for every ₱100 added to the government's coffers.<sup>486</sup> (Table 39)

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<sup>481</sup> BIR Annual Report 1980, p.20

<sup>482</sup> BIR Annual Report 1981, p.26

<sup>483</sup> BIR Annual Report 1982, p.7

<sup>484</sup> BIR Annual Report 1983, p.35

<sup>485</sup> BIR Annual Report 1984, p.42

<sup>486</sup> BIR Annual Report 1985, p.8

**Table 39. Expenditures and Cost of Collecting ₱100  
CY 1979 – 1985**

Calendar Year	Expenditures	% Inc./{(Dec.)}	Cost of Collecting ₱100	% Inc./{(Dec.)}
1979	138,233,838.26		0.94	
1980	185,724,942.59	25.57	1.00	6.00
1981	272,766,092.38	31.91	1.00	-
1982	248,952,477.73	(9.57)	1.17	14.53
1983	247,519,484.25	(0.58)	1.09	(7.34)
1984	329,044,619.10	24.78	0.99	(10.10)
1985	431,568,942.73	23.76	1.04	4.81

## PERSONNEL COMPLEMENT

The number of employees from CY 1980 was 6,947 and had an upsurge up to 7,903 in CY 1981 to 8,414 in CY 1982 to 8,420 in CY 1983 to 8,649 in CY 1984 and totaled to 8,935 in CY 1985 or an increase of 22.25% in six years. This was due to the increased volume of work.<sup>487</sup> (Table 40)

**Table 40. Number of Employees  
CY 1979 – 1985**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
1979	6,680		
1980	6,947	267	3.84
1981	7,903	956	12.10
1982	8,414	511	6.07
1983	8,420	6	0.07
1984	8,649	229	2.65
1985	8,935	286	3.20

<sup>487</sup> BIR Annual Reports 1980, p. 33; 1981, p. 29; 1982, p. 34; 1983, p. 35; 1984, p. 42; 1985, BIR Annual Report 1986 (p. 9)

# CHAPTER VII

## POST-EDSA REVOLUTION



*Bienvenido A. Tan, Jr.*

**Commissioner of Internal Revenue**

(March 18, 1986 – December 30, 1988)

## **BIENVENIDO A. TAN, JR.**

Commissioner ***Bienvenido A. Tan, Jr.*** studied law at the University of the Philippines and graduated cum laude in 1948. He was the 8<sup>th</sup> placer when he took the Bar examination in 1949. He later earned a doctorate degree in Humane Letters at Ateneo de Manila University in 1985. He was a member of the Board of Directors and/or Officer of various non-profit, commercial establishments, fraternity, club and associations before being appointed as Commissioner of the BIR by President Corazon C. Aquino on March 18, 1986.<sup>488</sup>

### **GENERAL ADMINISTRATION**

In February 1986 after the People’s Revolution, a renewed thrust towards an effective tax administration was pursued by the Bureau under Commissioner Bienvenido Tan, Jr.

To provide direction to the activities of revenue personnel, Revenue Memorandum Order No. 8-86 was issued which aimed primarily to increase tax collection and to meet assigned collection goals. Similarly, “Operation: Walang Lagay” was launched for the purpose of achieving an efficient and honest collection of taxes, thus changing the public image of the BIR.<sup>489</sup>

To increase voluntary compliance and improve the BIR image, an indirect but effective step was instituted by posting bills such as “Stop Graft”, “Tama Na, Lagay Itigil Na” on Bureau walls to show and convince the public that the Bureau was serious with its business of tax collections and that all payments will surely enter the government coffer.<sup>490</sup>

Major developments in Income Taxation were introduced in the same year such as:

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<sup>488</sup> *BIR: Personnel Division (Service Record of Bienvenido A. Tan, Jr.) & Records Management Division (PDS of Bienvenido A. Tan, Jr.)*

<sup>489</sup> *Philippine Revenue Journal August 1987, p. 28*

<sup>490</sup> *BIR Annual Report 1986, p. 23*



- a. Change from schedular to partial global income tax system towards full globalization;
- b. Application of uniform rate structures for certain incomes of individuals and corporations;
- c. Separate taxation of income of married couples;
- d. Exemption of intercorporate dividends.

The Sales Tax Reform Program for 1986 was also implemented providing for the following:

- a. Reduction of the number of tax rates; categories on semi-essential and automobiles were abolished;
- b. Removal of unnecessary exemption from sales taxes;
- c. Disallowance of tax credits on manufactured articles if input is BOI tax-exempt.

Also in the same year, data were gathered to serve as basis for formulating the Value-Added Tax (VAT) System and developed a time table of specific tasks and/or activities to be undertaken in 1987 in preparation for the introduction of VAT in the Philippine Indirect Tax System by 1988 were made.

Transitory rules on valuation of real property were amended. Likewise, the Bureau started to accept compromise payments on delinquent accounts and disputed assessments.<sup>491</sup>

In 1987, Tax Code under EO No. 273 was restructured adopting the VAT with a rate of ten percent (10%); reclassifying certain articles into the excise tax system and transferring the function of collecting certain revenue sources to other government agencies.<sup>492</sup>

In 1988, the VAT was implemented. The VAT System was designed to simplify tax administration and make the tax system more equitable which was one of the structural reforms provided for the 1986 Tax Reform

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<sup>491</sup> BIR Annual Report 1986, p. 2

<sup>492</sup> BIR Annual Report 1987, p. 2

Program. A massive campaign program aimed to promote and encourage compliance with the requirements of VAT was launched.<sup>493</sup>

## TAX ERODING MEASURES

Following are the tax eroding measures with negative implications to the collection of the Bureau:

- Section 28.3 of Article VI (The Legislative Department) of the 1987 Constitution of the Republic of the Philippines exempts from taxation charitable institutions, churches, and parsonages or convents appurtenant thereto, mosques, non-profit cemeteries, and all lands, buildings, and improvements, actually directly, and exclusively used for religious, charitable, or educational purposes.<sup>494</sup>
- Section 4.3 of Article XIV (Education, Science, and Technology, Arts, Culture, and Sports) of the 1987 Constitution of the Republic of the Philippines prescribed that all revenues and assets of non-stock, non-profit educational institutions used actually, directly, and exclusively for educational purposes shall be exempt from taxes and duties. Upon the dissolution or cessation of the corporate existence of such institutions, their assets shall be disposed of in the manner provided by law.

Proprietary educational institutions, including those cooperatively owned, may likewise be entitled to such exemptions, subject to the limitations provided by law, including restrictions on dividends and provisions for reinvestment. Also, all grants, endowments, donations, or contributions used actually, directly, and exclusively for educational purposes shall be exempt from tax.<sup>495</sup>

Other laws with impact to taxation, in like manner, were also monitored such as Executive Order (EO) No. 226 or the “Omnibus

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<sup>493</sup> *BIR History*, retrieved from <http://www.bir.gov.ph/about/history.html> on 6/11/2014

<sup>494</sup> *The 1987 Constitution of the Republic of the Philippines Article VI*, retrieved from <http://www.gov.ph/constitutions/>

<sup>495</sup> *Ibid.*

Investments Code” dated July 16, 1987. Article 39 of the said EO prescribed that all registered enterprises shall be granted incentives to the extent engaged in a preferred area of investment.

Also, Article 78 Book VI of EO 226 cited that zone registered enterprises shall be entitled to the following:

- a) Exemption from local taxes and licenses of zone registered enterprise to the extent of their construction, operation, or production inside the zone except real estate taxes.
- b) Production equipment or machineries that are used in the manufacture of registered product of the zone registered enterprise shall be exempt from real property taxes.<sup>496</sup>

## **ORGANIZATION**

In 1986, the Intelligence Division and International Taxation Division were abolished. The officials and employees of the Intelligence Division were temporarily assigned to Tax Fraud Division while the officials and employees of International Taxation Division were transferred to International Operations Division.<sup>497</sup>

On the same year, pursuant to Executive Order No. 608 as prescribed under Revenue Administrative Order (RAO) No. 4-86, the function and personnel of Management Division and Statistical Analysis Division were transferred from Financial Management Service to the Planning and Policy Service without diminution of the emoluments to which the incumbent heads and staff of the said divisions were entitled.<sup>498</sup>

On July 2, 1986, RAO No. 9-86 was issued renaming the Planning and Policy Service to Management and Policy Service with the following

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<sup>496</sup> Executive Order No. 226: The LAWPHIL Project retrieved from [http://www.lawphil.net/executive/execord/eo1987/eo\\_226\\_1987.html](http://www.lawphil.net/executive/execord/eo1987/eo_226_1987.html) on 3/2/2015

<sup>497</sup> Revenue Administrative Order (RAO) No. 3-86 dated April 29, 1986

<sup>498</sup> Revenue Administrative Order (RAO) No. 4-86 dated April 30, 1986

Divisions: Management Division, Statistical Analysis Division, Planning Division and Policy Division.<sup>499</sup>

In 1987, the Bureau implemented Executive Order No. 127 (Reorganization Act of the Finance Ministry) with the creation of two (2) major functional groups: Assessment and Collection Group; and Legal and Internal Administration Group, each headed and supervised by a Deputy Commissioner.

The Services placed under Assessment and Collection Group were the Assessment Service (formerly National Assessment Office); Collection Service (formerly Collection Office); Excise Tax Service (formerly Specific Tax Office); Special Operations Service (formerly Sectors Operations Office); and the Revenue Regional Offices.

The Legal Service (formerly legal Office), Finance Service (formerly Financial and Management Service), Administrative Service (formerly Personnel and Administrative Service), Planning and Research Service (formerly Management and Policy Service) and the Inspection Service were all placed under the Legal and Internal Administration Group.

The Refund Audit Division of the Assessment Service was renamed Tax Credit/Refund Division.

The Receivable Accounts Division became known as the Accounts Receivables/Billing Division while the Collection Performance Control Division was renamed Collection Performance Evaluation Division all under the Collection Service.<sup>500</sup>

On January 21, 1988, Revenue Administrative Order (RAO) No. 5-88 was issued creating the Special Operations Service and statement of its functions including the Divisions under it down to Section level in accordance with Executive Order No. 127. Salient features included the

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<sup>499</sup> Revenue Administrative Order (RAO) No. 9-86 dated July 2, 1986

<sup>500</sup> BIR Annual Report 1987, p. 27

renaming of Sector Operations Office to Special Operations Service (SOS) and converted its eight (8) Divisions to sections to be placed under the Special Operations Service. Moreover, this order incorporated the functions of the Policy Division of the Management and Policy Service specifically its International Tax Policy Section with the International Tax Affairs Division of the Special Operations Service. The SOS was composed of one (1) Unit and four (4) Divisions, namely: Audit Review Unit, Industry Audit Division, Banks, Financing, Insurance & Transfer Tax Division, International Tax Affairs Division and Value-Added Tax Division.<sup>501</sup> (Chart 17)

It was also in the same year that the Revenue Information System Service Inc. (RISSI) was abolished and transferred back to the BIR by virtue of a Memorandum Order from the Office of the President dated May 24, 1988.<sup>502</sup>

On July 7, 1988, RAO No. 18-88 was issued prescribing the transfer of the PO/CR Monitoring Division from the Financial Service to the Collection Service. This Order was issued to effect closer supervision of activities relative to the monitoring of Payment Orders (POs) and Confirmation Receipts (CRs) to enhance revenue collection.<sup>503</sup>

On September 15, 1988, RAO No. 22-88 was issued prescribing the transfer of the Office Audit/Investigation function of the Revenue District Office (Assessment Unit) to the Regional Office (Assessment Branch). Said order aimed to streamline further and to delineate more clearly the field and office audit/investigation functions in the revenue region.<sup>504</sup>

On November 14, 1988, RAO No. 23-88 was issued to: a) implement Administrative Order No. 36 pursuant to Executive Order No. 220, providing for the establishment of Regional Offices in the Cordillera Administrative Region; b) effect a closer, more thorough and effective administrative control and supervision of field operations/activities in the Cordillera

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<sup>501</sup> Revenue Administrative Order (RAO) No. 5-88 dated January 21, 1988

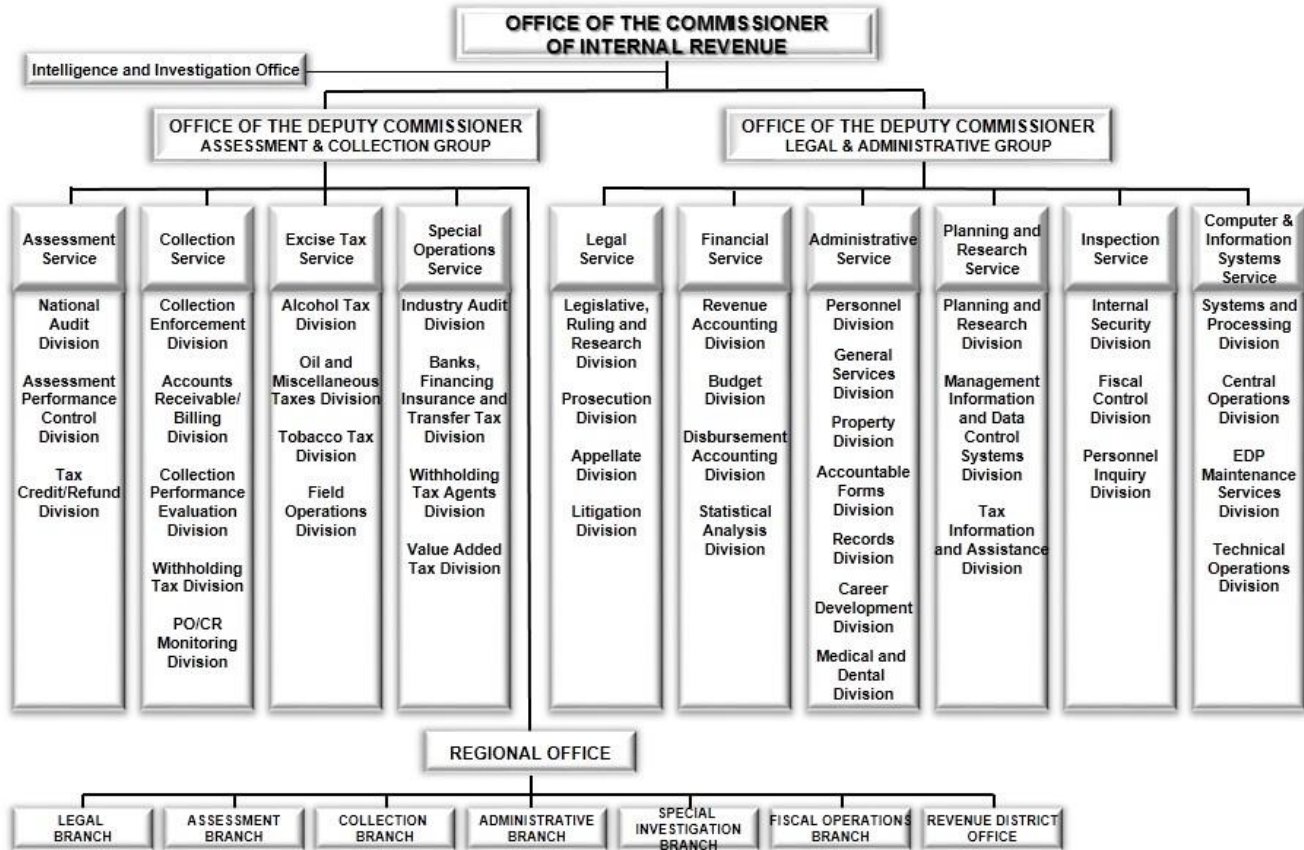
<sup>502</sup> BIR History, retrieved from <http://www.bir.gov.ph/about/history.html> on 6/11/2014

<sup>503</sup> Revenue Administrative Order (RAO) No. 18-88 dated July 7, 1988

<sup>504</sup> Revenue Administrative Order (RAO) No. 22-88 dated September 15, 1988

Chart 17.

**BIR ORGANIZATION CHART**  
(E.O. 127 dated January 30, 1987)



towards the enhancement of revenue collections; and c) delineate jurisdictional responsibilities in revenue enforcement in the Cordillera and other adjacent existing Revenue Regions.<sup>505</sup>

## COLLECTION PERFORMANCE

### A. Collection vs. Goal

For CY 1986, the Bureau collected a total annual collection of ₱46.986 Billion, which increased the collection of 12.79% over CY 1985's collection of ₱41.658 Billion. Compared to the goal of ₱47.264 Billion, 1986 collection fell short by 0.59% which was minimal considering the depressed economic conditions then prevailing during the year. The Bureau's satisfactory collection can be attributed to the improved procedures, efficiency of revenue personnel, growing cooperation of taxpayers and the support of the government.<sup>506</sup>

Sixteen (16) regions increased their previous year's collection ranging from 5.53% to 54.89% while only eight (8) regions exceeded their targets ranging from 2.14% to 29%. RR No. 10A – Cagayan de Oro City topped the list with ₱133.69 Million excess or 29% more than its target. Followed by RR No. 3B – Valenzuela, Bulacan with an excess of ₱53.22 Million or 14.91% and RR No. 10B – Butuan City with an excess ₱12.12 Million or 12.36% against their targets. RR No. 11B – Davao City and RR No. 9 – Zamboanga City also exceeded their goals at 9.84% and 7.67%, respectively.<sup>507</sup>

For CY 1987, revenue collection reached ₱58.583 Billion which was 24.68% greater than that of CY 1986 collections. The collection goal of ₱57.261 Billion for CY 1987 exceeded by ₱1.322 Billion or 2.31%. The significant performance of the BIR may be considered an indication of the upsurge in the country's economic development evidenced by the rise in employment and growth in Gross National Product.<sup>508</sup>

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<sup>505</sup> Revenue Administrative Order (RAO) No. 23-88 November 14, 1988

<sup>506</sup> BIR Annual Report 1986, p. 1

<sup>507</sup> *Ibid.*, pp. 6 & 32-34

<sup>508</sup> BIR Annual Report 1987, p. 1

Five (5) Revenue Regions collected beyond the assigned goals during the year with percentage increases ranging from 1.12% to 15.64%. RR No. 10B – Butuan City posted the largest percent of excess over target at 15.64% or ₱21.6 Million. Other regions which exceeded their collection goals were RR No. 4B – Quezon City, RR No. 6B – Bacolod City, RR No. 7 – Cebu City and RR No. 4C – San Pablo City at 6.07%, 4.94%, 2.12% and 1.12% excesses, respectively.<sup>509</sup>

For CY 1988, the Bureau reported a collection amounting to ₱63.416 Billion for CY 1988. This registered an increase of ₱4.833 Billion or 8.25% over the CY 1987 collections. However, the collection was short of the overall 1988 collection target by ₱6.436 Billion or 9.21% from its goal of ₱69.852 Billion. The shortfall in collections as against the goal could be attributed to the reduction in the net flow of treasury bills which aimed to decrease domestic borrowings, gradual phase-out of the tax on dividends (tax rate on dividends in 1988 was 5% from 10% in 1987), the series of roll-back in prices of petroleum products in 1988, the hurdles encountered in the initial implementation of Value-Added Tax coupled with the fact that while the goal for VAT in 1988 was estimated covering a 12-month period, actual collections started only in April 1988.<sup>510</sup>

Of the nineteen (19) Revenue Regions, only five (5) overshot their respective goals for CY 1988 with percentage excesses ranging from 4.80% to 13.97%. RR No. 1 – CAR Cordillera, Adm. ranked first with ₱57.2 Million excess or 13.97% higher than its goal. Followed closely by RR No. 7 – Cebu City with ₱137.50 Million or 13.10% excess over its goal. Next were RR No. 4B-2 – Makati City with ₱1,819.0 Million or 11.83% excess, RR No. 6B – Bacolod City with ₱28.5 Million or 6.37% excess and lastly, RR No. 4B-1 – Quezon City with ₱438.6 Million or 4.80% excess over goal.<sup>511</sup> (Figure 23)

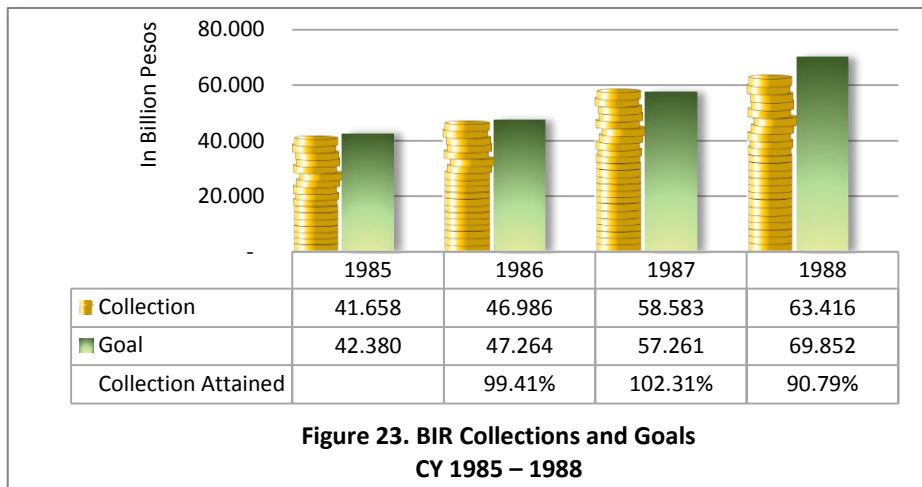
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<sup>509</sup> BIR Annual Report 1987, p. 7

<sup>510</sup> BIR Annual Report 1988, p. 1

<sup>511</sup> *Ibid.*





## B. Cost of Operations

In CY 1986 operation, the Bureau spent ₱504.74 Million to collect the total revenue of ₱46.986 Billion. The expenses incurred represented a cost of ₱1.07 for every ₱100 added to the government coffer.<sup>512</sup>

For CY 1987, the BIR collected more revenues at lower costs notwithstanding the country’s economic crisis. The operational expenses totaled ₱564.18 Million while the total revenue collected was ₱58.58 Billion. This means that the Bureau’s efforts for the year resulted in a decrease in the cost of collecting every ₱100 of revenue from ₱1.07 to ₱0.96.<sup>513</sup>

In CY 1988, the cost to collect revenues was slightly lower by ₱0.03 than in the previous year. The total expenses incurred was ₱587.20 Million while gross collection amounted to ₱63.42 Billion. As such, the cost for collecting ₱100 revenue in CY 1988 was only ₱0.93.<sup>514</sup> (Table 41)

<sup>512</sup> BIR Annual Report 1986, p.8

<sup>513</sup> BIR Annual Report 1987, p.12

<sup>514</sup> BIR Annual Report 1988, p.16

**Table 41. Expenditures and Cost of Collecting ₱100  
CY 1986 – 1988**

Calendar Year	Expenditures	% Inc./Dec.)	Cost of Collecting ₱100	% Inc./Dec.)
1985	431,568,942.73		1.04	
1986	504,742,911.20	14.50	1.07	2.80
1987	564,183,877.82	10.54	0.96	(11.46)
1988	587,202,808.75	3.92	0.93	(3.23)

## PERSONNEL COMPLEMENT

The number of employees decreased from 8,747 in CY 1986 to 8,502 in CY 1987 due to result of separations such as retirements, resignations, and the non-filling of vacant positions while implementing the reorganization of the BIR pursuant to EO 127. An increase of 443 employees in CY 1988 occurred.<sup>515</sup> (Table 42)

**Table 40. Number of Employees  
CY 1979 – 1985**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
1985	8,935		
1986	8,747	(188)	(2.15)
1987	8,502	(245)	(2.88)
1988	8,945	443	4.95

<sup>515</sup> BIR Annual Reports 1986, p. 9; 1987, p. 28; 1988, Highlights of Internal Revenue Collection CY 1905-2013 (Source: Research and Statistics Division on 12/17/14)



*Jose U. Ong*

**Commissioner of Internal Revenue**

(January 2, 1989 – May 14, 1993)

## JOSE U. ONG

Commissioner **Jose U. Ong** obtained a degree of Bachelor of Laws in 1954 from San Beda College in Manila. By 1955 he was already a member of the Philippine Bar Association (PBA). Then he took post-graduate studies in Taxation at Manuel L. Quezon University in 1959 and Oral English at Ateneo de Manila University in 1961. He was a law professor, a bar reviewer in taxation and a principal of the Sycip, Gorres, Velayo and Co. (SGV) tax division and of the firm's BIR and Customs group.<sup>516</sup> He was appointed as Commissioner of the BIR on January 2, 1989.<sup>517</sup>

### GENERAL ADMINISTRATION

Management and administrative improvement programs undertaken in 1989 by Commissioner Ong's administration were on the areas of tax enforcement, organization, information systems development, management information system, tax campaigns, training program, among others.

For tax enforcement, guidelines pertaining to implementation of Value-Added Tax were provided/promulgated such as on: a) advance payment of value-added tax on sale of refined sugar, b) imposition of ten percent (10%) Value-Added Tax on deposits for returnable containers, c) regulations on VAT transactions which are exempt under special laws or international agreements to which the Philippines is a signatory, d) payment of taxpayers of fifty percent (50%) or more of the previous year's tax liability to avail of the "sympathetic treatment" of the 1988 income and business tax returns including VAT and other percentage taxes, e) procedures for processing of application and registration of Non-VAT Taxpayers.<sup>518</sup>

Other guidelines promulgated were on a) monitoring of Letters of Authority, b) processing and issuance of certificates of payment of internal revenue taxes for purposes of registering motor vehicles, etc.

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<sup>516</sup> BIR: Records Management Division (PDS of Jose U. Ong)

<sup>517</sup> BIR Service Record, Personnel Division, September 12, 2014

<sup>518</sup> BIR Annual Report 1989, pp. 25-26

In the same year, the BIR Tax Center was created in response to many request to harness the technical expertise of revenue executives in the conduct of trainings/seminars on tax administration.

A Special Group was also created to oversee the excise tax operations of persons/companies engaged in the production, exportation and importation of minerals, mineral products, quarry resources and non-essential goods.

A continuing training program for BIR personnel was undertaken giving greater emphasis to VAT seminars held both in the National and Regional Offices.<sup>519</sup>

In 1990, apart from the regular functions to meet revenue target, the following management and administrative improvements were undertaken by the Bureau:

- a. Rationalized Assessment functions.
- b. Strengthened Collection Enforcement functions.
- c. Enhanced computerization.
- d. Develop the BIR into a more Service Oriented Agency.

To rationalize assessment functions, priority key VAT implementing programs were identified to widen tax base, precluded possible manipulation of sales and purchase transactions and enhanced voluntary compliance. This also included preparation of various guidelines regarding assessment functions.

To strengthen collection enforcement functions, guidelines were prepared to enforce collection for invalidated Payment Orders; prescribed alternatives for collection of delinquent accounts of taxpayers residing abroad; and created the Withholding Tax Audit Division to implement the provisions of Sec. 23S (c) of the Tax Code relative to the collection of withholding taxes.<sup>520</sup>

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<sup>519</sup> *BIR Annual Report 1989*, pp. 26-27

<sup>520</sup> *BIR Annual Report 1990*, p. 24

In the enhancement of computerization, the Bureau requested a technical assistance and funding from the Asian Development Bank, World Bank and the Gessellschaft for Technische Zusammenarbeit (GTZ) of Germany, in view of the need for a more comprehensive tax computerization system.

To develop the BIR into a more service oriented agency, the Bureau conducted a country-wide program competition among Revenue District Offices known as “Handang Maglingkod Program” under RMO No. 12-90, aimed at promoting improved service to taxpayers and projecting a service-oriented image of the Bureau in line with the national government’s program of enhancing the level of “frontline services” to the people.<sup>521</sup>

That same year, the BIR launched a raffle of sales invoices and receipts to encourage maximum compliance in the issuance of sales invoices and receipts. It involved the private sector in the government’s aim to increase revenue collections, encourage consumers to demand sales invoices and receipts for purchases, and enhance the Bureau’s databank and facilitate the development of a system for the effective audit of tax liabilities.<sup>522</sup>

In 1991, the Five Point Tax Administration Improvement Program was launched aiming to improve tax collection and simplify tax administration. This program covered the New Payment Control System (NPCS); Taxpayer Identification Number (TIN) replacing the TAN; Final Withholding Tax System; Large Taxpayer Unit; and Monthly VAT Payment which aimed to modernize and simplify tax administration procedures in order to enhance Bureau collection efficiency and improve quality of service to taxpayers.

## **TAX ERODING MEASURES**

Commissioner Ong, pursuant to Section 4 (a) of Republic Act No. (7432) dated July 22, 1991 monitored the implementation of the granting of

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<sup>521</sup> *BIR Annual Report 1990, pp. 24-25*

<sup>522</sup> *Ibid., p. 24*

a twenty percent (20%) discount to senior citizens from all establishments relative to utilization of transportation services, hotels and similar lodging establishment, restaurants and recreation centers and purchase of medicine anywhere in the country. Provided, that private establishments may claim the cost as tax credit.

Other tax eroding measures included the following:

- Republic Act No. (7227) or “The Bases Conversion and Development Act of 1992”, providing incentives to Special Economic Zones such as tax and duty-free importations of raw materials, capital and equipment.
  
- Revenue Regulations (RR) No. 3-92 dated July 9, 1992 effecting the increased basic personal and additional exemptions, allowable to individual taxpayers for income tax purposes under Section 27 (1) of the National Internal Revenue Code, as amended by Republic Act No. 7167, and prescribing the guidelines for the credit/refund of excess withholding tax on compensation income for 1991.

Under Section 3 of RR No. 3-92, each employee shall have the right to claim the following amount of exemptions with respect to compensation paid on or after January 1, 1991:

a. Basic personal exemption

1. Single individual or married individual judicially decreed as legally separated with no qualified dependents - ₱9,000
2. Head of a Family - ₱12,000
3. Married - ₱18,000
4. For husband and wife electing to compute their income tax separately - ₱9,000

b. Additional exemption of five thousand pesos (₱5,000) may be claimed for each qualified dependent child, provided that the total number of dependents shall not exceed four (4) dependents. The said exemption shall only be claimed by one of the spouses in case of married individuals who opt for computing their income tax liabilities separately. A considered dependent is a legitimate, recognized natural or legally adopted child chiefly dependent upon and living with the taxpayer if

such dependent is not more than twenty-one (21) years of age, unmarried and not gainfully employed or if such dependent, regardless of age, is incapable of self-support because of mental or physical defect.

c. Special Additional Personal Exemption of Four Thousand Pesos (₱4,000) is entitled to a single, married or legally separated individual, or head of family whose gross compensation income does not exceed the aggregate (combined compensation income of husband and wife) amount of Twenty Thousand Pesos (₱20,000).

## ORGANIZATION

On June 8, 1990, RAO No. 4-90 was issued prescribing the creation of the Withholding Tax Audit Division (WTAD) and the statement of its functions down to section level. This Order was issued to implement more effectively the provisions of Sec. 235 (c) of the Tax Code, as amended and as implemented by RAMO No. 5-86 relative to the enforcement of withholding taxes. The WTAD was under the jurisdiction of the Special Operations Service and was responsible for the audit/ investigation of all withholding agents relative to compliance to withholding tax laws and regulations.<sup>523</sup>

On February 7, 1991, RAO No. 2-91 was issued prescribing the creation of the Project Management Office (PMO) for Tax Computerization. The PMO was under the supervision of the Office of the Commissioner.<sup>524</sup>

On November 10, 1992, RAO No. 4-92 was issued prescribing the establishment of the Computer and Information Systems Service (CISS) and statement of functions including the divisions under it down to section level. The CISS was established to be responsible for the development of a Management Information System and the computerization of data processing requirements relative to internal revenue enforcement activities. The CISS had the following divisions: Systems and Programming Division, Central Operations Division, Support Services Division and Technical Operations Division.<sup>525</sup>

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<sup>523</sup> Revenue Administrative Order (RAO) No. 4-90 dated June 8, 1990

<sup>524</sup> Revenue Administrative Order (RAO) No. 2-91 dated February 7, 1991

<sup>525</sup> Revenue Administrative Order (RAO) No. 4-92 dated November 10, 1992



On May 7, 1993, RAO No. 1-93 was issued prescribing the creation of the Large Taxpayers Division (LTD) and statement of its functions down to section level. The division was created pursuant to E.O. No. 83 and to effectively implement R.A. No. 7646 which authorized the CIR to prescribe the place of payment of internal revenue taxes by Large Taxpayers. The LTD was responsible for providing management with reports on amount of revenues collected from Large Taxpayers and ensuring that these taxpayers comply with their internal revenue tax obligations promptly and that immediate remedial measures are carried out in cases of delay or non-compliance. The said division was under the supervision of the Financial Service and consisted of two (2) sections, namely: 1) Monitoring Section and 2) Data Processing and Analysis Section.<sup>526</sup>

## **COLLECTION PERFORMANCE**

### **A. Collection vs. Goal**

For CY 1989, a total revenue was collected in the amount of ₱82.189 Billion surpassing by 29.60% the collection in CY 1988 of ₱63.416 Billion. BIR collection for the year overshot its target of ₱79.748 Billion by ₱2.441 Billion or 3.06%. The favorable development can be ascribed to various factors such as improvement in collections from withholding tax on wages and individual taxpayers due principally to increase in the minimum wage and adjustment of salaries of government workers; substantial growth of collection of taxes withheld on interest from bank deposits primarily on account of the huge amounts of time deposits with the Central Bank; higher taxes withheld on treasury bills because of increase in net flow and average interest rate.<sup>527</sup>

Of the nineteen (19) revenue regions only three (3) overshot their respective goals for CY 1989. These three regions were as follows: RR No. 1 – Baguio City ranked first with ₱76.96 Million excess or 27.68%, followed by RR No. 4A – Manila with ₱1, 173.08 Million excess or 8.41% and RR No. 4B-

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<sup>526</sup> Revenue Administrative Order (RAO) No. 1-93 dated May 7, 1993

<sup>527</sup> BIR Annual Report 1989, p. 1

2 – Makati City with ₱1, 045.07 Million excess or 4.97% excess against targets.<sup>528</sup>

For CY 1990, total BIR collections reached ₱104.04 Billion exceeding by 26.59% the previous year's collection. The BIR almost reached its collection target of ₱104.92 Billion missing it by only 0.84%. The shortfall can be attributed to the economic slowdown of Philippine economy due to the power shortage during the second quarter, devastating calamities that hit major economic centers, instability of the local currency and escalation in fuel oil prices brought about by the Middle East crisis.<sup>529</sup>

Fifteen (15) out of nineteen (19) revenue regions overshot their assigned goals for the year ranging from 18.20% to 0.17%. The five leading revenue regions were: RR No. 10B – Butuan City with ₱37.31 Million excess or 18.20%, followed by RR No. 11B – Davao City with ₱100.92 Million excess or 14.76% and RR No. 7 – Cebu City with ₱262.17 Million excess or 14.10% excess against targets. The rest of the regions were RR No. 6A – Iloilo City with ₱67.72 Million excess or 13.57% and RR No. 5 – Legaspi City with ₱32.76 Million excess or 12.53%.<sup>530</sup>

For CY 1991, the Commissioner reported that total BIR collections reached ₱117.254 Billion increasing by ₱13.215 Billion or 12.70% last year's collection. Despite the depressed international and domestic economic condition, compared to goal, collections surpassed the original target by 0.41% and almost attained the revised goal of ₱117.760 Billion missing it by only 0.43%. Except for excise tax which decreased by 11.99%, all other major categories of internal revenue taxes posted positive collection growth rates.<sup>531</sup>

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<sup>528</sup> BIR Annual Report 1989, p. 10

<sup>529</sup> BIR Annual Report 1990, p. 1

<sup>530</sup> *Ibid.*, pp. 7-8

<sup>531</sup> BIR Annual Report 1991, p. 1

Fourteen (14) out of nineteen (19) revenue regions exceeded their assigned goals for the year ranging from 20.65% to 1.61%. The five leading revenue regions were: RR No. 1 – Baguio City with ₱109.20 Million excess or 20.65%, followed by RR No. 10B – Butuan City with ₱38.80 Million excess or 13.68% and RR No. 5 – Legaspi City with ₱43.87 Million excess or 12.75% excess against targets. The rest of the regions were RR No. 7 – Cebu City with ₱265.25 Million excess or 10.99% and RR No. 3B – Valenzuela with ₱201.11 Million excess or 10.39%.<sup>532</sup>

For CY 1992, the Bureau collected ₱133.904 Billion increasing by 14.20% or ₱16.65 Billion its 1991 collection record. Relative to the goal of ₱139.10 Billion, which was based on the targeted GNP growth rate of 2.5% for 1992, a shortfall of 3.74% was incurred. Increases were registered in collections from all five major sources. However, shortfalls were incurred in Income, VAT and Other Percentage Taxes. The shortfall in Income Tax was attributed to such factors as a) the additional ₱2.78 Billion goal from the proposed Simplified Net Income Tax System (SNITS) which was not implemented in 1992, b) revenue loss due to increased personal and additional exemptions. The shortfall in VAT and Other Percentage Tax collections was attributed to the power crisis and the prevailing depressed economic situation.<sup>533</sup>

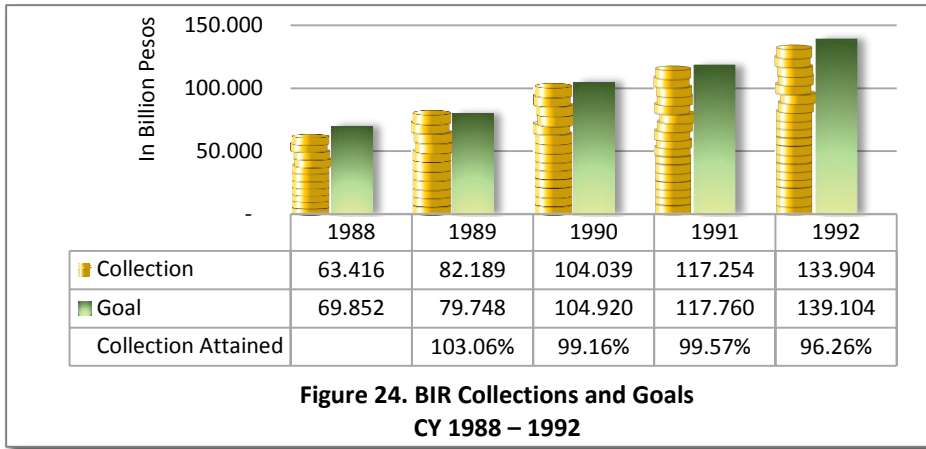
Out of the nineteen (19) revenue regions, only three (3) were able to overshoot their respective goals. They were ranked as follows: RR No. 4A – Manila ranked first with ₱1, 227.82 Million excess or 4.74%, followed by RR No. 6A – Iloilo City with ₱14.66 Million excess or 1.71% and RR No. 1 – Baguio City with ₱0.22 Million excess or 0.03% excess against targets.<sup>534</sup> (Figure 24)

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<sup>532</sup> BIR Annual Report 1991, p. 7

<sup>533</sup> BIR Annual Report 1992, p. i

<sup>534</sup> *Ibid.*, p. 7



## B. Cost of Operations

For CY 1989, cost to collect per ₱100 revenue was reduced considerably by ₱0.15 compared to the previous year. The Bureau spent only ₱641.89 Million in collecting the huge amount of ₱82.19 Billion thereby lowering the cost per ₱100 revenue to ₱0.78.<sup>535</sup>

In CY 1990, the government spent only ₱0.44 to collect every ₱100 of revenue, the lowest in years so far. This was due to the significant reduction in expenditures for personnel services and other maintenance expenses brought about by fiscal measures implemented by the BIR such as the imposition of 10% reserve, deferment of construction of new office buildings or building annexes, renovations, limiting of the filling of positions to only 25% of vacant positions in the central office, deferment of purchase of office equipment, furniture and fixtures except those required in the development of information systems and disallowance of overtime payment in excess of forty (40) hours per month. CY 1990 expenditures (₱462.49 Million) on personnel services and other maintenance expenses decreased by 47% and 14%, respectively.<sup>536</sup>

<sup>535</sup> BIR Annual Report 1989, p.16

<sup>536</sup> BIR Annual Report 1990, p.28

For CY 1991, the total expenditures of the Bureau of Internal Revenue reached ₱1,015.22 Million, an increase of ₱130.71 Million or 14.78% compared to CY 1990 total expenditures. This increase was due to additional expenses incurred on personal services in the form of incentives as a result of the BIR’s satisfactory performance in CY 1990, as well as the salary differentials relative to the standardization program of the government. For CY 1991, personal services comprised 72% of total obligations incurred by the BIR. Given the ₱117,253.92 Million total gross collections of the BIR for the same year, the ₱1,015.22 Million total expenditures was equivalent to ₱0.87 for every ₱100 of revenues, higher by ₱0.2 compared to CY 1990.<sup>537</sup>

In CY 1992, the total expenditures of the Bureau amounted to ₱1,060.35 Million or a slight increase of 4.45% compared to the previous year. Matching it against the total collection of ₱133.849 Billion, the Bureau’s operations cost was ₱0.79 for every ₱100 revenue collected.<sup>538</sup> (Table 43)

**Table 43. Expenditures and Cost of Collecting ₱100  
CY 1988 – 1992**

Calendar Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1988	587,202,808.75		0.93	
1989	641,886,136.58	8.52	0.78	(19.23)
1990	462,489,965.62	(38.79)	0.44	(77.27)
1991	1,015,220,000.00	54.44	0.87	49.43
1992	1,060,350,000.00	4.26	0.79	(10.13)

<sup>537</sup> BIR Annual Report 1991, p.31

<sup>538</sup> BIR Annual Report 1992, p.28

## PERSONNEL MANAGEMENT

The number of employees increased from 9,565 in CY 1989 to 9,927 in CY 1990 to 11,036 in CY 1991 but decreased slightly to 10,972 in CY 1992. This number included the employees of Computer and Information Systems Service (CISS) formerly RISSI which became part of the Bureau per RAO No. 4-92 dated Nov. 10, 1992.<sup>539</sup> (Table 44)

**Table 44. Number of Employees  
CY 1988 – 1992**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
1988	8,945		
1989	9,565	620	6.48
1990	9,927	362	3.65
1991	11,036	1,109	10.05
1992	10,972	(64)	(0.58)

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<sup>539</sup> *BIR Annual Reports 1989, Highlights of Internal Revenue Collection CY 1905-2013 (Source: Research and Statistics Division on 12/17/14); 1990, p. 28; 1991, p. 31; 1992, p. 28*

# CHAPTER VIII

## REFORMS IN BIR OPERATIONS



*Liwayway Vinzons-Chato*

Commissioner of Internal Revenue

(May 18, 1993 – July 1, 1998)



## **LIWAYWAY VINZONS-CHATO**

Commissioner ***Liwayway Vinzons-Chato*** graduated Magna Cum Laude at the University of Santo Tomas with a degree in A.B. English in 1964 and Bachelor of Laws at University of the Philippines in 1968. She was a Corporate Lawyer and Managing Partner of Puruganan, Chato and Tarriela Law Offices before she joined BIR.

Her past positions included first vice-president of Anscor Finance Corporation and Director and Corporate Secretary of Anscor Hagedorn Securities Incorporated. She was also Director and Corporate Secretary of the Stock Transfer Service Inc., Legal Officer at the Bancom Development Corporation and the Board of Investments and General Counsel and Executive Secretary of the Citizens Legal Aid Society of the Philippines (CLASP). She was also a member of the Tax Management Association of the Philippines (TMAP).

Before she was appointed as Commissioner on May 18, 1993, she was part of the team organized by the President who conducted a management audit of the Bureau.<sup>540</sup>

Commissioner Chato was the first lady commissioner of the Bureau.

## **GENERAL ADMINISTRATION**

Commissioner Chato's entry to the Bureau in 1993 set the way to the transformation of tax administration towards its mission to: 1) enforce the internal revenue laws with impartiality, courtesy and consistency; 2) collect the appropriate amount of taxes at the least cost to the government and least inconvenience to the taxpayer; and 3) serve the public honestly and efficiently in a manner that will elicit the highest level of confidence in the BIR.<sup>541</sup>

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<sup>540</sup> *The Philippine Revenue Journal Vol. XXX No. 5, May 1993, p. 17*

<sup>541</sup> *The Philippine Revenue Journal Vol. XXXI No. 4, July – August 1994, p. 14*

In 1993, the following were the initiatives undertaken by the Bureau relative to transition into the 21<sup>st</sup> century:

1. Streamlined the organization of the BIR pursuant to EO No. 132 dated October 26, 1993;
2. Decentralized and devolved operational functions of certain offices in the National Office;
3. Initiated implementation of the compliance strategy (part of this was the implementation of “OPLAN: Tax Mapping”<sup>542</sup>;
4. Reduced burden of compliance requirements one of which was the updating and simplifying of BIR forms;<sup>543</sup>
5. Pursued continuing taxpayer education and tax information program (the National Tax Campaign priority activities was set to achieve its collection target for the year amounting to ₱155 Billion) by expanding the BIR Raffle Promo to improve tax awareness of the taxpaying public in the issuance of receipts and help increase tax collection;
6. Published the official National Internal Revenue Code, Revenue Regulations, court decisions, administrative rulings and disseminated primers on new and existing tax laws;<sup>544</sup>
7. Conducted seminars and dialogues with the private sector;
8. Strengthened the collection enforcement function by creating the Large Taxpayers Division pursuant to EO 83;
9. Improved administration of the withholding tax system;<sup>545</sup>
10. Established a coordinated examination program;

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<sup>542</sup> *BIR Annual Report 1993, p. 21*

<sup>543</sup> *Ibid., p. 22*

<sup>544</sup> *Ibid., p. 24*

<sup>545</sup> *Ibid., pp. 25-27*

11. Intensified tax fraud prosecution program;
12. Initiated a career revenue service executive development and employee training program;<sup>546</sup>
13. Institutionalized the system of management performance audit;
14. Upgraded the salary level and developed financial incentives for employees;<sup>547</sup>
15. Adhered strictly to the highest standards of professional and ethical conduct;
16. Improved the processing, quality, timeliness, usefulness and efficiency of information returns and financial reporting documents; and
17. Modernized existing computer system.

In the same year, a ₱2 Billion contract was entered into by the BIR and a consortium of four (4) multi-national firms led by the Andersen Consultancy, Inc. for the full computerization of the BIR operations called the Integrated Tax System (ITS), including the expansion of the Value-Added Tax Information System (VATIS).<sup>548</sup>

Consistent with the Bureau's Tax Administration Strategic Plan (TASP), the following work programs in 1994 were added/continued from the previous year in line with Commissioner Chato's vision to transform tax administration:

- I. Tax Fraud Program to enhance voluntary compliance through the conduct of investigation and intelligence operations leading to the identification and development of possible tax fraud cases.<sup>549</sup>

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<sup>546</sup> *BIR Annual Report 1993, p. 28*

<sup>547</sup> *Ibid., p. 31*

<sup>548</sup> *Ibid., p. 32*

<sup>549</sup> *BIR Annual Report 1994, p. 21*

- II. Tax Mapping Program to maximize tax compliance by bringing in taxable persons including those in the underground economy into the tax streams.
- III. Selective Audit Program to ensure the equitable and reasonable selection of tax cases to be audited in order to encourage performance of quality audit in the conduct of tax investigations.<sup>550</sup>
- IV. Third Party Information Program to obtain and process information that will indicate significant income or wealth and taxable transactions from government and non-government sources.<sup>551</sup>
- V. Delinquent Accounts Management Program to increase collections from delinquent accounts by conducting analysis, evaluation, aging and classification of all delinquent accounts.<sup>552</sup>
- VI. Collection System (NPCS) Program to simplify and modernize tax compliance procedures.<sup>553</sup>
- VII. Stop-Filer/Non-Filer Detection Program which established the Revenue District Offices' (RDOs) stop-filers/non-filers to serve as basis for the issuance of reminder letters.<sup>554</sup>
- VIII. Information Systems Development and Enhancement Program to develop information systems that will process third party information (indicators of wealth) which will identify taxpayers who have substantial unreported income and who have not filed tax returns.<sup>555</sup>

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<sup>550</sup> *BIR Annual Report 1994, p. 23*

<sup>551</sup> *Ibid., p. 24*

<sup>552</sup> *Ibid., p. 25*

<sup>553</sup> *Ibid., p. 26*

<sup>554</sup> *Ibid., p. 28*

<sup>555</sup> *Ibid., p. 29*

- IX. Information Systems Strategic Plan (ISSP) Execution Program to plan and execute the implementation of the Five-Year Tax Computerization Project in the BIR.<sup>556</sup>
- X. Taxpayer Assistance/Information Campaign Program to enhance the delivery of taxpayer service and promote awareness of new tax laws and other relevant tax information matters.<sup>557</sup>
- XI. Streamlining Program to strengthen the Regional and District Offices by bringing the revenue service closer to the taxpaying public.<sup>558</sup>
- XII. Staff Training/Continuing Education Program to professionalize the BIR personnel by upgrading their knowledge and skills not only in tax matters but in areas of management as well.<sup>559</sup>
- XIII. Administrative Services Improvement Program to improve and upgrade the Bureau's existing facilities and equipment.<sup>560</sup>

To inform the Bureau personnel on the important thrusts, programs and projects of the BIR, the BIR Monitor, a newsletter, was established with its first issue published in November 1994.

It was also expected that the BIR Monitor will serve as a tool for the Bureau to achieve the missions and objectives of the Tax Administration Strategic Plan (TASP).<sup>561</sup>



<sup>556</sup> BIR Annual Report 1994, p. 30

<sup>557</sup> Ibid., p. 31

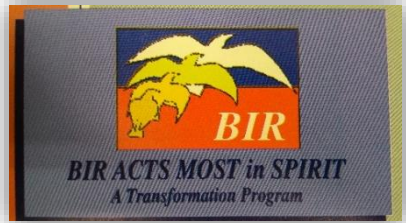
<sup>558</sup> Ibid., p. 33

<sup>559</sup> Ibid., p. 34

<sup>560</sup> Ibid., p. 38

<sup>561</sup> BIR Monitor, November 1994, Vol. 1, No. 1, p. 8

In 1995, President Ramos through Proclamation No. 541 declared the said year as the “Taxpayer Service Year” to enhance the delivery of taxpayer service and increase public awareness of tax laws and revenue regulations. On the same year, several accomplishments were marked: 1) the passage of Expanded Value Added Tax (EVAT) Law; 2) collection of ₱619.37 Million from accounts receivables through the Accounts Receivable Management Program and ₱191.03 Million from tax fraud cases through Tax Fraud Program; 3) adoption of new budgeting approach known as the “Capital Budgeting Systems”; and 4) the launching of “BIR ACTS MOST in SPIRIT” slogan under the BIR Transformation Program.



A program called Action Centered Transformation Strategy (ACTS) which included the System for Philippine Internal Revenue Information Technology (SPIRIT) and the Management and Organization Strategic Team (MOST) were set. SPIRIT (the system side) was based on the Integrated Tax System (ITS) and covered the computerization aspect of the overall transformation program of the Bureau. MOST (the people side) aimed to plan, administer and oversee the career education & training, projects and activities of the BIR personnel to achieve and maintain a balance between organizational development and employee’s growth and career development.

The ITS was composed of the following: Service Delivery System to support the BIR in servicing taxpayers; Management System, to strengthen over-all management function and Internal Administration System to address the Bureau’s administrative support system.<sup>562</sup>

Commissioner Chato, in compliance with Republic Act No. 7227 otherwise known as the Bases Conversion and Development Act of 1992, implemented the tax exemptions and incentives for Special Economic Zone

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<sup>562</sup> *The Philippine Revenue Journal 92<sup>nd</sup> BIR Anniversary Issue, pp. 8 & 10*

through the issuance of Revenue Regulations No. 1-95 dated January 24, 1995. Though this was considered as a tax eroding measure for the Bureau, the state's policy to convert the military reservations and their extension into a self-sustaining, industrial, commercial, opportunities in and around the zone and to attract and promote productive foreign investments was beyond reproach.<sup>563</sup>

In 1996, President Ramos declared the years 1996 to 2006 as a "Continuing Taxpayer Responsibility Period" which directed all government agencies to extend to BIR all essential information for an effective and efficient implementation of tax laws and regulations.

After the launching of the transformation project of the Bureau during the previous year dubbed as "BIR ACTS MOST in Spirit", the accomplishments were as follows:

#### SPIRIT PROJECT

- A computerized information interchange was forged between BIR and the selected agencies (BOC, DOF, DFA, BTR, DTI, FINLINK, BLGK, SEC, LRA, PHILPOST, SSS). Information Interchange System was installed to FINLINK; Guidelines was signed regarding transfer of processing documents from Foreign Service Ports from RDO 53 – Intramuros to RDO 51 – Pasay City
- A Roll-Out Assistance Committee was created to ensure roll-out readiness of RDCs for ITS implementation and ITS/IAS Development and Maintenance Committee to ensure that software met the contractual requirement of the BIR.
- RDC Organizational Review & Systems Procedures Implementation Project has prepared the initial version of RDC Operations Manual
- Video Conferencing Project have installed the equipment linking three (3) revenue offices with the National Office

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<sup>563</sup> Revenue Regulation No. 1-95 dated January 24, 1995

- Help Desk was established where users can report computer related issues/problems
- Conducted trainings for technical users to ensure necessary skills (technical and business) were acquired by RDCs, ISOS and ISDS personnel

#### MOST PROJECT

- Taxpayers and BIR Personnel Training Projects were conducted to prepare them for TCP implementation
- Values Reorientation Program/Foundation Course was conducted (90% completed)
- Organization Review Project had submitted proposed structure and functions to DOF Secretary for approval
- Recruitment Project was able to fill up 50% of IT positions and revised policies on Selection Process
- Forms Implementation Project had redesigned all BIR forms to suit the computerization requirements of TCP. Briefings, workshops and seminars were conducted regarding its implementation
- Procedures Packaging Project – written instruction for uniformity in tax enforcement. It has completed the instruction booklets for redesigned forms
- Office Planning Committee – completed the preparation of layout of offices, scope of work for rehabilitation of certain areas in N.O.<sup>564</sup>

OPERATIONS GROUP PROJECT – seek to institutionalize various transformation initiatives through the following projects:

1. AAB Enhancement Project – automated system of tax collection
2. Legislative Change Project – amends provisions of NIRC to conform with TCP
3. Taxpayer Record Update (TRU) – establishment of an updated/automated taxpayer database

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<sup>564</sup> BIR Annual Report 1996, pp. 34-37



4. Code Review Project – maintenance of ITS codes table
5. Process Improvement Project – re-engineered/integrated manual procedures guide with systems user guides
6. Manual Procedures Guide (MPG) Project – has completed the preparation as follows:
  - Accounts Receivable, Case Monitoring, Collection and Bank Reconciliation, Returns Compliance, Registration, Taxpayer Accounting, Returns Processing, Audit, Tax Credit/Refund and Excise Tax Reconciliation.

In 1997, the following initiatives were undertaken which caused the collection to increase by 21.43% over the previous year: 1) implementation of Operation “Even Returns”; 2) expansion of Voluntary Assessment Program (VAP); 3) intensifying the collection/ settlement of delinquent accounts; 4) conduct of quality audit and industry audit; and 5) conduct of quality tax fraud investigation.<sup>565</sup>



Other programs of the Bureau that also helped in the increase of collection were: 1) Taxpayer Record Update (TRU) Program; 2) Non-Filer/stop-Filer Detection Program; 3) Third Party Information (TPI) Program; and 4) Zonal Valuation Program.

In the same year, the BIR National Revenue Command Center was inaugurated. The Center is the “nerve center” of the BIR’s sophisticated local and wide-area electronic networks. Along with it, the Revenue Data Centers in Manila, Quezon City and Cebu were launched to link to the BIR National Office. The construction and inauguration of National Training Center (NTC) and Cebu Training Center also happened in 1997.<sup>566</sup>

It was also during Commissioner Chato’s term that the “National Internal Revenue Code” was amended through Republic Act No. 8424,

<sup>565</sup> *BIR Annual Report 1997, pp. 18-20*

<sup>566</sup> *Ibid., pp. 24-25*

otherwise known as the comprehensive “Tax Reform Act of 1997” which was made effective on January 2, 1998. In line with the enactment of the said law, Commissioner Chato issued Revenue Memorandum Circular No. 1-98 to announce and enumerate salient amendments introduced by R.A. 8424:

1. *The capital gains tax on sales of real property made beginning January 01, 1998 by individuals, estates and trusts has been increased from five percent (5%) to six percent (6%) pursuant to Section 24 (D), NIRC, as amended, the pertinent portion of which was quoted as follows:*

*“(D) Capital Gains from Sale of Real Property.*

*“(1) In General. – The provisions of Section 39(B) notwithstanding, a final tax of six percent (6%) based on the gross selling price or current fair market value as determined in accordance with Section 6(E) of this Code, whichever is higher, is hereby imposed upon capital gains presumed to have been realized from the sale, exchange, or other disposition of real property located in the Philippines, classified as capital assets, including pacto de retro sales and other forms of conditional sales, by individuals, including estates and trusts: PROVIDED, that the tax liability, if any, on gains from sales or other dispositions of real property to the government or any of its political subdivisions or agencies or to government-owned or controlled corporations shall be determined either under Section 24(A) or under this Subsection, at the option of the taxpayer;<sup>567</sup>*

*(2) Exception. – The provisions of paragraph (1) of this subsection to the contrary notwithstanding, capital gains presumed to have been realized from the sale or disposition of their principal residence by natural persons, the proceeds of which is fully utilized in acquiring or constructing a new principal residence within eighteen (18)*

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<sup>567</sup> *The Tax Reform Act of 1997 (Republic Act No. 8424), Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc., p. 1*

*calendar months from the date of sale or disposition, shall be exempt from the capital gains tax imposed under this Subsection: PROVIDED, That the historical cost or adjusted basis of the real property sold or disposed shall be carried over to the new principal residence built or acquired: PROVIDED, further, That the Commissioner shall have been duly notified by the taxpayer within thirty (30) days from the date of sale or disposition through a prescribed return of his intention to avail of the tax exemption herein mentioned: PROVIDED, still further, That the said tax exemption can only be availed of once every ten (10) years: PROVIDED, finally, That if there is no full utilization of the proceeds of sale or disposition, the portion of the gain presumed to have been realized from the sale or disposition shall be subject to capital gains tax. For this purpose, the gross selling price or fair market value at the time of sale, whichever is higher, shall be multiplied by a fraction which the unutilized amount bears to the gross selling in order to determine the taxable portion and the tax prescribed under paragraph (1) of this Subsection shall be imposed thereon.”<sup>568</sup>*

2. *Sales of land and/or building made by domestic corporations which are not used in business and held as capital assets are subject to a new capital gains tax rate of six percent (6%) based on the selling price or fair market value thereof, whichever is higher, in lieu of the normal income tax on domestic corporations, pursuant to Section 27(D)(5), NIRC as amended by R.A. No. 8424, pertinent to portion of which is quoted as follows:*

*“(5) Capital Gains Realized from the Sale, Exchange or Disposition of Lands and/or Buildings. A final tax of six percent (6%) is hereby imposed on the gain presumed to have been realized on the sale, exchange or disposition of lands and/or buildings which are not actually*

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<sup>568</sup> *The Tax Reform Act of 1997 (Republic Act No. 8424), Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc., p. 1*

*used in business of a corporation and are treated as capital assets, based on the gross selling price or fair market value as determine in accordance with Section 6 (E) of this Code, whichever is higher, of such lands and/or buildings.”*

3. *Net capital gain from the sale, barter, exchange or other disposition made by citizens, resident aliens, non-residents aliens (whether engaged or not engaged in business in the Philippines), domestic corporations, resident foreign corporations, and non-resident foreign corporations of shares and stock in domestic corporation not traded in local stock exchange, shall be subject to the following capital gains tax rates:*

*Not over ₱100,000 .....5% (formerly 10%)  
On any amount in excess of ₱100,000 .....10% (formerly 20%)*

4. *Interest income earned from depository banks under the expanded foreign currency deposit system by citizens of the Philippines, resident aliens, domestic corporations, and resident foreign corporations (previously exempt from income tax) are now subject to a final withholding income tax at the rate of seven and a half percent (7.5%) based on gross income.*

5. *Income earned by non-resident citizens, overseas contract workers, and Filipino seamen for services rendered abroad as members of the complement of a vessel engaged exclusively in international trade, are now exempt from income tax. Consequently, they shall also be exempted from withholding tax vis-a-vis their said income (e.g. Filipino seamen on board ocean-going vessels of Philippine registry engaged in international trade).<sup>569</sup>*

6. *Rate of tax on taxable income of domestic corporations organized and existing as non-profit hospitals are now subject to*

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<sup>569</sup> *The Tax Reform Act of 1997 (Republic Act No. 8424), Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc., p. 2*

*a new income tax rate of ten percent (10%) (Formerly 35%), subject to certain conditions.*

*7. Taxable income of offshore banking units (OBUs) and foreign currency deposit units (FCDUs) from another OBU/FCDU, or from their other foreign currency transactions with other local commercial banks, including branches of foreign banks, which previously enjoyed income tax exemption, are now subject to a final income tax rate of ten percent (10%).*

*8. The provisions of any existing general or special law or their charters, notwithstanding, taxable income of all government owned and controlled corporations, agencies and instrumentalities are now subject to income tax as are imposed on domestic corporations or associations engaged in similar business, industries or activities except the Government Service Insurance System (GSIS), Social Security System (SSS), Philippine Charity Sweepstakes Office (PCSO), Philippine Health Insurance Corporation (PHIC), and the Philippine Gaming Corporation (PAGCOR).*

*9. Royalties on books as well as other literary works and musical compositions received from sources within the Philippines by citizens, resident alien individuals and non-resident alien individual engaged in trade or business within the Philippines are now subject to lower final withholding income tax rate of ten percent (10%)(formerly 20%) based on gross income.*

*10. Prizes received by citizens, resident alien individuals, and non-resident alien individuals engaged in trade or business within the Philippines are exempt from the final withholding tax for the first ₱10,000 (formerly ₱3,000).<sup>570</sup>*

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<sup>570</sup> *The Tax Reform Act of 1997 (Republic Act No. 8424), Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc., p. 2*

11. The term “branch profit” subject to branch profit remittance tax has been redefined such that the taxable base is now the amount of total profit applied or earmarked for remittance without any deduction for the tax component thereof. Consequently, the doctrine enunciated by the Supreme Court in the case of *Bank of America* that the basis of the tax is the amount actually remitted, net of the fifteen percent (15%) branch profit remittance tax, is no longer applicable.

12. Documentary stamp tax on original issues of certificate of stock shall attach, upon acceptance by the corporation of the stockholder’s subscription, regardless of the actual delivery of the certificates of stock.

13. Additional deductions from the gross estate for estate tax purposes are provided:

- a. Standard deduction of ₱1 Million, in addition to the deduction for the family home with a fair market value not exceeding ₱1 Million;
- b. Allowable deductions for funeral expenses are increased to ₱200,000 (formerly ₱100,000); and
- c. Deduction for medical expenses during the last illness of the decedent in an amount not exceeding ₱500,000.

14. New tax rates for estates tax purposes from 5% - 20%.

15. New tax rates for donor’s tax purposes from 2% - 15%.<sup>571</sup>

16. Annual registration fee of VAT-registered taxpayer is reduced to P500 (formerly ₱1,000). Consequently, VAT-registered and non-VAT taxpayers shall be equally liable to an annual registration fee of P500 for every separate or district or establishment or place of business beginning January 01, 1998.

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<sup>571</sup> The Tax Reform Act of 1997 (Republic Act No. 8424), Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc., p. 2

17. *Imposition of VAT on individuals engaged in the practice of profession, actors and actresses, radio and tv broadcasters, etc., banks, non-bank financial intermediaries, finance companies and other financial intermediaries not performing quasi-banking functions has been deferred until December 31, 1999.*

18. *Imposition of VAT, beginning January 01, 1998, shall be imposed on the lease or use of sport facilities and equipment by amateur players, as provided R.A. No. 6847, except sports facilities and equipment which are exclusively or mainly for the private use of shareholders or members of the club or organization which own or operate such sports facilities and equipment.*

19. *Documentary stamp tax, shall now be paid and a DST return required to be filed within ten (10) days following the month when the document or transaction subject to DST is made, signed, etc.*

20. *Increased the allowable personal and additional exemptions of individuals as follows:*

a. *Personal Exemption :*

<i>Single</i>	<i>-</i>	<i>₱20,000</i>
<i>Head of Family</i>	<i>-</i>	<i>₱25,000</i>
<i>Married</i>	<i>-</i>	<i>₱32,000</i>

21. *Additional exemption for dependent children of Eight Thousand Pesos (₱8,000) for every dependent child, provided, that the number of such dependent children shall not exceed four (4).*<sup>572</sup>

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<sup>572</sup> *The Tax Reform Act of 1997 (Republic Act No. 8424), Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc., p. 2*

These personal and additional exemptions were made effective on January 01, 1998 was applied to income earned for the taxable calendar year 1998.

## **TAX ERODING MEASURES**

Commissioner Chato, in compliance with Section 4.C, Chapter 1 of Republic Act No. (7916) or “The Special Economic Zone Act” dated February 24, 1995 monitored the implementation of the said provision which prescribed that “enterprises located in export processing zones are allowed to import capital equipment and raw materials free from duties, and taxes and other import restrictions”.

This is to promote the flow of investors, both foreign and local, into special economic zones which would generate employment opportunities and establish backward and forward linkages among industries in and around the economic zones as stated in Section 3.C of said Act.<sup>573</sup>

Other tax eroding measures implemented were as follows:

- Section 4.C of Republic Act No. (7922) or “Cagayan Special Economic Zone Act of 1995” prescribed that no taxes, local and national, shall be imposed on business establishments operating within the Zone. In paying taxes alternatively, said business establishments shall pay and remit to the national government five per centum (5%) of their gross income.<sup>574</sup>

## **ORGANIZATION**

On December 1, 1993, Revenue Administrative Order (RAO) No. 4-93 was issued prescribing the organizational structure and statement of general functions of offices in the National Office pursuant to Executive Order No. 132 dated October 26, 1993 streamlining the Bureau of Internal Revenue. The BIR is headed by the Commissioner and assisted by three (3)

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<sup>573</sup> *Official Gazette of the Philippines*, retrieved from <http://www.gov.ph/1995/02/24/republic-act-no-7916/> on 3/3/2015

<sup>574</sup> *PhilippineLaw.info*, retrieved from <http://philippinelaw.info/statutes/ra7922-cagayan-special-economic-zone-act-of-1995.html> on 3/2/2015



Deputy Commissioners for Operations Group, Information Systems Group and Resource Management Group. The National Office was composed of the following offices: (Chart 18)

A. Office of the Commissioner of Internal Revenue

The staff services under the Office of the Commissioner of Internal Revenue were the Legal Service and Intelligence and Investigation Service.

B. Office of the Deputy Commissioner for Operations Group

The Office of the Deputy Commissioner for Operations Group shall exercise supervisory jurisdiction over the Assessment Service, Collection Service, Performance Monitoring Service and Regional and District Offices throughout the country.

C. Office of the Deputy Commissioner for Information Systems Group

The Office of the Deputy Commissioner for Information Systems Group shall exercise supervisory jurisdiction over the Information Systems Operations Service and Information Systems Development Service.

D. Office of the Deputy Commissioner for Resource Management Group

The Office of the Deputy Commissioner shall exercise supervisory jurisdiction over Management and Planning Service, Financial and Administrative Service and Human Resource Development Service.

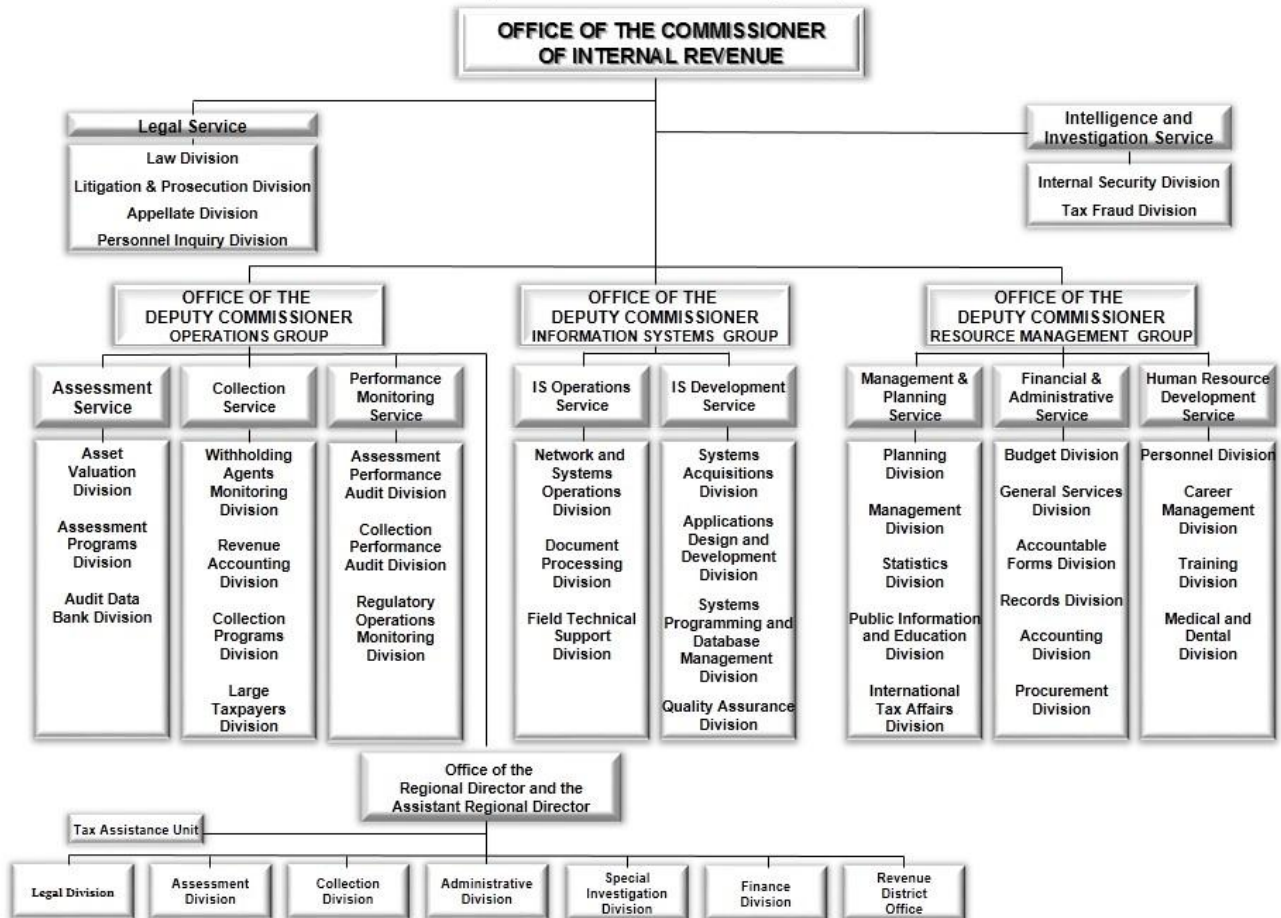
The line functions previously performed in the National Office was decentralized to the Regional and Revenue District Offices.<sup>575</sup>

On December 1, 1993, RAO 5-93 dated December 1, 1993 was issued redefining the areas of jurisdiction and renumbering of Regional and District Offices. This Order was issued to strengthen the decentralization of the Bureau's set-up for the purpose of maximizing tax assessments and revenue collections, intensifying enforcement of revenue laws and regulations and bringing revenue service closer to the taxpaying public. This prescribed the

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<sup>575</sup> Revenue Administrative Order (RAO) No. 4-93 dated December 1, 1993

**Chart 18.**  
**BIR ORGANIZATIONAL CHART**  
**(E.O. 132 dated October 26, 1993)**



establishment of eighteen (18) additional Revenue District Offices (RDOs) and redefined the jurisdictional areas of each revenue regions and the newly restructured/established Revenue District Offices (RDOs).

Pursuant to Section 8 of the National Internal Revenue Code, the Philippines which was divided into nineteen (19) regional Offices for internal revenue purposes, was further sub-divided into one hundred fifteen (115) district offices with their designated Revenue Region/RDO number.<sup>576</sup>

Further streamlining of the BIR in line with its Computerized Integrated Tax System (CITS) was passed through EO No. 430 in 1997. This included the following: the creation of one Deputy Commissioner; creation of four (4) new offices, namely: Taxpayers Assistance Service; Information Systems Development Service; Information Planning and Quality Service; and Internal Affairs Service; splitting of the Financial and Administrative Service; and the creation of Revenue Data Centers. However, this was not completed.<sup>577</sup>

## **COLLECTION PERFORMANCE**

### **A. Collection vs. Goal**

For Calendar Year (CY) 1993, the Bureau's total collections reached ₱145.931 Billion. An excess of ₱2.595 Billion or 1.81% relative to total goal of ₱143.336 Billion was realized. The overall increase of 8.98% or ₱12.03 Billion in 1993 was due to the increase in VAT which resulted from Legislative measures undertaken by the government. From the five major sources, Income Tax contributed the most with a 51.05%, followed by Excise Tax with 20.72%. Value-Added Tax came third with 15.56% contribution.<sup>578</sup>

Out of nineteen (19) regions only one (1) overshot its assigned goal for CY 1993. RR No. 4C – San Pablo City registered a narrow edge over its

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<sup>576</sup> *Revenue Administrative Order (RAO) No. 5-93 dated December 1, 1993*

<sup>577</sup> *BIR Annual Report 1997, p. 28*

<sup>578</sup> *BIR Annual Report 1993, p. 1*

collection target of ₱4.12 Billion by ₱0.05 Billion/₱50.28 Million or 1.22% excess against target.<sup>579</sup>

In CY 1994, the total BIR collections reached ₱187.522 Billion, compared to goal, it surpassed the target of ₱185.486 Billion by 1.10% or ₱2.036 Billion despite the non-implementation of RA No. 7716, otherwise known as the Expanded Value-Added Tax Law. Income Tax contributed 50.15% of the total amount collected followed by Excise Tax and VAT, sharing 19.17% and 13.96%, respectively. Of the new measures effected during the year, the adjustment in the documentary stamp tax contributed the largest amount to total collections at ₱5.13 Billion.<sup>580</sup>

Out of the nineteen (19) revenue regions, fourteen (14) exceeded their regions' targets ranging from 0.18% to 36.37%. The top five regions were as follows: RR No. 14 – Tacloban City with ₱167.67 Million excess or 36.37%, followed by RR No. 10 – Legaspi City with ₱152.04 Million excess or 32.12% and RR No. 18 – Cotabato City, with ₱109.55 Million excess or 19.85% excess against targets. The rest of the regions were RR No. 3 – Tuguegarao, Cagayan with ₱65.80 Million excess or 19.12% and RR No. 4 – San Fernando, Pampanga with ₱272.74 Million excess or 16.45%.<sup>581</sup>

For CY 1995, the total BIR collections reached ₱211.462 Billion where it almost met its target of ₱214.105 Billion, missing it by just 1.23% or ₱2.643 Billion. One consideration in this shortfall was the inability of the real Gross National Product (GNP) to reach the growth target of 6% which was the basis for setting the BIR goal. Income Taxes continued to be the highest contributor comprising 53.13% of total collections. This was followed by Excise Taxes and VAT, which contributed 18.46% and 13.99%, respectively.<sup>582</sup>

Ten (10) out of nineteen (19) revenue regions surpassed their assigned goal for CY 1995 ranging from 2.98% to 31.32%. The top five

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<sup>579</sup> BIR Annual Report 1993, pp. 12 & 42

<sup>580</sup> BIR Annual Report 1994, p. 2

<sup>581</sup> *Ibid.*, p. 46

<sup>582</sup> BIR Annual Report 1995, p. 2

regions were as follows: RR No. 10 – Legazpi City ranked first with ₱190.51 Million excess or 31.32%, followed by RR No. 2 – Cordillera Administrative Region with ₱91.48 Million excess or 14.59% and RR No. 9 – San Pablo City with ₱1, 021.77 Million excess or 12.42% excess against targets. The rest of the regions were RR No. 3 – Tuguegarao, Cagayan with ₱37.78 Million excess or 8.86% and RR No. 5 – Valenzuela, Metro Manila with ₱327.71 Million excess or 7.83%.<sup>583</sup>

In CY 1996, the BIR collection reached ₱260.774 Billion, surpassing its target of ₱258.825 Billion by 0.75% or ₱1.949 Billion. Significantly contributing to the Bureau's improved collection performance was the positive growth posted by all major sectors of the country which was manifested in the GNP growth of 6.84%. Income Tax contributed 52.29% of the total amount collected for the year. Excise Tax and Value Added Tax followed next, sharing 18.56% and 15.69%, respectively.<sup>584</sup>

Ten (10) out of nineteen (19) revenue regions surpassed their assigned goal for CY 1996 ranging from 0.01% to 14.24%. The top five regions that registered the largest percent of excess over target were as follows: RR No. 9 – San Pablo City with ₱1,578.68 Million excess or 14.24%, followed by RR No. 18 – Cotabato City with ₱122.05 Million excess or 13.28% and RR No. 3 – Tuguegarao, Cagayan with ₱71.84 Million excess or 12.01% excess against targets. The rest of the regions were RR No. 11 – Iloilo City with ₱156.35 Million excess or 11.67% and RR No. 4 – San Fernando, Pampanga with ₱210.90 Million excess or 8.78%.<sup>585</sup>

For CY 1997, total BIR collections reached ₱316.661 Billion. Compared to goal, total internal revenue collections almost met its target of ₱334.450 Billion, missing it by 5.32%. Significantly contributing to the shortfall was the inability of the economy to reach the projected 7% growth in the GNP which was the basis for setting the collection goal. As a result of the Asian financial crisis, the GNP posted only a 5.8% growth in 1997. Income Taxes continued to be the highest contributor comprising 52.17% of

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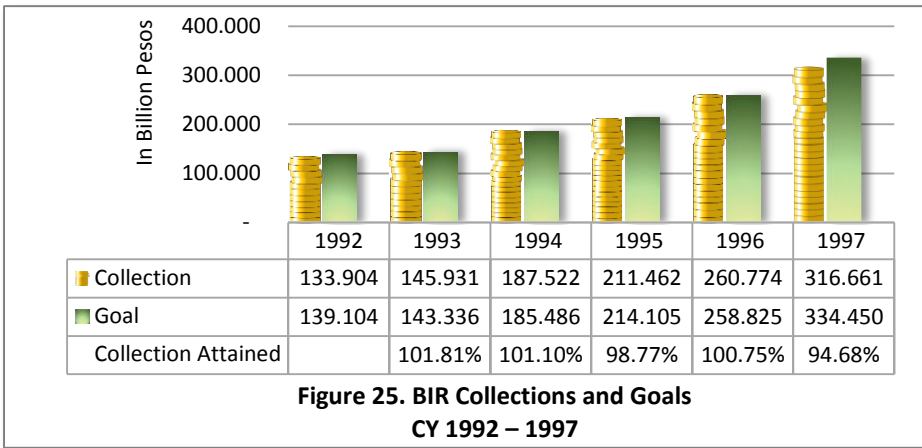
<sup>583</sup> BIR Annual Report 1995, pp. 8 & 31

<sup>584</sup> BIR Annual Report 1996, p. 4

<sup>585</sup> *Ibid.*, pp. 11 & 45

total collections followed by Excise Taxes and Value Added Taxes, which contributed 20.03% and 15.02%, respectively.<sup>586</sup>

Ten (10) out of nineteen (19) revenue regions surpassed their assigned goal for CY 1997 ranging from 6.29% to 47.39%. The top five revenue regions that registered the largest percent of excess over target during the year were the following: RR No. 4 – San Fernando, Pampanga with ₱2,485.18 Million excess or 47.39%, followed by RR No. 3 – Tuguegarao, Cagayan with ₱204.47 Million excess or 28.53% and RR No. 19 – Davao City with ₱642.78 Million excess or 27.30% excess against targets. The rest of the regions were RR No. 14 – Tacloban City with ₱209.27 Million excess or 22.01% and RR No. 18 – Cotabato City with ₱183.20 Million excess or 16.04%.<sup>587</sup> (Figure 25)



## B. Cost of Operations

For CY 1993, the total expenditures of the Bureau under review amounted to ₱1.125 Billion or 6.01% higher compared to the ₱1.060 Billion last year. Noteworthy was the cost per ₱100 revenue which decreased from ₱0.79 in CY 1992 to \*₱0.77 in CY 1993.<sup>588</sup>

<sup>586</sup> BIR Annual Report 1997, p. 2

<sup>587</sup> *Ibid.*, pp. 13 & 46

<sup>588</sup> BIR Annual Report 1993, p.33

In CY 1994, the total expenditures of the Bureau amounted to ₱1.384 Billion which was 23.02% higher compared to the ₱1.125 Billion expenditures last year. The greater bulk of the Bureau's operations cost was allotted for Personal Services which comprised 67% of the total. Taking into account the ₱187.522 Billion collection during the year, it should be noted that the cost to collect every ₱100 revenue has decreased to ₱0.74 in CY 1994, representing a 3.9% decrease over last year's cost of ₱0.77.<sup>589</sup>

For CY 1995, the total expenditure of the Bureau in 1995 amounted to ₱1.519 Billion which was 9.75% higher compared to ₱1.384 Billion last year. The greater bulk of the Bureau's operations cost was allotted for Personal Services which comprised 57% of the total. With the ₱211.462 Billion collection during the year, the cost to collect every ₱100 revenue decreased to ₱0.72 in CY 1995, representing a 2.70% decrease over last year's cost of ₱0.74.<sup>590</sup>

In CY 1996, the total expenditure of the Bureau amounted to ₱1.947 Billion which was 28.18% higher than the ₱1.519 Billion expenditure in CY 1995. The greater bulk of the Bureau's operation cost was allotted to Personal Services which comprised 70.57% of the total expenditures. With the ₱260.774 Billion collection during the year, the cost to collect every ₱100 revenue was ₱0.75 in CY 1996, representing a 4.17% increase over previous year's cost of ₱0.72.<sup>591</sup>

For CY 1997, the total expenditures of the Bureau amounted to ₱2.330 Billion which was 19.66% higher than the ₱1.947 billion expenditure last year. The greater bulk of the Bureau's operations cost was allotted for Personal Services which comprised 70.77% of the total expenditures. With the ₱316.660 Billion collection during the year, the cost to collect every ₱100 revenue is ₱0.74 in 1997, indicating a 1.33% decrease over last year's cost of ₱0.75.<sup>592</sup> (Table 45)

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<sup>589</sup> BIR Annual Report 1994, pp.39-40

<sup>590</sup> BIR Annual Report 1995, p.21

<sup>591</sup> BIR Annual Report 1996, p.31

<sup>592</sup> BIR Annual Report 1997, p.37

**Table 45. Expenditures and Cost of Collecting ₱100  
CY 1992 – 1997**

Calendar Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1992	1,060,350,000.00		0.79	
1993	1,125,000,000.00	5.75	0.77	(2.60)
1994	1,383,911,000.00	18.71	0.74	(3.90)
1995	1,518,770,000.00	8.88	0.72	(2.70)
1996	1,947,015,000.00	21.99	0.75	4.17
1997	2,329,868,000.00	16.43	0.74	(1.33)

## PERSONNEL COMPLEMENT

The workforce of the BIR decreased from 11,333 in CY 1993 to 10,392 in CY 1994 due to devolution activities. Then a continuous decrease up to 10,233 in CY 1995 which was attributed to the number of personnel who have either retired or resigned. While, it increased to 11,198 in CY 1996 and 11,774 in CY 1997 on account of continuous revenue personnel recruitment to meet the computerization requirements of the Bureau.<sup>593</sup> (Table 46)

**Table 46. Number of Employees  
CY 1992 – 1997**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
1992	10,972		
1993	11,333	361	3.19
1994	10,392	(941)	(9.06)
1995	10,233	(159)	(1.55)
1996	11,198	965	8.62
1997	11,774	576	4.89

<sup>593</sup> BIR Annual Reports 1993, p. 33; 1994, p. 40; 1995, p. 21; 1996, p. 30; 1997, p. 37





*Beethoven L Rualo*

**Commissioner of Internal Revenue**

**(July 2, 1998 – January 10, 2000)**

## BEETHOVEN L. RUALO

Commissioner **Beethoven L. Rualo** graduated from Mapua Institute of Technology (MIT) in 1958 with a Bachelor of Science in Business Administration Major in Accounting. While he was studying, he worked as a Junior Accountant in Del Rosario & Co. and later on was promoted to Senior Accountant. He obtained his Masters of Science in Business Administration in MIT on 1960 and passed the CPA Board Exams in the same year. He then worked as a Sales Analyst in Erlanger & Galiner from March 1961 to October 1961. He also worked as Chief Accountant in P. Floro & Sons until May 1962.

He entered the BIR on October 22, 1962 as an Auditing Aide II and was promoted to Revenue Examiner I on January 16, 1964. He also worked on a part time basis as a Taxation & Accounting professor at Mapua Institute of Technology from 1964 to 1973. He earned another post graduate study with a degree in Public Administration in 1973 from the University of Southern California, U.S.A. On December 16, 1987, he was promoted as Regional Director in the Bureau and was eventually appointed as Commissioner on July 2, 1998 by President Joseph Ejercito Estrada.<sup>594</sup>

### GENERAL ADMINISTRATION

Commissioner Rualo's administration implemented priority reform measures to enhance voluntary compliance and improve the Bureau's productivity.

Considered as one the most significant measures was the implementation of the Economic Recovery Assistance Payment (ERAP) Program by virtue of Revenue Region No. 2-99 which granted immunity from audit and investigation to taxpayers who have paid at least 20% more than the tax paid in 1997 for income tax, VAT and/or percentage taxes.

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<sup>594</sup> BIR: Records Management Division (PDS of Beethoven L. Rualo) & Personnel Division (Service Record of Beethoven L. Rualo)

To enhance voluntary compliance, various programs were implemented, to wit:

- a) Enhancement of the Large Taxpayers Monitoring System wherein a Memorandum of Agreement (MOA) was forged with the Philippine National Bank (PNB), the Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) to be the Authorized Agent Banks (AABs) for large taxpayers;
- b) Identification of the top 1500 large taxpayers pursuant to RR No. 1-98;
- c) Notification of the first 200 large taxpayers who will pay their taxes directly at the Large Taxpayers Division (LTD) through the AABs located thereat;
- d) Implementation of the centralized filing/payment system for 200 large taxpayers at banks located within the LTD office which started in September 1, 1998;
- e) Implementation of the MOA with the Insurance Commission regarding procedures on the filing and payment of taxes of insurance companies;
- f) Investigation of Banks and Insurance Companies with focus on the correct payment of Documentary Stamp Tax;
- g) Audit of the 1997 Tax Liabilities of Conglomerates/Interrelated Group of Companies with focus on the use of tax haven, foundation and other tax-favored entities and shifting income and expenses to tax-favored affiliates, etc.;<sup>595</sup>
- h) Implementation of OPLAN Accounts Receivable (AREC) pursuant to RMO No. 68-98 through the creation of National & Regional Collection Task Force that will review and enforce the collection of outstanding ARs;

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<sup>595</sup> BIR Annual Report 1998, pp. 18-23

- i) Implementation of the Tax Compromise Program pursuant to RMO No.2-98 through the intensification of collection/settlement of delinquent accounts under the Tax Reform Act of 1997;
- j) Intensification of Collection from Documentary Stamp Taxes through the use of new metering machines with encryption pursuant to RMO No. 83-98;
- k) Development of Tax Fraud Cases;
- l) Creation of a 24-Hour Surveillance Team that monitored the release of imported gasoline, oil and petroleum products through the Subic Bay Metropolitan Authority (SBMA) Zone and Clark Development Corporation;
- m) Conduct of Audit of Tax Returns on Selected Taxpayers through the issuance of RMO Nos. 11-98;
- n) Conduct of Stocktaking /Investigation and Quality Audit of fourteen (14) establishments subject to excise tax;<sup>596</sup>
- o) Implementation of the Self-Assessment Program;
- p) Implementation of the Delinquent Accounts Program;
- q) Monitoring the tax compliance of special industry groups through the institutionalization of new systems and procedures;
- r) Reconstitution of the Banks and Insurance Special Audit Team to continue with the investigation of banks and insurance companies;<sup>597</sup>
- s) Conduct verification of the 1997 tax liabilities of inter-related taxpayers;
- t) Implementation of the BIR-Land Registration Authority (LRA) Projects in 7 Register of Deeds in Metro Manila;

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<sup>596</sup> BIR Annual Report 1998, pp. 18-23

<sup>597</sup> BIR Annual Report 1999, pp. 18-22

- u) Conduct of audit of tax returns on selected taxpayers by RDOs through the issuance of RMO 67-99;
- v) Implementation of Office Audit Program pursuant to RMO No. 71-99 prescribing the audit program in the Assessment Division of the ROs;
- w) Conduct of quality audit of excise taxpayers; and
- x) Development of tax fraud cases.<sup>598</sup>

To broaden the tax base, the following were undertaken: Intensification of the tax mapping operations and the conduct of the Taxpayer Record Update (TRU) Program; Strengthening of the Third Party Information (TPI) Program for the development of tax fraud cases; Resolution of 22 cases on Real Property Valuation and the conduct of public hearings of zonal values in 28 districts;<sup>599</sup> resolution of fifteen cases on real property valuation taken up by the Technical Committee on Real Property Valuation (TCRPV) and approved by the CIR; and Continuous intensification of the Taxpayer Record Update Program.<sup>600</sup>

To intensify collection and educate or encourage taxpayers, the 1998 Tax Campaign and BIR Raffle Promos were launched and implemented; the Taxpayer's Service Counter in each Revenue District/Regional Office nationwide was established; the Large Taxpayers Monitoring System was also established to closely monitor the tax compliance of the country's large taxpayers.<sup>601</sup>

To improve productivity, the following programs were implemented:

- I. Five-Year Tax Computerization Project which resulted to the accomplishment of the following:
  - a) Implementation of a centralized Command Center to monitor and

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<sup>598</sup> BIR Annual Report 1999, pp. 18-22

<sup>599</sup> BIR Annual Report 1998, p. 21

<sup>600</sup> BIR Annual Report 1999, p. 22

<sup>601</sup> BIR History, retrieved from <http://www.bir.gov.ph/index.php/transparency/bir-history.html> on 9/15/2014

- manage the network, database, and computer operations at the National Office and Revenue Data Centers;
- b) Implementation & enforcement of the New Security Architecture at the Bureau pursuant to RMO No. 44-98;
  - c) Roll-out of the Limited Bank Data Entry (LBDE);
  - d) Launching of BIR Intranet;
  - e) Provision and installation of the necessary software and hardware facilities for computerized processing systems and taxpayer assistance at the Large Taxpayers Division; and
  - f) Reconciliation of listings for Enforcement (RELIEF) System through the development of a PC-Based program.
- II. Development of Letter of Authority Monitoring System that would track cases assigned to revenue examiners who investigate particular interrelated companies; Promulgation of audit guidelines prescribing audit procedures for interrelated transactions;
- III. Implementation of the Internal Audit Program covering the following activities: Inspection of delivered goods and services, Audit of the operations, activities and records of the Revenue Accounting Division, & Mobilization of the Finance Division of the Regional Offices to conduct fiscal audit of cash, non-cash and other property accountabilities of the Revenue Collection/Accountable Officers.<sup>602</sup>
- IV. Implementation of the Internal Audit Program which covered the following activities: Inspection of delivered goods and services, Mobilization of Finance Division in Regional Offices, and the Creation of Regional Internal Audit Teams (RIAT) & National Internal Audit Teams (NIAT); Conduct of the BIR Annual Strategic Planning Session dated Nov. 4 to 7, 1999 for the formulation of the Bureau's 2000 to 2003 Programs; Implementation of the Information Technology (IT) Application and Tax Computerization which covered the following: Implementation of the

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<sup>602</sup> BIR Annual Report 1998, pp. 24-26

ITS Rollout Program, launching of the Makati Satellite Data Center & the Office-Based Computerization Program in RDOs, implementation of network gateway between the BIR, Land Registration Authority (LRA) & Register of Deeds, conduct of Y2K simulation activities, and conversion of all AABs using diskette transmission to Electronic Data Transmission; and conclusion and signing of a tax treaty between RP-China on November 18, 1999, RP-Czech Republic dated April 29, 1999 and RP-Turkey dated May 7, 1999.<sup>603</sup>

To increase taxpayer's satisfaction, the following programs were initiated: a) Launching of 1998 Tax Campaign; b) Revision and updating of BIR Forms; c) Processing of 1996 Claims for VAT credit/refund; d) Conduct of Nationwide seminars/lectures to inform the taxpayers of the latest BIR rulings and regulations relative to the Expanded Value-Added Tax (EVAT)/Improved Value-Added Tax (IVAT), Withholding Taxes, and Salient Features and implementation of RA No.8424 (Tax Reform Act of 1997); e) Production of plastic TIN cards for both individual and business taxpayers; f) Issued Tax Refund Notices (TRNs); g) Conduct of external briefings on BIR Forms, Registration System and Limited Bank Data Entry (LBDE) System;<sup>604</sup> h) Processing of claims for VAT credit/refund; i) Conduct of performance audit to determine adherence to existing laws through the issuance of Letters of Authority (LAs) and Revenue Verification Orders (RVOs) and the issuance of Certificates Authorizing Registration (CARs) on transactions involving real properties; j) Monitor the performance of the Taxpayer Service Counter in each RDOs/ROs; k) Conduct of massive tax information and education campaign through external briefings on forms, registration and Limited Bank Data Entry (LBDE) System, withholding taxes, filing of returns, year-end adjustment, salient features of the National Internal Revenue Code (NIRC) and ERAP Program; l) Enhancement of BIR Forms incorporating the new provisions of the CTRP law; Launching and implementation of BIR Raffle Promos (Humingi ng Resibo, Milyun-milyon

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<sup>603</sup> BIR Annual Report 1999, pp. 25-27

<sup>604</sup> BIR Annual Report 1998, pp.18-23

ang Panalo) that encouraged and educated consumers to demand receipts – this won the “National Gawad for Outstanding Public Information Program” and generated additional collections from VAT; m) and Issuance of pre-generated TIN cards & plastic TIN cards for both individual and business taxpayers.<sup>605</sup>



The Oplan Linis Libro Program which cleared the BIR books of accounts with regards to settlement of cash advances and reconciled the Bureau’s equipment against the books was also implemented.<sup>606</sup>

## TAX ERODING MEASURES

In compliance with Section 4 of Republic Act No. (8748), as approved on June 1, 1999, the BIR implemented the non-imposition of taxes, local and national on business establishments operating within the ECOZONE, except for real property taxes on land owned by developers. In Lieu thereof, five percent (5%) of the gross income earned by all business enterprises within the ECOZONE shall be paid and remitted.<sup>607</sup>

## ORGANIZATION

On August 26, 1998, Revenue Administrative Order (RAO) No. 1-98 was issued amending the organizational setup and functions of the Large Taxpayers Division under the Collection Service to enhance taxpayer assistance, compliance monitoring and collection enforcement activities on Large Taxpayers. The Large Taxpayers Division under the Collection Service had the following Sections: Taxpayer Assistance Section, Performance

<sup>605</sup> BIR Annual Report 1999, pp. 23-24

<sup>606</sup> *Ibid.*, p. 31

<sup>607</sup> *PhilippineLaw.info*, retrieved from <http://philippinelaw.info/statutes/ra8748.html> on 3/3/2015



Analysis Section, Collection Enforcement Section, and Special Industries Monitoring Section.<sup>608</sup>

On March 1, 1999, RAO No. 2-99 was issued prescribing the restructuring of RDO Nos. 47-East Makati, 48-West Makati, 49-North Makati, 50-South Makati and 51-Pasay City under Revenue Region No. 8 – Makati following an RDO-based processing of tax returns in the implementation of ITS. The said RDOs were composed of the following sections: Assessment Section, Collection Section, Taxpayers Service Section, Document Processing Section, and Administrative Section.<sup>609</sup>

Executive Order (EO) No. 175 was approved by President Estrada dated Nov. 3, 1999 to focus on the core operational functions of the Bureau and improve administrative control over certain categories of taxpayers. (Chart 19)

**The highlights of EO 175 were as follows:**

1. Improved monitoring and administrative control of large taxpayers through the establishment of the Large Taxpayers Service in the NO and Large Taxpayers Division in ROs with identified taxpayers.
2. Centralized monitoring and service to excise taxpayers through the establishment of Excise Taxpayers Service in NO.
3. Improved collection of accounts receivable with the reestablishment of the Collection Enforcement Division under the Collection Service.
4. Improved monitoring of availments of tax exemptions/incentives through the establishment of Audit Information, Tax Exemption and Incentives Division.
5. Optimum utilization of resources with the consolidation of Financial Service and Administrative Service.<sup>610</sup>

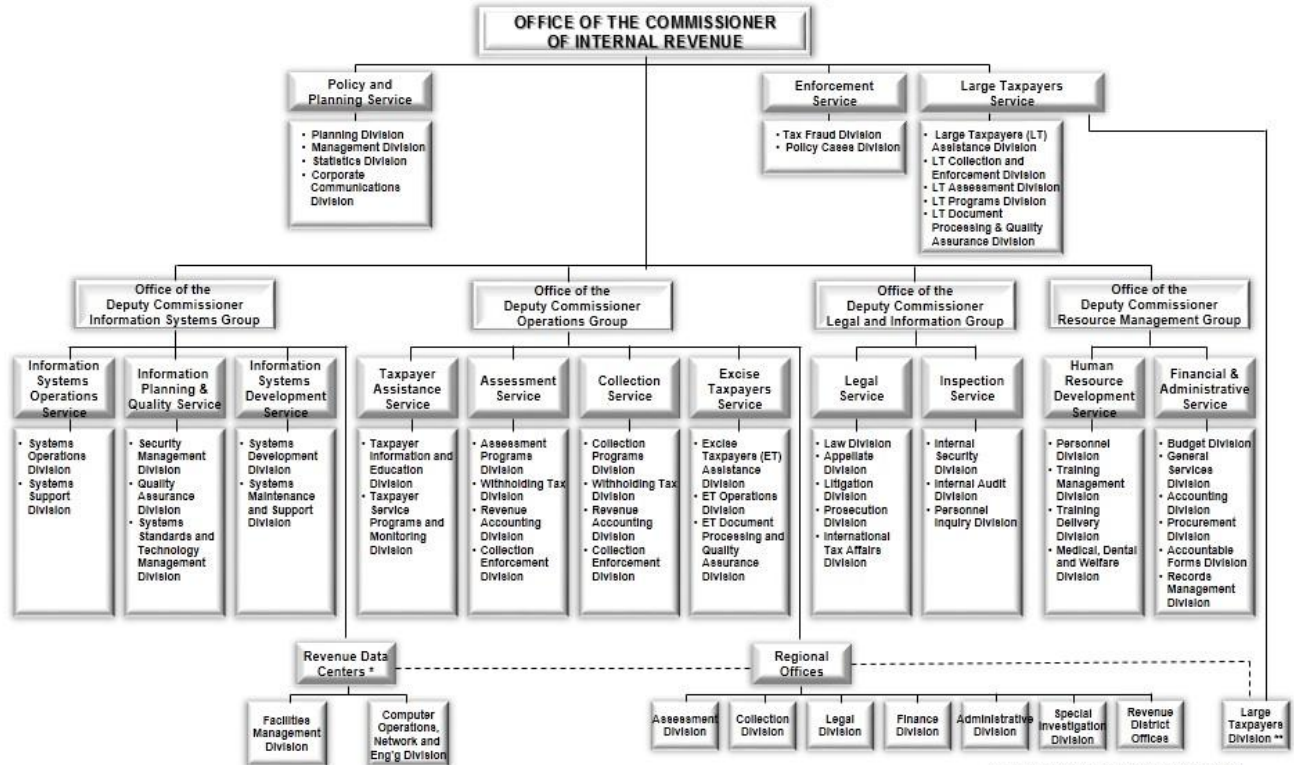
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<sup>608</sup> Revenue Administrative Order (RAO) No. 1-98 dated August 26, 1998

<sup>609</sup> Revenue Administrative Order (RAO) No. 2-99 dated March 1, 1999

<sup>610</sup> BIR Annual Report 1999, pp. 25-26

**Chart 19.**  
**BIR ORGANIZATIONAL STRUCTURE**  
**(E.O. 175 dated November 3, 1999)**



\* For Metro Manila and Metro Cebu  
 \*\* For Regional Offices with identified Large Taxpayers

*Reorganization of the BIR as provided in Executive Order No. 175 dated November 3, 1999 – Organizational Restructuring of the BIR to Improve Administrative Control Over Certain Categories of Taxpayers*

## COLLECTION PERFORMANCE

### A. Collection vs. Goal

Despite the continuing effects of the Asian financial crisis, the total BIR collections for CY 1998 reached ₱337.177 Billion. Compared to goal, the Bureau still managed to perform well and recorded a 95% level of attainment, slightly missing its target of ₱355.064 Billion by 5.04%. Significantly contributing to the shortfall was the inability of the economy to reach the projected 2.0% growth in the GNP which was the basis for setting the BIR's collection goal. The biggest source of revenue came from Income Taxes which contributed 54.54% to total BIR collections. This was followed by Excise Taxes and Value-Added Taxes, which contributed 18.61% and 14.10%, respectively.<sup>611</sup>

Six (6) out of nineteen (19) revenue regions surpassed their assigned goal for CY 1998. The top five revenue regions that registered the largest percent of excess over target were the following: RR No. 6 – Manila with ₱7,113.55 Million excess or 16.73%, followed by RR No. 14 – Tacloban City with ₱154.10 Million excess or 12.07% and RR No. 1 – Calasiao, Pangasinan with ₱198.86 Million excess or 9.22% excess against targets. The other regions were RR No. 2 – Cordillera Adm. Region with ₱55.99 Million excess or 5.19% and RR No. 12 – Bacolod City with ₱114.86 Million excess or 3.25%.<sup>612</sup>

BIR collections for CY 1999 reached ₱341.320 Billion which was equivalent to a 96.52% level of attainment compared to the goal for the year of ₱353.631 Billion. This recorded a 3.48% shortfall and can be explained by the fact that the taxable sectors of the economy, i.e., the service and the industrial sectors exhibited negative performances thereby constricting the taxable base and led to lower collections. Similar to the previous years, the biggest source of revenue came from Income Taxes which contributed

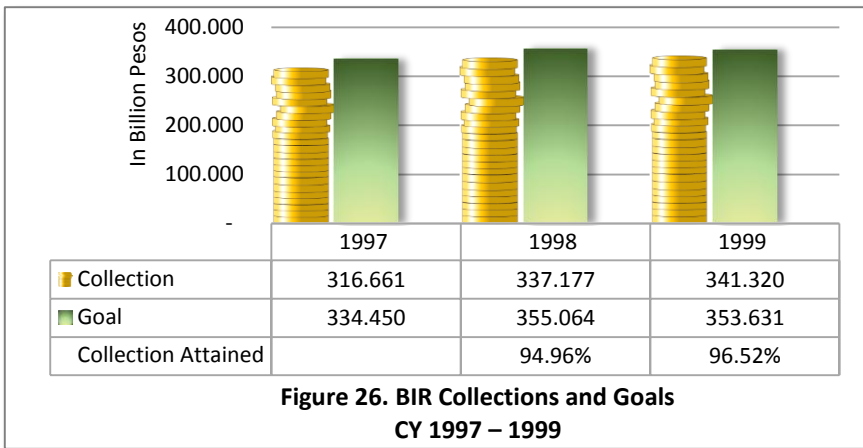
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<sup>611</sup> BIR Annual Report 1998, p. 3

<sup>612</sup> *Ibid.*, pp. 13 & 45

53.92% to total BIR collections. This was followed by Excise Taxes and Value Added Taxes which contributed 18.10% and 16.16%, respectively.<sup>613</sup>

Three (3) out of nineteen (19) revenue regions surpassed their assigned goal for CY 1999. Revenue Region No. 12 – Bacolod City registered the largest percent of excess over target at ₱1.21 Billion or 46.28%. The other two regions which posted percentage excesses were RR No. 17 – Butuan City with ₱42.34 Million excess or 6.16% and RR No. 11 – Iloilo City with ₱0.31 Million excess or 0.02% excess against targets.<sup>614</sup> (Figure 26)



## B. Cost of Operations

In CY 1998, the total expenditures of the Bureau amounted to ₱3.384 Billion which is 45.24% higher than the ₱2.330 Billion expenditure last year. Just like in the previous years, the greater bulk of the Bureau’s operations cost was allotted for Personal Services which comprised almost 67% of the total expenditures. With the ₱337.177 Billion collection during the year, the cost to collect every ₱100 revenue was ₱1.00 in 1998, representing a 35% increase over last year’s cost to collect of ₱0.74.<sup>615</sup>

<sup>613</sup> BIR Annual Report 1999, p. 2

<sup>614</sup> *Ibid.*, pp. 13 & 42

<sup>615</sup> BIR Annual Report 1998, p.36

For CY 1999, the total expenditure of the Bureau amounted to ₱3.413 Billion. The greatest bulk of the Bureau's operations cost was allotted for Personal Services which comprised of 60.16% the total expenditure. With the ₱341.320 Billion collection during the year, the cost to collect every ₱100 revenue was ₱1.00 in CY 1999, which was the same as last year's cost to collect.<sup>616</sup> (Table 47)

**Table 47. Expenditures and Cost of Collecting ₱100**  
CY 1997 – 1999

Calendar Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
1997	2,329,868,000.00		0.74	
1998	3,384,426,000.00	31.16	1.00	35.00
1999	3,413,299,000.00	0.85	1.00	-

## PERSONNEL COMPLEMENT

The total number of BIR workforce for CY 1999 was 2.46% higher than the previous year. From 11,768 employees in 1998, the number increased to 12,058 in CY 1999 which could be attributed to increased personnel recruitment to meet the requirements in the regulatory/excise and investigation functions.<sup>617</sup> (Table 48)

**Table 48. Number of Employees**  
CY 1997 – 1999

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
1997	11,774		
1998	11,768	(6)	(0.05)
1999	12,058	290	2.46

<sup>616</sup> BIR Annual Report 1999, p.36

<sup>617</sup> BIR Annual Reports 1998, p. 35; 1999, p.35



*Dakila B. Fonacier*

**Commissioner of Internal Revenue**

(January 11, 2000 – February 4, 2001)

## DAKILA B. FONACIER

Commissioner **Dakila B. Fonacier** obtained his degree in Bachelor of Science in Business Administration Major in Accounting (cum laude) from the University of the Philippines (UP) in 1967. He was the 5<sup>th</sup> placer in the CPA Board Exams in 1968. He started working as a Research Assistant and as an Instructor for the UP College of Business Administration since 1967.

He was a Fullbright Hays Grantee in 1969 to 1970 and a Ford Foundation Fellow from 1969 to 1971. He obtained his Masters in Business Administration (MBA) degree in Marketing and Finance from the J.L. Kellogg Graduate School of Management at the Northwestern University, Chicago, Illinois, U.S.A. in 1971.

On June 10, 1978, by virtue of a Presidential Appointment under the administration of President Marcos, he was designated as Acting Assistant Secretary from the Office of the Minister, Ministry of Natural Resources until August 3, 1981. Later, he was designated as Deputy Minister for Operations in the Department of Budget and Management by virtue of another Presidential Appointment from September 8, 1981 to March 14, 1986.

He also worked as General Manager at the Department of Trade and Industry - National Development Company in July 15, 1998 until July 26, 1999 and was also designated as Undersecretary of the Department of Trade and Industry - Industry and Investment Group from July 27, 1999 to January 10, 2000. He was appointed as Commissioner of the Bureau on January 11, 2000.<sup>618</sup>

## GENERAL ADMINISTRATION

Measures to enhance taxpayer compliance and deter tax violation were prioritized by Commissioner Fonacier's administration. His noteworthy programs included the following: full utilization of tax computerization in

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<sup>618</sup> *Wikipilipinas: The Hip 'n Free Philippine Encyclopedia*, retrieved from [http://en.wikipilipinas.org/index.php/Dakila\\_Fonacier](http://en.wikipilipinas.org/index.php/Dakila_Fonacier) on 9/11/2014

the Bureau's operations; expansion of the use of electronic Document Stamp Tax metering machine and establishment of tie-up with the national government agencies and local government units for the prompt remittance of withholding taxes; and the implementation of tax campaigns; implementation of Compromise Settlement Program for taxpayers with outstanding accounts receivable and disputed assessments with the BIR; strengthening of large taxpayers monitoring program by integrating the functions of Excise Taxpayers Service with Large Taxpayers Service.<sup>619</sup>

In 2000, programs implemented by Groups were as follows:

- Under the Office of the Commissioner, the Large Taxpayers Monitoring, Enhanced Enforcement System and BIR Change Management Program were initiated.

With the Large Taxpayers Monitoring Program, the control over large taxpayers was further strengthened through the approval of Executive Order (EO) No. 306 on October 31, 2000. The need for a well-defined institutional structure in dealing with large taxpayers was underscored after EO No. 175 which was approved in 1999, creating the Large Taxpayers Service. The new EO integrated the functions of Excise Taxpayers Service (ETS) with the Large Taxpayers Service (LTS), and Large Taxpayers District Offices were directly placed under the supervision of the LTS. Likewise, the first Large Taxpayers District Office (LTDO) was created in Revenue Region No. 8 – Makati, a pilot site, to better monitor large taxpayers in the regions. The LTDO was envisioned to be a one – stop shop rendering full service to the top taxpayers of the region.

Regarding Enforcement System initiative, activities to improve the investigation of tax fraud and policy cases were undertaken. Its aim was not only to increase revenue collection but to gather and process data for tax policy analysis and revenue projections. For the year 2000, specific groups of taxpayers were identified as part of the “High Profile Cases” to be audited.

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<sup>619</sup> *BIR History*, retrieved from <http://www.bir.gov.ph/index.php/transparency/bir-history.html> on 9/15/2014



They were as follows: 1) Hospitals and the Physicians working therein 2) Basketball players in the PBA 3) Pharmaceutical and Cosmetic Companies and 4) Government Public Works Contractors.<sup>620</sup>

The BIR Change Management Program was also initiated to focus on getting “buy-ins” and building widespread acceptance and commitment brought about by various changes being implemented in the Bureau. In the early part of the year, workshops/orientations, etc. were conducted focusing mainly on the rollout of front-end systems, as follows: Registration, Collection and Bank Reconciliation, Returns Processing and Returns Compliance considered as case systems of the Bureau’s Tax Computerization Project (TCP). Furthermore, the Ownership Building Project was developed to sustain the ITS transition process.<sup>621</sup>

- Under the Operations Group, the Collection Enforcement and Assessment and the Taxpayer Information and Education Programs were implemented. The Collection Enforcement and Assessment’s priority program was Compromise Settlement Program wherein taxpayers with outstanding accounts receivable and disputed assessments were given the opportunity to settle their tax liabilities pursuant to RMO No. 42-2000.

Another measure to re-enforce collection was the use of Documentary Stamps Metering Machines with Encryption pursuant to RMO No. 83-98. This was expanded during the year and served as an electronic on-line control that improved the monitoring of Documentary Stamp Tax (DST) collections.

In addition, the BIR-Land Regulatory Authority (BIR-LRA) Project was also implemented to ensure that all internal revenue taxes were collected prior to the registration of any document transferring real property or rights.

A new mode of payment for government offices using the Tax Remittance Advise (TRA) was implemented in April 2000, 15 days after the

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<sup>620</sup> *BIR Annual Report 2000, p. 20*

<sup>621</sup> *Ibid., p. 21*

signing of Joint Circular (JC) No. 1-2000. Said circular provided the guidelines in the remittance of all taxes withheld by National Government Agencies to the BIR. Agencies involved were the Department of Finance, Department of Budget and Management and the Commission on Audit.<sup>622</sup>

To ensure unbiased selection of tax cases with highest tax potential for audit at the regional level, different Audit Programs were executed. This included the following: 1) Office Audit Program in the Regional Assessment Divisions per RMO No. 36-2000; 2) the Audit Program for RDOs per RMO No. 24-2000 and 3) the Short-Term Audit Program for RDOs per RMO No. 19-2000.

Another key program implemented was the Third Party Information Program (TPI) where it gathered and processed relevant financial data from internal and external sources to be utilized to strengthen the assessment and enforcement functions of the Bureau. Taxpayer base was expanded by having linkages with the Bureau of Customs (BOC) and Securities and Exchange Commission (SEC).

With the Taxpayer Information and Education initiative, the following activities were undertaken: Tax Tulungan Centers were set-up in selected commercial malls nationwide; 2000 BIR tax Campaign Program was launched in a kick-off ceremony at Malacañang; MOA were also forged between BIR and Federation of Fil-Chinese Chamber of Commerce and Industry (FCCCI), Management Association of the Philippines (MAP), Philippine Chamber of Commerce and Industry (PCCI) and the Tax Management Association of the Philippines (TMAP) to bring about a collaborative union in intensifying the tax information campaign.<sup>623</sup>

- Under the Resource Management Group, Management Improvement project involved the upgrading of the Bureau's existing facilities and equipment despite budget constraints. The Training Centers in Luzon and Mindanao were constructed for the conduct of in-house training

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<sup>622</sup> *BIR Annual Report 2000, p. 22*

<sup>623</sup> *Ibid., pp. 22-23*

of the BIR employees with the assistance of the German Development Foundation, *Gesellschaft für Technische Zusammenarbeit* (GTZ), through its representative, Dr. Henning Becker.

To professionalize the workforce, the Human Resource Development Program was implemented which included the conduct of training programs/seminars, preparation & enhancement of training materials and development of policies and procedures in relation to recruitment, promotion and provision of benefits for the personnel.

Likewise, the implementation of Human Resource Information System (HRIS) was started. Relative thereto, the new Performance Evaluation System was implemented pursuant to RMO No. 43-2000.<sup>624</sup>

The Information Systems Group implemented the following projects: Full ITS Rollout Acceleration Program, Implementation of Taxpayer Support Infrastructure, Implementation of User Support and Communication Infrastructure, Implementation of an Internal Administration System (IAS) and External Linkages.

The Full ITS Rollout Acceleration Program was adopted to continue the implementation of the ITS capabilities. Application of the ITS strategy was grouped into two (2) major categories, namely: 1) Implementation of the “Front-end Processes” consisting of the Registration, Payment, Stopfiler, and Returns Processing Capability rollouts and 2) Implementation of the “Back-End Processes” consisting of the Accounts Receivable, Audit, Tax Credits and Refunds, Tax Reconciliation, and National Office Management Information Capabilities.<sup>625</sup>

Regarding of Taxpayer Service Support Infrastructure, the BIR Web Page which can be accessed at [www.bir.gov.ph](http://www.bir.gov.ph) and Information Kiosks were improved. These stand-alone facilities provided updated tax information and venue for taxpayers to interact with BIR online.<sup>626</sup>

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<sup>624</sup> BIR Annual Report 2000, pp. 29-30

<sup>625</sup> *Ibid.*, p. 32

<sup>626</sup> *Ibid.*, p. 33

For User Support and Communication Infrastructure, different facilities such as Help Desk, E-mail Facility and Video Conferencing were fully utilized. Help Desk managed the reporting and resolution of all types of problems faced by BIR personnel at any level and from any unit. E-Mail Facility provided better and faster exchange of information among BIR personnel. The Video Conferencing enabled the conduct of meetings between two or more sites remote from each other through the use of close-circuit television. Thus, saves transportation costs, time and effort.

Another part of the TCP was the implementation of an Internal Administrative System (IAS) wherein two major software packages were installed and implemented at Human Resource Development and Financial & Administrative Services. These were the PeopleSoft-Human Resource Management Information System (HRIS) and Financial Management Information System (FMIS).<sup>627</sup>

The HRIS provided an integrated human resource system for personnel administration, training management, training delivery and employee welfare, on the other hand, the FMIS provided a financial reporting system for budget, accounting and cashiering functions pursuant to RMO No. 44-2000.<sup>628</sup>

In terms of eliminating the cost of physical transmittal of documents and making information exchange between agencies easier, the BIR's linkages project were implemented in which five (5) government agencies had an external tie-ups with the Bureau. They were the BOC, LRA, SEC, DILG and Manila City Hall.<sup>629</sup>

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<sup>627</sup> BIR Annual Report 2000, p. 34

<sup>628</sup> RMO No. 44-2000 dated August 25, 2000

<sup>629</sup> BIR Annual Report 2000, p. 35

## COLLECTION PERFORMANCE

### A. Collection vs. Goal

For CY 2000, the total BIR collections reached ₱360.802 Billion, ₱19.482 Billion higher than that of CY 1999 collection amounting to ₱341.320 Billion. Compared to the goal for the year amounting to ₱397.764 Billion, the Bureau recorded a 90.67% level of attainment despite the continuing effect of the economic and political crisis. The biggest source of revenue came from taxes on Net Income and Profit, which contributed 56.50% of the total collections followed by the Excise Taxes and Value Added Taxes at 17.09% and 14.75% shares, respectively.<sup>630</sup> The Large Taxpayers Service (LTS) and Excise Taxpayers Service (ETS), the implementing offices in the National Office generated ₱196.94 Billion representing 54.58% of the total collection by implementing group.<sup>631</sup>

Of the collection from the National Office, LTS contributed 32.82% while ETS share was 21.77%. The remaining 45.42% was generated by the regional offices with RR No. 8 – Makati collecting 11.59%, RR No. 6 – Manila with 11.54%, RR No. 7 – Quezon City with 8.44% and all other regions with 13.85%.

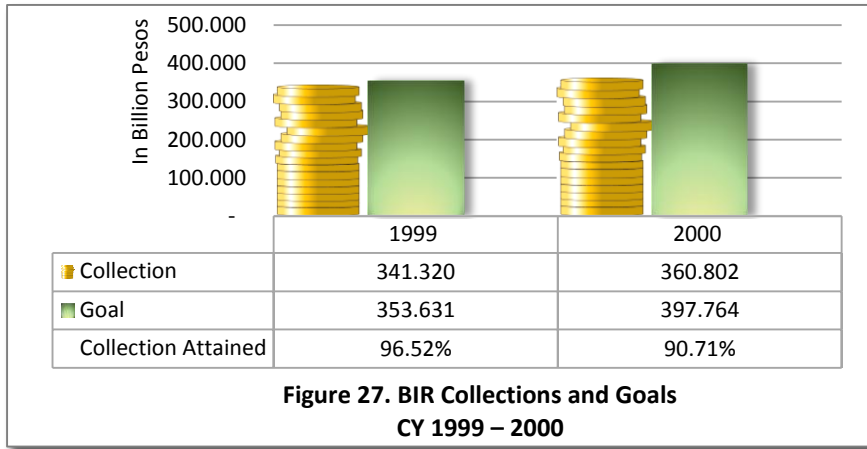
Nine (9) out of twenty (20) revenue regions surpassed their assigned goal for CY 2000. The top five revenue regions that registered the largest percent of excess over its assigned collection goal were the following: RR No. 14 – Tacloban City with ₱470.50 Million excess or 30.43%, followed by RR No. 10 – Legaspi City with ₱139.97 Million excess or 9.51% and RR No. 1 – Calasiao, Pangasinan with ₱173.51 Million excess or 7.43% excess against targets. The fourth and fifth in rank were RR No. 13 – Cebu City with ₱551.22 Million excess or 7.21% and RR No. 3 – Tuguegarao, Cagayan with ₱65.78 Million excess or 6.07%.<sup>632</sup> (Figure 27)

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<sup>630</sup> *BIR Annual Report 2000, p. 2*

<sup>631</sup> *Ibid., p. 14*

<sup>632</sup> *Ibid., pp. 15 & 41*



## B. Cost of Operations

In CY 1999, the total expenditure of the Bureau amounted to ₱3.413 billion. The greatest bulk of the Bureau's operations cost was allotted for Personal Services which comprised of 60.16% the total expenditure. With the ₱341.320 Billion collection during the year, the cost to collect every ₱100 revenue was ₱1.00 in 1999, which was the same as last year's cost to collect.<sup>633</sup>

For CY 2000, the total expenditure of the BIR has reached ₱3.778 Billion. As in the past five years, the greatest bulk of the Bureau's operations cost was allotted for Personal Services which constituted 61.17% of the total expenditure. With the ₱360.802 billion collection during the year, the cost to collect every ₱100.00 revenue was ₱1.05 in CY 2000. This represents a 5% increase over previous year's cost of ₱1.00.<sup>634</sup> (Table 49)

<sup>633</sup> BIR Annual Report 1999, p.36

<sup>634</sup> BIR Annual Report 2000, p.31

**Table 49. Expenditures and Cost of Collecting ₱100  
CY 1999 – 2000**

Calendar Year	Expenditures	% Inc./Dec.)	Cost of Collecting ₱100	% Inc./Dec.)
1999	3,413,299,000.00		1.00	
2000	3,777,850,000.00	9.65	1.05	4.76

## PERSONNEL COMPLEMENT

The workforce of the BIR for CY 2000 was 1.76% lower than the previous year. From 12,058 employees in CY 1999, it decreased in number to 11,850 in year 2000. The decrease can be attributed to the retirement of some employees and officials of the Bureau.<sup>635</sup> (Table 50)

**Table 50. Number of Employees  
CY 1999 – 2000**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
1999	12,058		
2000	11,850	(208)	(1.76)

<sup>635</sup> BIR Annual Reports 1999, p. 35; 2000, p. 31



*René G. Bañez*

**Commissioner of Internal Revenue**

(February 5, 2001 – August 19, 2002)



## RENÉ G. BAÑEZ

Commissioner **René G. Bañez** earned his Bachelor of Laws from the Ateneo de Manila University (AdMU). He later became a faculty member at the AdMU College of Law. He also worked at Joaquin Cunanan and Company/Price Waterhouse (Phils.) as a Tax Consultant until he became a Tax Principal and Partner in 1993. He joined the Bureau and was appointed as Deputy Commissioner for Resource Management Group from June 29, 1993 to November 29, 1995.

He left government service in 1995 and joined Metro Pacific Corporation as Group Vice President for tax. He also served as Senior Vice President for Support Services and Tax Management at PLDT before he was invited by Secretary Romulo to join BIR as Commissioner on February 5, 2001.<sup>636</sup>

### GENERAL ADMINISTRATION

The administration of Commissioner Bañez adopted the Electronic Filing and Payment System (eFPS) which encouraged paperless filing of tax returns and payment of taxes through the internet.<sup>637</sup>

The Electronic Filing and Payment System (eFPS) was instituted in compliance with the President's directive to implement the E-Commerce Act of 2000. It made filing of tax returns easier and more convenient for taxpayers through the BIR website, [www.bir.gov.ph](http://www.bir.gov.ph). The BIR website was launched in April 2001 which served as venue for online interactions between taxpayers and the BIR.<sup>638</sup>

Various collection measures contributed to the increase in collection by 7.73% during Commissioner Bañez's first year (2001) in service. Some of these were the monitoring of Local Government Unit (LGU) remittances, implementation of the program regarding withholding tax, implementation of on-line Documentary Stamp Tax (DST) Metering Machine, and the

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<sup>636</sup> BIR Monitor Volume 3 No. 2 January 2001, p. 1

<sup>637</sup> BIR Monitor Volume 3 No. 4 March 2001, p. 2

<sup>638</sup> BIR annual Report 2001, p. 33

implementation of Compromise Settlement Program in accordance with Revenue Regulations No. 7-2001.

Other measures initiated were the Voluntary Assessment Program (VAP). The VAP was launched and implemented through Revenue Regulations Nos. 8-2001 and 10-2001. The program granted the privilege of last priority in audit and investigation of all internal revenue taxes of those taxpayers who voluntarily paid a certain percentage over and above the basic tax due per return. Said program aimed to maximize revenue collection with at least administration cost, encourage voluntary compliance and maintain harmonious relations with taxpayers by minimizing investigative inconvenience.<sup>639</sup>

Commissioner Bañez also encouraged BIR personnel to use the e-mail facility in disseminating memos and correspondences and in communicating/circularizing management reports and such other information materials.<sup>640</sup>

The BIR Transformation Process was also initiated where proposed reforms were geared towards improving the tax system, reengineering tax processes, restructuring the BIR and redesigning human resource policies systems and procedures.<sup>641</sup>

As part of the transformation process of the Bureau, he created the Transformation Project Management Office that studied, conceptualized, designed and developed transformation initiatives.

With the vision of transforming the Bureau into a taxpayer-focused agency, he issued Revenue Memorandum Circular No. 4-2001 which prohibited all revenueurs from accepting gifts or any other valuable item/s given in the course of official duties. Any official/employee caught will be

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<sup>639</sup> *BIR Annual Report 2001*, pp. 21-23

<sup>640</sup> *BIR Monitor Volume 3 No. 4 March 2001*, p. 4

<sup>641</sup> *Ibid.*, p. 2

held liable under the pertinent Civil Service Laws and Anti-graft and corruption practices.<sup>642</sup>

## ORGANIZATION

On May 2001, Commissioner Bañez ordered a major reshuffle of top revenue officials to strengthen the collection efforts of the Bureau. Some officials were transferred and some were promoted. Commissioner Bañez also conducted dialogues with officials and personnel of different regions to address issues and concerns of all revenue officers for he believed that this is one way of making the transformation process consultative in approach.

## COLLECTION PERFORMANCE

### A. Collection vs. Goal

In CY 2001, the BIR collected ₱388.679 Billion exceeding the goal amounting to ₱388.058 Billion for the year by ₱0.621 Billion or 0.16% for the first time since 1997. Despite the slower pace of growth of the Philippine economy partly as a result of the global slowdown, the Bureau still performed creditably. The good collection performance can be attributed to the implementation of several administrative measures of the agency. Taxes on Net Income and Profit registered a 57.48% share from the total collection, followed by Value Added Taxes and Excise Taxes at 15.24% and 15.10%, respectively.<sup>643</sup> The Large Taxpayers Service (LTS) collected a total of ₱220.55 Billion representing 56.74% of the total collections, while the Revenue Regions (RR) accounted for the balance of 43.26%. Seventeen (17) out of twenty (20) Implementing Offices exceeded their collection targets in CY 2001 ranging from 0.06% to 16.27%. The top five revenue regions that registered the largest percent of excess over target were the following: RR No. 2 – Cordillera Adm. Region with ₱243.67 Million excess or 16.27%, followed by RR No. 18 – Cotabato City with ₱222.06 Million excess or 15.38% and RR No. 1 – Calasiao, Pangasinan with ₱306.22 Million excess or 13.53% excess against targets. The rest of the regions were RR No. 12 – Bacolod City

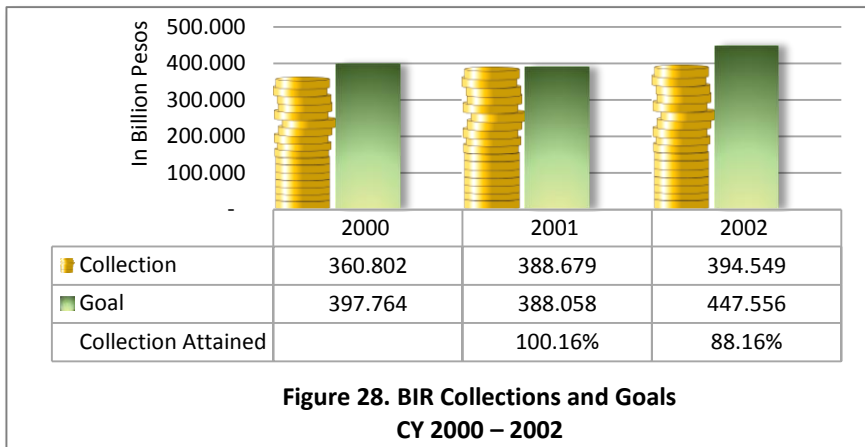
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<sup>642</sup> BIR Monitor Volume 3 No. 4 March 2001, p. 1

<sup>643</sup> BIR Annual Report 2001, pp. 5-6

with ₱232.57 Million excess or 11.76% and RR No. 15 – Zamboanga City with ₱122.11 Million excess or 10.50%.<sup>644</sup>

For CY 2002, a total BIR collection of ₱394.549 Billion was generated but fell short compared to goal by ₱53.007 Billion or 11.84%. The Bureau realized an 88.16% level of attainment of its goal of ₱447.556 Billion for the year despite the Mindanao crisis and peso devaluation. Taxes on Net Income and Profit registered a 57.40% share from the total revenue collected followed by Value Added Taxes and Excise Taxes at 16.71% and 14.45% shares, respectively.<sup>645</sup> Among the implementing groups, LTS – National Office collected a total of ₱216.73 Billion, representing 54.93% of the total collection while Revenue Regions accounted for the 45.07%. Of the twenty (20) revenue regions only two (2) overshot their respective goals for CY 2002, RR No. 6 – Manila having ₱2,270.38 Million excess or 5.26% and RR No. 14 – Tacloban City with ₱34.76 Million excess or 1.76% excess against targets.<sup>646</sup> (Figure 27)



<sup>644</sup> BIR Annual Report 2001, pp. 10 & 54-55

<sup>645</sup> BIR Annual Report 2002, pp. 6-8

<sup>646</sup> *Ibid.*, pp. 12 & 52-53

**B. Cost of Operations**

In CY 2001, the Bureau’s expenses reached ₱4.858 Billion which represented a cost of ₱1.25 for every ₱100 added to the government coffer.

For CY 2002, the total expenditure of the Bureau amounted to ₱4.045 Billion. The greatest bulk of the Bureau’s operations cost was allotted for Personal Services which comprised of 62.31% the total expenditure. With the ₱394.549 billion collection during the year, the cost to collect for every ₱100 revenue was ₱1.03, which was lower than last year’s cost to collect of ₱1.25.<sup>647</sup> (Table 51)

**Table 51. Expenditures and Cost of Collecting ₱100  
CY 2000 – 2002**

Calendar Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
2000	3,777,850,000.00		1.05	
2001	4,858,491,418.73	22.24	1.25	16.00
2002	4,045,797,000.00	(20.09)	1.03	(21.36)

**PERSONNEL MANAGEMENT**

The total number of employees for CY 2001 was 11,789. It decreased to 11,352 in CY 2002. The decrease can be attributed to the retirement of some employees and officials of the Bureau. In addition, recruitment for vacant positions has been very minimal this year due to presidential directive that hiring of new personnel is limited to Lawyers and Information Technology (IT) personnel only.<sup>648</sup> (Table 52)

**Table 52. Number of Employees  
CY 2000 – 2002**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
2000	11,850		
2001	11,789	(61)	(0.52)
2002	11,352	(437)	(3.85)

<sup>647</sup> BIR Annual Report 2002, p.46 & (E=GC/CT)

<sup>648</sup> BIR Annual Report 2001 – 2002

# CHAPTER IX

## VIABILITY OF MODERN TECHNOLOGY IN THE BIR



*Guillermo L. Parayno, Jr.*

**Commissioner of Internal Revenue**

(August 30, 2002 – July 11, 2005)

## **GUILLERMO L. PARAYNO, JR.**

Commissioner **Guillermo L. Parayno, Jr.** graduated Magna Cum Laude at the Philippine Military Academy in 1970. He served as a Consultant at Philippine Economic Zone Authority (PEZA) and was also a former NCR Director for the Economic Intelligence and Investigation at the Department of Finance with extensive background in economic intelligence, re-engineering and military training.

In private practice, he acted as Board of Director for Toyota Motors Corporation and Co-Chairman and President for Lina Group of Companies.

Commissioner Parayno was a former Commissioner of the Bureau of Customs (BOC) during the term of President Ramos (1992-1998) before he was appointed as BIR Commissioner on August 30, 2002.<sup>649</sup>

### **GENERAL ADMINISTRATION**

Several flagship programs and other initiatives pertaining to collection and audit were implemented by Commissioner Parayno aside from other existing programs that were enhanced and strictly monitored. Some of these programs were:

- The Reconciliation of Listings for Enforcement or RELIEF System to keep an eye on under declarations of taxable income by taxpayers. Summary Lists of Sales and Purchases (SLSP) were submitted by taxpayers, consolidated and matched with tax declarations filed with the BIR to determine if there were potential under declared revenues or over claimed costs and expenses.<sup>650</sup>
- Voluntary Assessment and Abatement Program (VAAP) to give taxpayers the chance to correct their under-declared sales/receipts and income.<sup>651</sup>

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<sup>649</sup> *BIR Monitor 2002 Vol.4 No.8, p.1*

<sup>650</sup> *BIR Annual Report 2004, p.31*

<sup>651</sup> *BIR Annual Report 2002, p.19*



Electronic services of the BIR. These were expanded to provide outstanding service to the taxpaying public and utilize the viability of modern technology. Likewise, to help improve taxpayer compliance and support collection efforts. These were as follows:

- Electronic Filing and Payment System (eFPS). This was instituted in 2001 in compliance with the e-Commerce Act. This system was expanded in 2003.



- Payment Gateways (Bancnet) – using the BANCNET ATM gateway, this option enabled the taxpayers to e-pay for online interface with eFPS.<sup>652</sup>

- e-Substituted-filing/e-filing of tax returns – an electronic submission of the employer’s annual information return (BIR Form 1604CF) together with the alphabetical list of employees’ income and tax details to the BIR which served as “substitute” Income Tax Return of employees qualified for substituted filing.<sup>653</sup> This was required to be filed and paid on or before January 31 of the year following the calendar year.<sup>654</sup>

- Electronic Registration (eRegistration) – this system allows online registration of taxpayers via internet conveniently.<sup>655</sup>



- Electronic Broadcasting (eBroad) – a tax payment confirmation facility for the payment received through the Accredited Agent Banks (AABs) of the BIR. Through this system, taxpayer payments can be confirmed within 48 hours from transaction date via electronic media (SMS, BIR website and email).<sup>656</sup>



- Electronic Correspondence (eCorrespondence) – provided the BIR a facility for centralized correspondence system covering the expansion of the Letter Notice (LN) Monitoring System from the Reconciliation of Listings for

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<sup>652</sup> BIR Annual Report 2003, pp.41-42

<sup>653</sup> *Ibid.*, p. 42

<sup>654</sup> [www.bir.gov.ph](http://www.bir.gov.ph), BIR Form No. 1604CF

<sup>655</sup> BIR Annual Report 2005, p. 21

<sup>656</sup> *Ibid.*, p. 20

Enforcement (RELIEF) Program, Tax Reconciliation System (TRS), Third Party Information-Bureau of Customs (TPI-BOC) and Stop Filer System, Integration eReport Card and other Integrated Tax System (ITS)-TPI discrepancy reporting systems.

- Electronic Submission (eSubmission) – a facility that allows eFPS taxpayers to electronically transmit BIR Form Nos. 1604CF, 1604E and the Summary List of Sales and Purchases (SLSP).



- Portal Technology (ePortal) – the BIR’s new website and portal (<http://my.bir.gov.ph//>) was launched on December 17, 2004 and fully implemented which made tax information and electronic services accessible 24/7. This render assistance to five sectors, namely: the general public; the ordinary taxpayer; government agencies; the supplier; the banks; and the BIR employees.<sup>657</sup>

- Electronic Sales Reporting System (eSales) – resulted from the issuance of RR No. 5-2005 which required the submission of monthly sales report and other information generated by Cash Register Machines (CRMs), Point of Sales Machines (POS) and/or any Machine Sales generating receipt/invoice registered with the BIR.<sup>658</sup>



- Electronic Accreditation / Registration of Cash Register Machines (CRMs), Points of Sales (POS) Machines and other Business machines – an accreditation process where suppliers of machines and developers of softwares presented the control specifications of their machines/softwares to the members of the Bureau’s Machine Accreditation Board.<sup>659</sup>

- Mobile Payment (M-Payment)/ Expanded M-Payment – this system was introduced on January 3, 2005 so taxpayers can easily pay their

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<sup>657</sup> BIR Annual Report 2005, p. 22

<sup>658</sup> *Ibid.*, p.23

<sup>659</sup> *Ibid.*, p.24

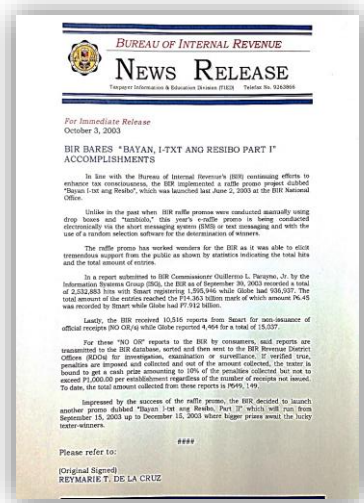
registration fees through text messaging anytime, anywhere. It was enhanced with the roll-out of the expanded G-Cash.

- Letter of Authority Monitoring System (LAMS) – it automated the monitoring and control of manually issued Letter of Authority (LAs) from the time it was released by the approving office up to its termination/closure. Enhancements to the LAMS forms an integrated, on-line network together with building-up of its database.<sup>660</sup>
- Business Intelligence / Letter Notices Monitoring System (LNMS) – a system that automates the generation and deployment of LNs issued under RELIEF System via the BIR Information Delivery Portal. It also gives effective on-line updates of LN status and collection progress thus, it provides management with accurate LN reports on time.

Tax Compliance Verification Drive (TCVD) – massive tax mapping activities were conducted to numerous business establishments to expand the Bureau’s tax base, ensure tax compliance, and boost tax collection effort.<sup>661</sup>

Part of the Taxpayer Information and Education Division’s (TIED) mandate was to communicate information on BIR, tax and other related matter to its stakeholders and to establish linkages with media. In view thereof, a newsletter called News Release was issued on October 3, 2003 entitled “BIR Bares “Bayan, I-txt ang Resibo Part I” Accomplishments.<sup>662</sup>

To further intensify the Bureau’s effectiveness on audit and enforcement and anti-tax evasion program, the BIR and the DOF joined forces and initiated the Run After Tax Evaders (RATE) Program. It targeted



<sup>660</sup> BIR Annual Report 2005, p.25

<sup>661</sup> *Ibid.*, pp.26-27

<sup>662</sup> BIR News Release, October 3, 2003

to successfully prosecute high-profile tax evaders. This flagship program served to emphasize the Bureau's constant reminder to the public that tax evasion is a criminal offense punishable under the law.

In CY 2003, a tax campaign that was established with the theme: "Buwis Ko, Alay Ko" for early filing of tax return. Various billboards were displayed in important areas in Metro Manila and provinces. Advertisements thru multi-media systems and other campaign materials and free airtime in showing BIR infomercials were sponsored by private groups in support to the campaign.



"BIR on Wheels" Program was launched at the ABS-CBN on February 26, 2003 to further escalate the taxpayer service and awareness. This aimed to bring the BIR functions closer to the public and to encourage professionals from the entertainment industry to register as VAT taxpayers. Among the services offered were issuance of Taxpayer Identification Number (TIN), acceptance of registration payments and issuance of Certificate of Registration, updating of BIR registration information and attending to other taxpayer's queries.

"VAT Riders Team" named the BIR VAT Riders who joined the Tour Pilipinas 2003, a fifteen stage 2.456-kilometer cycling marathon that was started on April 26 and ended on May 11, 2003 sponsored by the Lina Group of Companies. This was to encourage tax consciousness and voluntary compliance, particularly in Value-Added tax (VAT).

"Bayan I-text ang Resibo" a raffle promo was also started on June 2, 2003 to further intensify tax awareness by encouraging consumers to habitually ask for receipts for purchased goods and rendered services. This raffle was conducted electronically via Short Messaging System (SMS) or texting.<sup>663</sup>



<sup>663</sup> BIR Annual Report 2003, pp. 29-31

To improve taxpayer satisfaction and compliance, the Bureau established a BIR Contact Center which was launched in the National Office on August 4, 2003 on the occasion of the Bureau's 99<sup>th</sup> Anniversary celebration. This encouraged voluntary compliance of taxpayers by making tax information more accessible to them by calling 981-8888, from which they can easily obtain accurate and consistent tax information as well as complaints and feedback concerning tax administration.<sup>664</sup>

In 2004, the eLounges in RR Nos. 6 – Manila, 7 – Quezon City and 8 – Makati were also established to encourage taxpayers, particularly those who have no internet facilities, to use the Bureau's online services by rendering them the technical facility they need.<sup>665</sup>

On September 22, 2004, with the huge success of the previous year's "Bayan I-text ang Resibo" or e-affle project, the BIR was awarded the Grand Gawad Oscar M. Florendo (GOF) Award as outstanding public information program and has earned international recognition after given a nomination in the prestigious 2004 Management Information Systems (MIS) Innovation awards in Singapore.<sup>666</sup>

## **TAX ERODING MEASURES**

The following tax eroding measures greatly affected the collection thus, were monitored by the Bureau:

- Section 4 of Republic Act No. (9257) or the "Expanded Senior Citizens Act of 2003" dated July 22, 2003 granted additional benefits and privileges to Senior Citizens as follows: A 20% discount on medical and dental services, diagnostic and laboratory fees, including professional fees of attending doctors; 20% discount in fare for domestic air and sea travel; 20% discount in public railways, skyways and bus fare; educational assistance to senior citizens; continuance of same benefits given by GSIS, SSS and PAG-IBIG; retirement benefits of retirees from both the government and private sector; grant of special discounts in special programs on purchase of basic

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<sup>664</sup> *BIR Annual Report 2003, p. 44*

<sup>665</sup> *BIR Annual Report 2004, p. 39*

<sup>666</sup> *Ibid., pp. 21*

commodities by Department of Trade and Industry (DTI) and Department of Agriculture (DA); and provision of express lanes for senior citizens in all commercial and government establishments.<sup>667</sup>

- Revenue Regulations (RR) No. 1-2004 issued on January 20, 2004 exempted agricultural suppliers who are marginal income earners from Creditable Withholding Tax on payments made by hotels, restaurants, resorts, caterers, food processors, canneries, supermarkets, livestock, poultry, fish and marine product dealers, hardwares, factories, furniture shops, and all other establishments.

Marginal income earners, as defined in Revenue Regulations (RR) No. 11-2000, refer to individuals not otherwise deriving compensation as an employee under an employee-employer relationship, but who are self-employed and deriving gross sales/receipts not exceeding ₱100,000.00 during any 12-month period.

- Revenue Regulations (RR) No. 6-2004 issued on May 14, 2004 prescribed the implementation of tax exemptions and privileges granted under Republic Act (RA) No. 9182, otherwise known as “The Special Purpose Vehicle (SPV) Act of 2002.”

With the said issuance, every SPV shall register once with the appropriate Revenue District Office (RDO) on or before the commencement of its business, in accordance with the provisions of Chapter II, Title IX of the National Internal Revenue Code (NIRC) of 1997 and its implementing regulations.

In 2005, Commissioner Parayno implemented relevant provisions of Republic Act Nos. 7227, 7916, 7903 and 7922 otherwise known as “Bases Conversion and Development Act of 1992”, “Special Economic Zone Act of 1995”, “Zamboanga City Special Economic Zone Act of 1995” and “Cagayan Special Economic Zone Act of 1995”, respectively. All ecozone registered enterprises, Cagayan-ecozone registered enterprises and Zambo-ecozone registered enterprises which were covered by the special tax regime of 5%

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<sup>667</sup> Republic Act No. 9257: The LAWPHIL Project, retrieved from [http://www.lawphil.net/statutes/repacks/ra2004/ra\\_9257\\_2004.html](http://www.lawphil.net/statutes/repacks/ra2004/ra_9257_2004.html) on 3/4/2015

including all Subic-ecozone registered enterprises doing business within the zone enjoyed tax exemptions and incentives as prescribed in Revenue Regulations No. 2-2005 issued on February 15, 2005.

## COLLECTION PERFORMANCE

### A. Collection vs. Goal

In CY 2003, the BIR posted a total collection amounting to ₱426.010 Billion exceeding the goal for the year of ₱424.007 Billion by 0.47% or ₱2.003 Billion. Despite difficulties in the internal and external environments caused by the effects of the El Niño, the SARS outbreak, the war in Iraq, the Oakwood Mutiny, the recurring peace and order problems and political instability, the Bureau performed exceptionally well.<sup>668</sup> Taxes on Net Income and Profit accounted for 57.30% followed by Value Added Taxes and Excise Taxes at 19.40% and 13.39%, respectively.<sup>669</sup> The Large Taxpayers Service (LTS) contributed 54.53% out of the total collection by implementing offices while the Revenue Regions contributed 45.47%. Ten out of 20 implementing offices exceeded their collection targets for CY 2003. The top five revenue regions that posted the most noticeable performance and exceeded its assigned collection goal were the following: RR No. 14 – Tacloban City ranked first with ₱367.64 Million excess or 17.94%, followed by RR No. 6 – Manila with ₱7, 036.51 Million excess or 15.11% and RR No. 12 – Bacolod City with ₱146.77 Million excess or 6.94% excess against targets. The rest of the regions were RR No. 9 – San Pablo City with ₱681 Million excess or 4.03% and RR No. 17 – Butuan City with ₱39.30 Million excess or 3.64%, respectively.<sup>670</sup>

In CY 2004, the BIR generated a total collection of ₱468.177 Billion representing a 98.29% attainment of the ₱476.306 Billion goal. Despite uncertainties in the economic and political environment (such as the May election), typhoons that hit the country during the fourth quarter, the recurring peace and order problems and the Iraq War, the Bureau was still

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<sup>668</sup> *BIR Annual Report 2003, p. 6*

<sup>669</sup> *Ibid., p.11*

<sup>670</sup> *Ibid., pp. 9 & 60-61*

able to exceed its collection from the previous year.<sup>671</sup> Taxes on Net Income and Profit accounted for 59.42% share from the total revenue collection followed by Value Added Taxes and Excise Taxes at 17.13% and 12.72%, respectively.<sup>672</sup> The LTS collected a total of ₱258.01 Billion which represented 54.94% of total collections while Revenue Regions accounted for ₱211.58 Billion or 45.06%. Ten out of twenty Implementing Offices exceeded their collection targets for CY 2004. The top five regions that exceeded its assigned collection goals were as follows: RR No. 14 – Tacloban City with ₱679.48 Million excess or 30.22%, followed by RR No. 11 – Iloilo City with ₱151.89 Million excess or 4.97% and RR No. 1 – Calasiao, Pangasinan with ₱101.81 Million excess or 3.26% excess against targets. The rest of the regions were RR No. 13 – Cebu City with ₱175.23 Million excess or 3.06% and RR No. 12 – Bacolod City with ₱66.60 Million excess or 2.57%.<sup>673</sup>

In CY 2005, the BIR collected ₱542.697 Billion and achieved 99.23% of the ₱546.899 Billion goal for the year. Considering the tough struggles the country went through – weaker agricultural output, political turmoil, and highly volatile oil prices which persistently hounded both business and government, the Bureau still gave an impressive achievement.<sup>674</sup> Accounting for 59.60% of the Bureau's total CY 2005 collection, Taxes on Net Income and Profit still delivered the highest revenue source. This was followed by Value-Added Tax (VAT) with 16.19% and Excise Taxes with 11.39%. Percentage Taxes and Other Taxes contributed 6.35% and 6.47%, respectively.<sup>675</sup> The LTS collected more than half or 52.67% of the total collection while the Revenue Regions collected 47.33%.<sup>676</sup> Sixteen (16) out of twenty (20) Implementing Groups exceeded their collection targets for CY 2005. The top five revenue regions that registered the largest percent of excess over target were the following: RR No. 2 – Cordillera Adm. Region with ₱1,301.48 Million excess or 57.51%, followed by RR No. 1 – Calasiao, Pangasinan with ₱890.81 Million excess or 25.32% and RR No. 11 – Iloilo City

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<sup>671</sup> *BIR Annual Report 2004*, p. 6

<sup>672</sup> *Ibid.*, p.10

<sup>673</sup> *Ibid.*, pp. 9 & 54-55

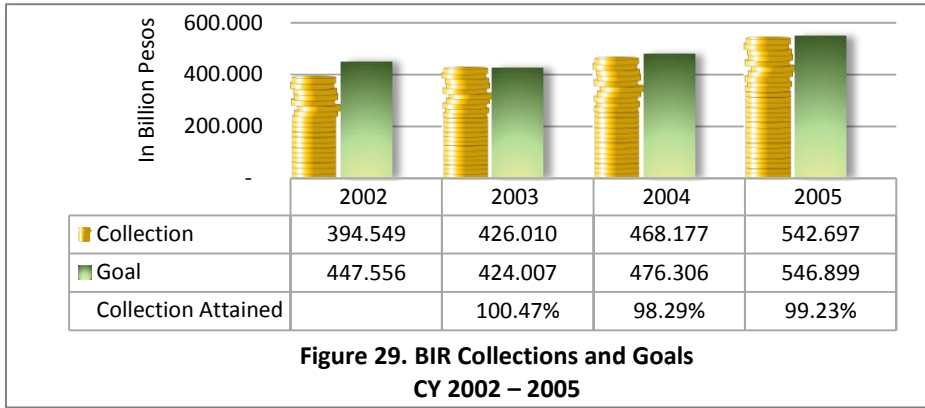
<sup>674</sup> *BIR Annual Report 2005*, p. 6

<sup>675</sup> *Ibid.*, p.11

<sup>676</sup> *Ibid.*, p.9



with ₱157.81 Million excess or 4.47% excess against targets. The rest of the regions were RR No. 6 – Manila with ₱2,625.64 Million excess or 4.02% and RR No. 19 – Davao City with ₱190.00 Million excess or 3.99%.<sup>677</sup> (Figure 28)



## B. Cost of Operations

In CY 2003, the total expenditure of the Bureau amounted to ₱3.536 billion. The greatest bulk of the Bureau’s operations cost was for Personal Services which comprised 70.92% of the total expenditure. With the ₱426.010 Billion collection during the year, the cost to collect for every ₱100 revenue was ₱0.83. This was lower than last year’s cost to collect of ₱1.03 by ₱0.2 or 24%.<sup>678</sup>

For CY 2004, the total expenditure of the Bureau amounted to ₱3.885 Billion compared to last year’s ₱3.536 Billion. The main bulk of the operations cost came from Personal Services which comprised 65.27% of the total obligations. Cost to collect for every ₱100 revenue was ₱0.83 with the Bureau’s collection of ₱468.18 Billion during the year. Said cost was the same as last year’s cost to collect.<sup>679</sup>

<sup>677</sup> BIR Annual Report 2005, pp. 54-55

<sup>678</sup> BIR Annual Report 2003, p.53

<sup>679</sup> BIR Annual Report 2004, p.46

In CY 2005, total expenditure of the Bureau amounted to ₱3.731 Billion compared to last year's ₱3.885 Billion. The main bulk of the operations cost came from Personal Services which comprised 69.90% of the total obligations. Cost to collect for every ₱100 revenue stood at ₱0.69 vis-à-vis the Bureau's collection of ₱542.697 Billion during the year. The said cost was relatively lower by ₱0.14 than last year's cost.<sup>680</sup> (Table 53)

**Table 53. Expenditures and Cost of Collecting ₱100**  
CY 2002 – 2005

Calendar Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
2002	4,045,797,000.00		1.03	
2003	3,536,438,000.00	(14.40)	0.83	(24.10)
2004	3,884,605,000.00	8.96	0.83	-
2005	3,730,513,000.00	(4.13)	0.69	(20.29)

## PERSONNEL COMPLEMENT

The BIR workforce increased yearly at 11,543 in CY 2003, 11,602 in CY 2004 and 11,886 in CY 2005. The increase can be attributed to the continuous hiring of personnel to augment manpower complement for the various programs to increase tax collection like ONETT, VAAP, Prosecution of tax cases, etc. In addition, recruitment for all vacant positions has been implemented as a requirement of the DBM for the appropriate budget allocation of the Bureau.<sup>681</sup> (Table 54)

**Table 54. Number of Employees**  
CY 2002 – 2005

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
2002	11,352		
2003	11,543	191	1.65
2004	11,602	59	0.51
2005	11,886	284	2.39

<sup>680</sup> BIR Annual Report 2005, p.45

<sup>681</sup> BIR Annual Report 2003 – 2005



*Jose Mario C. Buñag*

**Commissioner of Internal Revenue**

(December 15, 2005 – July 1, 2007)

## JOSE MARIO C. BUÑAG

Commissioner **Jose Mario C. Buñag** graduated cum laude at Ateneo de Manila University with a degree of Bachelor of Arts and Bachelor of Laws as class valedictorian. He was a second placer in the 1968 Bar Examination. He finished his master's degree in Comparative Jurisprudence at the New York University School of Law on a fellowship and was included to the New York bar in 1989.

Before he joined the BIR in December 16, 2002, he was a partner in prominent law firms and being a topnotch lawyer, he was the President of the Tax Management Association of the Philippines in 1991. He also founded and acted as managing partner of Buñag and Associates.

He was a Deputy Commissioner for Legal & Inspection Group before he was appointed as Commissioner of the Bureau on December 15, 2005.<sup>682</sup>

### GENERAL ADMINISTRATION

On the early part of the year 2006, the BIR Strategy Map 2006-2010 was crafted and prescribed in Revenue Memorandum Order (RMO) No. 12-2006. This included the following: 1. Exceed Collection Targets; 2. Improve Taxpayer Satisfaction; 3. Improve Taxpayer Compliance; 4. Improve Taxpayer and Taxfiler Base; 5. Improve Processes; 6. Improve Knowledge Management; 7. Improve Integrity, Professionalism, Competence and Satisfaction of Human Resource; and 8. Rationalize Budget.<sup>683</sup>

Several programs were continued/initiated by Commissioner Buñag to increase voluntary compliance and attain collection targets, as follows:

- Implementation of the Expanded Value-Added Tax (EVAT) Law, pursuant to Republic Act (RA) No. 9337 signed on May 24, 2005, was monitored to increase voluntary compliance wherein the Bureau conducted specific audit of taxpayers with huge excess input tax credits and verified correctness of the application of the law on the spreading out of input taxes

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<sup>682</sup> *BIR Monitor 2005 Vol.7 No.7, p.1*

<sup>683</sup> *Revenue Memorandum Order No. 12-2006 dated February 1, 2006*

on purchases/importation of capital goods exceeding ₱1 Million and the 70% cap.

- Tax collection from enhanced One-Time Tax Transactions (ONETT) increased especially from sales, exchanges or disposition of real properties.
- Zonal values were updated and uploaded in the BIR Portal for easy access of different stakeholders and that in CY 2006, the Technical Committee on Real Property Valuation (TCRPV) was able to resolve and issue seventy (70) resolutions.
- Audit and investigation was intensified through the conduct of quality audit of selected tax returns. Total collections generated amounted to ₱8,515.58 Million with 19,146 closed cases.<sup>684</sup>

Existing programs were enhanced and strictly monitored to improve taxpayer satisfaction. Included among others were the following:

- Expansion of BIR Contact Center due to overflowing calls. Two regional contact centers located in RR No. 9 in San Pablo City and RR No. 13 in Cebu City were installed.
- Establishment of eLounges nationwide to provide taxpayers free electronic medium to access BIR web services. This enabled taxpayers to electronically file returns and pay taxes due from them. They can as well avail of other eServices that the BIR is rendering like TIN application, download forms and get other online information.
- The Run After Tax Evaders (RATE) Program was one of the Bureau's priority endeavor against tax evasion by prosecuting high profile tax evaders. This program instilled to the taxpaying public that it was a crime to evade paying taxes and the violators will be detected and penalized. A total of eighty-one (81) cases were instituted. This program was also expanded to Regional Offices.<sup>685</sup>

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<sup>684</sup> BIR Annual Report 2006, pp. 17-18

<sup>685</sup> *Ibid.*, pp. 23-26

- Establishment of additional modes of tax payment to encourage voluntary compliance. These are mobile payments through the G-Cash, use of efficient service machines in selected branches of the Land Bank of the Philippines and additional number of banks accepting tax payments through the Electronic Filing and Payment System (eFPS).<sup>686</sup>



- Implementation of National Rollout of Computerized Systems (NRCS) was also implemented to improve the Bureau's assistance process. It aimed to roll-out the core Integrated Tax System (ITS) in the remaining non-computerized Revenue District Offices.<sup>687</sup>

To further intensify the enforcement efforts, several programs were implemented. These were as follows:

- Stop-Filer Program
- Accounts Receivables/Delinquent Accounts Program<sup>688</sup>
- Tax mapping operations under the TCVD Project which was intensified to broaden the Bureau's tax base.
- "Premyo sa Resibo" Promo. Encouraged by the positive impact of the "resibo" programs of the BIR, paved the way to resurrect another "Short Messaging System (SMS)-based" program in 2006, entitled "Premyo sa Resibo", a joint project with the Philippine Amusement and Gaming Corporation (PAGCOR) intended to improve revenue collections through the implementation of the nationwide text-raffle system.<sup>689</sup>



<sup>686</sup> BIR Monitor 2006 Vol.8 No.3, p. 1

<sup>687</sup> BIR Annual Report 2007, p. 33

<sup>688</sup> BIR Annual Report 2006, pp. 19-20

<sup>689</sup> *Ibid.*, p. 28

- The “No Official Receipt (OR) Complaint” facility wherein non-issuance of official receipts were reported through an email by individuals and business establishments.<sup>690</sup>

Various electronic services were also enhanced to further provide and support the needs of the taxpayers. Some of these eServices were:

- ♦ eReport Card under the eCorrespondence developed for large taxpayers to provide management with taxpayers’ profile by the use of industry benchmarks.



- ♦ electronic broadcasting (eBroad) which caters the confirmation of tax payment received by the Authorized Agent Banks (AABs) of the BIR.
  - ♦ electronic filing and payment system (eFPS) which render paperless tax filing experience and payment of tax through AABs.
  - ♦ eTIN/eRegistration which provides convenient online registration and TIN application.
  - ♦ eSubmission facility which involves electronic submission of various BIR Forms.<sup>691</sup>
  - ♦ The eComplaint System was also rolled-out in April 2006 to provide service excellence with integrity and encourage taxpayers to lodge their complaints against erring revenue officials and employees in any of the three (3) additional channels for lodging complaints. These channels included e-mail, BIR Portal and Short Messaging System (SMS).<sup>692</sup>
- Industry benchmarks was institutionalized to heighten the fight against tax cheat in the country and improve knowledge management. This campaign was to increase the taxpayers’ voluntary compliance by defining

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<sup>690</sup> BIR Annual Report 2006, pp. 27-28

<sup>691</sup> *Ibid.*, pp. 32-34

<sup>692</sup> *Ibid.*, p. 42

standards in measuring taxpayers' performance within the industry groups.<sup>693</sup>

- The Integrity Development Review (IDR) was established to review corruption resistance and assess corruption vulnerability on National Office and several Revenue Regions and District Offices. The IDR was conducted from February to July 2006 and was able to develop a set of recommendations to plug corruption vulnerabilities according to the Final Report dated August 28, 2006.
- The BIR Change Management Team (CMT) conducted series of briefings to revenueurs to clarify matters regarding the BIR Rationalization Program to improve organization and management system. This was pursuant to EO No. 366 that aimed to improve the delivery of services by focusing on vital functions and channeling government resources to core public services.<sup>694</sup>

The National Program Support for Tax Administration Reforms (NPSTAR) was enforced to support the Bureau's effort in implementing a sustainable and long-term tax return agenda and maximize taxpayer compliance. It was a program funded by various international development agencies which intended to improve various areas within the BIR such as taxpayer compliance, tax enforcement and control, human resource development and management and changing/program management.<sup>695</sup>

## **TAX ERODING MEASURES**

Tax eroding measures which has negative tax implication to collection but are monitored by the Bureau are as follows:

- Revenue Regulations (RR) No. 16-2005 dated September 1, 2005 was issued pursuant to the provisions of Sections 244 and 245 of the Tax Code of 1997 pertaining to Title IV of the same code on Value-Added Tax. Section 4.106-6 of RR 16-2005 prescribed that there will be an effectively zero-rated

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<sup>693</sup> *BIR Annual Report 2006, p. 39*

<sup>694</sup> *Ibid., p. 42*

<sup>695</sup> *BIR Annual Report 2007, p. 47*



sale of goods & properties if there is a local sale of goods and properties by a VAT-registered person to a person or entity who was granted indirect tax exemption under special laws or international agreement. The following sales by VAT-registered persons shall be subject to zero percent (0%) rate: Export Sales, Foreign Currency Denominated Sale and Sales to Persons or Entities Deemed Tax-exempt under Special Law or International Agreement.

The services performed in the Philippines by a VAT-registered person which are subject to zero percent (0%) VAT rate are as follows:

- a) processing, manufacturing or repacking goods for other persons doing business outside the Philippines;
- b) services to a person engaged in business conducted outside the Philippines or to a non-resident person not engaged in business who is outside the Philippines when the services are performed;
- c) services rendered to persons or entities whose exemption under special laws or international agreements to which the Philippines;
- d) Services rendered to persons engaged in international shipping or air transport operations, including leases of property for use thereof;
- e) services performed by subcontractors and /or contractors in manufacturing goods for an enterprise whose export sales exceed 70% of the total annual production;
- f) transport of passengers and cargo by domestic air or sea carriers from the Philippines to a foreign country;
- g) sale of power or fuel generated through renewable sources of energy and other emerging sources using technologies such as fuel cells and hydrogen fuels.<sup>696</sup>

Other tax eroding measures implemented by the Bureau were the following:

- Revenue Regulations (RR) No. 4-2006 dated December 2, 2005 implemented the Tax Privileges Provisions of Republic Act No. 9257,

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<sup>696</sup> Revenue Regulations No. 16-2005 dated September 1, 2005

otherwise known as the “Expanded Senior Citizens Act of 2003”, and Prescribing the Guidelines for the Availment Thereof.

The aforesaid regulation was promulgated to prescribe the guidelines for the availment of the income tax exemption privilege granted to senior citizens, the tax benefit granted to benefactors taking care of senior citizens, the tax privilege granted to establishments giving discount on their sale of goods and services to senior citizens, as well as the tax privilege of those employing senior citizens. This is pursuant to Section 244 of the Tax Code of 1997, as amended (Tax Code), in relation to Section 2 of Republic Act no. 9257 (Act), otherwise known as the “Expanded Senior Citizens Act of 2003” and its Implementing Rules and Regulations (IRR) promulgated by the Department of Social Welfare & Development (DSWD) and in consultation with other government agencies.<sup>697</sup>

- Republic Act No. 9442 or the “Magna Carta for Disabled Persons”, amended on July 24, 2006, entitled the persons with disability the following rights:
  - a) at least 20% discount from all establishments relative to the utilization of all services in hotels and similar lodging establishments; restaurants and recreation centers; admission fees charged by theaters, cinema houses, concert halls, circuses, carnivals and other similar places of culture, leisure and amusement for the exclusive use or enjoyment of persons with disability;<sup>698</sup>
  - b) at least 20% discount for the purchase of medicines in all drugstores; medical and dental services including diagnostic and laboratory fees in all government facilities, and professional fees of attending doctors in all private hospitals and medical facilities subject to guidelines to be issued by the Department of Health (DOH), in coordination with the Philippine Health Insurance Corporation (PHILHEALTH);

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<sup>697</sup> Revenue Regulations No. 4-2006 dated December 2, 2005

<sup>698</sup> Republic Act 9442: National Council on Disability Affairs, retrieved from <http://www.ncda.gov.ph/disability-laws/republic-acts/republic-act-9442/> on 3/3/2015

- c) at least 20% discount on fare for domestic air, sea travel, public railways, skyways and bus for the exclusive use and enjoyment of person with disability; d) Educational assistance to persons with disability for them to pursue primary, secondary, tertiary, post tertiary, as well as vocational or technical education, in both public and private schools, through the provision of scholarships, grants, financial aids, subsidies, and other incentives to qualified persons with disability, including support for books, learning material, and uniform allowance to the extent feasible: Provided, that persons with disability shall meet minimum admission requirements;
  - d) to the extent practicable and feasible, the continuance of the same benefits and privileges given by GSIS, SSS, and PAG-IBIG, as the case maybe, as are enjoyed by those in actual service;
  - e) to the extent possible, the government may grant special discounts in special programs for persons with disability on purchase of basic commodities, subject to guidelines to be issued for the purpose by DTI and DA; and
  - f) Provision of express lanes for persons with disability in all commercial and government establishments; in the absence thereof, priority shall be given to them.<sup>699</sup>
- Revenue Regulations (RR) No. 1-2007 dated January 11, 2007 amended certain provisions of RR No. 4-2006, which implemented the tax privileges provisions of Republic Act (R.A.) No. 9257, otherwise known as the “Expanded Senior Citizens Act of 2003”.

The Regulations amended Section 8(5) of RR No. 4-2006 by deleting the TIN requirement as one of the conditions in order that establishments may claim the sales discounts as deductions from gross income. A new Section (Section 10) was also added to clarify the basis of computation of

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<sup>699</sup> Republic Act 9442: National Council on Disability Affairs, retrieved from <http://www.ncda.gov.ph/disability-laws/republic-acts/republic-act-9442/> on 3/3/2015

the Value-Added Tax on the sale to senior citizens with sales discounts by the subject establishments.<sup>700</sup>

- Republic Act No. 9400 as approved on March 20, 2007, is an act amending Republic Act No. 7227, otherwise known as the Bases Conversion and Development Act of 1992, and for other purposes. The following amendments and tax eroding measures were enumerated below:
  - Section 1.C of R.A. No. 9400 on Subic Special Economic Zone states that no national and local taxes shall be imposed within the Subic Special Economic Zone and a five percent (5%) tax on gross income earned shall be paid by all business enterprises within the said economic zone.
  - Section 2 of R.A. No. 9400 on Clark Special Economic Zone (CSEZ) and Clark Freeport Zone (CFZ) states that no national and local taxes shall be imposed on registered business enterprises within the CFZ and a five percent (5%) tax on gross income earned shall be paid by all registered business enterprises within the CFZ.
  - Section 3 of R.A. No. 9400 on Poro Point Freeport Zone (PPFZ) states that no national and local taxes shall be imposed on registered business enterprises within the PPFZ and a five percent (5%) tax on gross income earned shall be paid by all registered business enterprises within the asserted zone.<sup>701</sup>

## COLLECTION PERFORMANCE

### A. Collection vs. Goal

For CY 2006, the BIR collected ₱652.733 Billion achieving a 96.65% level of attainment from its ₱675.353 Billion goal for the year. The shortfall was due to the adverse economic effects of the tropical cyclones that hit the country most especially in the later part of the year. However, the implementation of Republic Act 9337, otherwise known as Expanded Value-

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<sup>700</sup> Revenue Regulations No. 1-2007 dated January 11, 2007

<sup>701</sup> Republic Act No. 9400: The LAWPHIL Project, retrieved from [http://www.lawphil.net/statutes/repacts/ra2007/ra\\_9400\\_2007.html](http://www.lawphil.net/statutes/repacts/ra2007/ra_9400_2007.html) on 3/2/2015

Added Tax (EVAT) Law, brought substantial additional revenue for the Bureau during the said year surpassing its collection from the previous year by 20.28%.<sup>702</sup> Taxes on Net Income and Profit was the highest revenue source accounting for 57.76% of the Bureau's total CY 2006 collection. This was followed by Value-Added Tax (VAT) with 21.59% and Excise Taxes with 8.93%. Percentage Taxes and Other Taxes contributed 5.81% and 5.91%, respectively.<sup>703</sup> The Large Taxpayers Service (LTS) collected more than half or 52.13% of the total collection while the Revenue Regions and Office of the Commissioner of Internal Revenue (OCIR), for non-BIR operations, collected the remaining 47.87%.<sup>704</sup> Of the nineteen (19) revenue regions thirteen (13) overshot their respective goals for CY 2006 with percentage excesses ranging from 0.04% to 12.83%. The following regions were the top five performers: RR No. 1 – Calasiao, Pangasinan with ₱693.25 Million excess or 12.83%, followed by RR No. 8 – Makati City with ₱6,307.45 Million excess or 8.15% and RR No. 6 – Manila with ₱1,977.81 Million excess or 5.97% excess against targets. The other top regions were RR No. 18 – Cotabato City with ₱134.96 Million excess or 5.43% and RR No. 18 – Zamboanga City with ₱67.30 Million excess or 3.58%.<sup>705</sup>

For CY 2007, the BIR collected ₱713.596 Billion representing a 93.18% of the goal of ₱765.859 Billion by 6.82% or ₱52.263 Billion. Lower interest rates and appreciation of the peso affected the Bureau's performance compared to its revenue target.<sup>706</sup> Among the major tax types, Taxes on Net Income and Profit were the main source of collection which contributed 59.87% of the total internal revenue collection. VAT shared 20.32% while Excise Taxes had 7.71% share. Other Taxes and Percentage Taxes added 6.34% and 5.76% shares, respectively.<sup>707</sup> The LTS collected more than half or 59.95% of the total collection while Revenue Regions collected 35.23%. The 4.82% share came from final withholding tax on treasury bills and travel tax classified as revenues from non-BIR

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<sup>702</sup> *BIR Annual Report 2006, p. 6*

<sup>703</sup> *Ibid., p.10*

<sup>704</sup> *Ibid., p. 9*

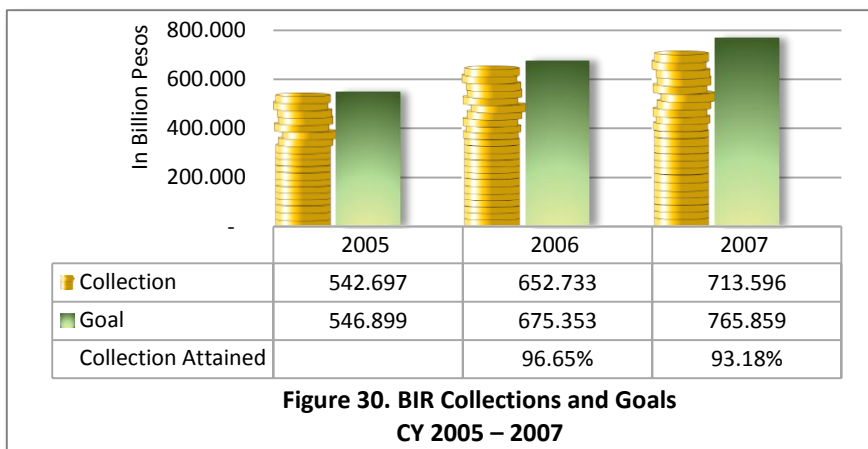
<sup>705</sup> *BIR Annual Report 2007, pp. 56-57*

<sup>706</sup> *Ibid., p. 8*

<sup>707</sup> *Ibid., p.12*

operations.<sup>708</sup> Of the twenty revenue regions only five overshot their respective goals for CY 2007. The top five revenue regions that registered the largest percent of excess over target were the following: RR No. 10 – Legaspi City with ₱601.64 Million excess or 18.99%, followed by RR No. 17 – Butuan City with ₱113.37 Million excess or 5.74% and RR No. 8 – Makati City with ₱2, 370.01 Million excess or 3.37% excess against targets. The rest of the regions were RR No. 16 – Cagayan de Oro City with ₱84.66 Million excess or 2.09% and RR No. 3 – Tuguegarao, Cagayan with ₱26.13 Million excess or 1.23%.<sup>709</sup>

Difficulties and struggles in economic and political environment did not impact on the BIR collections. Despite the implementation of Republic Act No. 7432 – “An Act to Maximize the Contribution of Senior Citizens to Nation Building. Grant Benefits and Special Privileges and for other purposes”, which was approved on April 23, 1992, a tax eroding measure, the BIR still managed to increase its collection. (Figure 30)



<sup>708</sup> BIR Annual Report 2007, p.11

<sup>709</sup> *Ibid.*, pp. 60-61

## B. Cost of Operations

For CY 2006, the Bureau's total expenditure amounted to ₱3.957 Billion compared to last year's ₱3.731 Billion. The bulk of the operations cost came from Personal Services which constitutes 68.59% of the total obligations. The cost to collect for every ₱100 revenue collected by the Bureau, vis-à-vis its total collections of ₱652.73 Billion during the year, stood at ₱0.61.<sup>710</sup>

In CY 2007, the Bureau's total expenditure amounted to ₱4.478 Billion compared to last year's ₱3.957 Billion. The bulk of the operations cost came from Personal Services which constitutes 62.35% of the total obligations. The cost to collect for every ₱100 revenue collected by the Bureau, vis-à-vis total collections of ₱713.60 Billion during the year, stood at ₱0.63.<sup>711</sup> (Table 55)

**Table 55. Expenditures and Cost of Collecting ₱100  
CY 2005 – 2007**

Calendar Year	Expenditures	% Inc./Dec.)	Cost of Collecting ₱100	% Inc./Dec.)
2005	3,730,513,000.00		0.69	
2006	3,956,590,000.00	5.71	0.61	(13.11)
2007	4,478,180,000.00	11.65	0.63	3.17)

## C. Registered Taxpayers

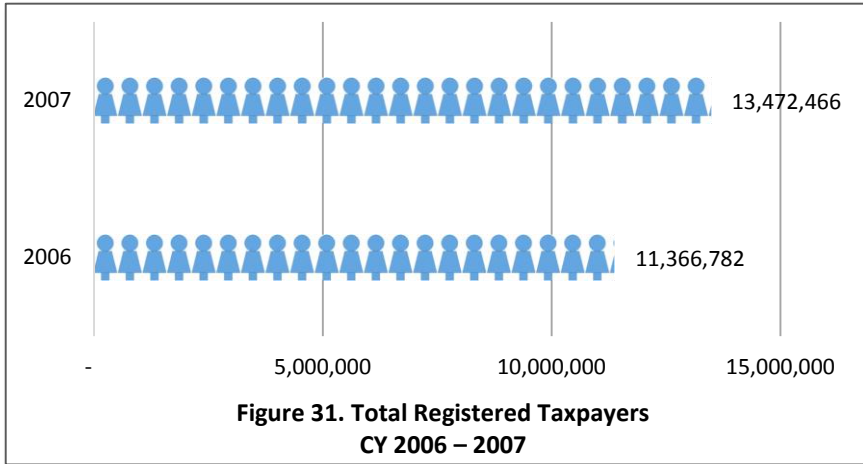
As of December 31, 2007, total number of Registered Taxpayers was 13.47 Million, 18.52% higher compared to 11.37 Million as of end-December 2006. Of the total number of Registered Taxpayers in CY 2007, majority or 9.20 Million were Individual Taxpayers comprising of Compensation Income Earners and Business/Professionals.

The number increased by 16.14% from CY 2006 level of 7.92 Million. Similarly, Corporate Taxpayers increased to 488,466 in CY 2007 from 427,796 in CY 2006. Estate and Trust Taxpayers, Marginal Income Earners,

<sup>710</sup> BIR Annual Report 2006, p.46

<sup>711</sup> BIR Annual Report 2007, p.52

One Time Taxpayer (ONETT), and Other Registered Taxpayers (under Executive Order No. 98 and Non-Resident Citizen) also increased in number from CY 2006 to CY 2007 with 26.64%, 4.35%, 20.15%, and 35.13% respectively.<sup>712</sup> (Figure 31)



**PERSONNEL COMPLEMENT**

The BIR workforce decreased from 11,748 in CY 2006 to 11,475 in CY 2007.<sup>713</sup> (Table 56)

**Table 56. Number of Employees  
CY 2005 – 2007**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
2005	11,886		
2006	11,748	(138)	(1.17)
2007	11,475	(273)	(2.38)

<sup>712</sup> BIR Annual Report 2007, p. 66

<sup>713</sup> BIR Annual Report 2006 – 2007





*Lilian B. Hefi*

**Commissioner of Internal Revenue**  
(September 17, 2007 – November 2, 2008)

## LILIAN B. HEFTI

Commissioner **Lilian B. Hefti** graduated with academic distinction at the Aquinas University of Legazpi where she took up Bachelor of Science in Business Administration Major in Accounting. She passed the CPA Board Examination in 1976 and landed as fifth place. She worked as an Internal Auditor of Investment Underwriting Corporation of the Philippines from July 5, 1977 to January 31, 1978.

On June 26, 1978, she entered the Bureau of Internal Revenue as Revenue Examiner I. While in the Bureau, she worked as a part time accounting professor at Far Eastern University from 1979 to 1980. She took her post-graduate study at San Beda College of Manila where she earned a degree in Bachelor of Laws and graduated as a bronze medalist in 1985. Subsequently, she took and passed the bar examination in the same year and landed third place.

She was designated as Deputy Commissioner for Operations prior to her appointment as the BIR Commissioner on September 17, 2007.<sup>714</sup>

### GENERAL ADMINISTRATION

Commissioner Hefti, to increase voluntary compliance, monitored closely the implementation of the Expanded Value-Added Tax (EVAT) Law pursuant to Republic Act (RA) No. 9337 since the said law was the key fiscal measure of the government.

Various regulations were issued to implement the EVAT law such as Revenue Regulations (RR) No. 4-2007 which amended RR 16-2005 effecting the VAT rate of 12% on every sale, barter or exchange or transactions “deemed sale” on taxable goods or properties starting February 1, 2006; RR 6-2007 prescribing the advance VAT on the sale of refined sugar paid in advance by the owner/seller and RR No. 13-2007 prescribing the policies

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<sup>714</sup> BIR: Records Management Division (PDS of Lilian B. Hefti) & Personnel Division (Service Record of Lilian B. Hefti)

and procedures for the advance payment of VAT/Percentage tax on the transport of naturally grown and planted timber products; Revenue Memorandum Order (RMO) No. 16-2007 which prescribed the additional procedures in the audit of input taxes claimed in the VAT returns by revenue officers; Revenue Memorandum Circular (RMC) No. 23-2007 clarifying the computation of withholding taxes and other requirements on Government Money Payment (GMP) due or payable to suppliers of goods and/or services and RMC No. 53-2007 imposing 12% VAT rate on the sale of non-food agricultural products, marine and forest products and on the sale of cotton and cotton seeds in their original state. Also, an extensive information campaign drive was conducted regarding the law along with DOF officials and BIR representatives.<sup>715</sup>

To intensify audit and investigation, a 2007 Audit Program for the Revenue District Offices under RMO Nos. 12-2007 and 13-2007 were implemented. The former issuance covered audit/investigation of 2006 internal revenue tax credit/refund, estate tax and requests for tax clearance of taxpayers due to retirement of business and the latter directing all revenue officers to focus their enforcement efforts on Vat administration and Excise tax administration.<sup>716</sup>

To intensify collection enforcement efforts the programs implemented were the Accounts Receivable Program which aimed to generate additional revenues and reduce the BIR's inventory of accounts receivables; Stop-Filer Program which served as a tool that monitors tax compliance of all registered taxpayers; and Compromise Settlement Program which allowed taxpayers to settle their tax liabilities with outstanding accounts or disputed assessments subject to prescribe minimum compromise rates. This was embodied in RR No. 30-2002.<sup>717</sup>

To intensify collection from other administrative measures, Tax Amnesty Program, a short term basis program was implemented. The Department of Finance (DOF) issued through Department Order No. 29-07

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<sup>715</sup> *BIR Annual Report 2007, p.21*

<sup>716</sup> *Ibid., p. 22*

<sup>717</sup> *Ibid., p. 23-24*

dated August 15, 2007, the Implementing Rules and Regulations (IRR) of R.A. No. 9480, otherwise known as the “Tax Amnesty Act of 2007”.<sup>718</sup>



To improve taxpayer satisfaction, the quality of customer service was enhanced. This was effected by intensifying tax campaign which revolved around the theme “Share to the Nation’s Progress, Pay your Correct Taxes” (Makibahagi sa Kaunlaran, Tamang Buwis ay Bayaran). Activities undertaken by the Regions/RDOs started with a caravan on major thoroughfares participated in by revenueurs, public and private sectors, non-government organizations and other civic groups. Dialogues with business and social organizations were also conducted to seek support to the Bureau’s tax collection program and activities.

Another initiative effected was the establishment of e-Lounges nationwide to provide convenient customer service. This project posted a total of 40,958 transactions for CY 2007 from taxpayers using the e-lounge facility. Part of providing quality customer service was the improvement of the BIR Contact Center (BIRCC) by upgrading and improving its systems. The BIRCC is an effective tool in servicing the needs of taxpayers by providing updated information on tax laws, regulations and procedures and responding to inquiries of taxpayers thru telephone, voice mail, email and fax. Feedbacks and complaints from taxpayers can also be addressed through a single point of contact number (981-8888).<sup>719</sup>

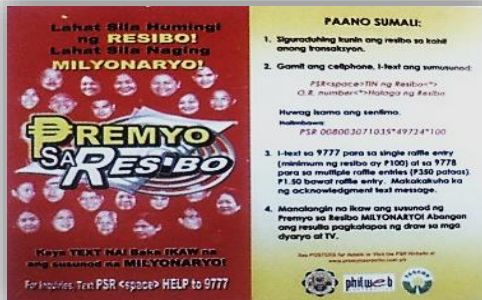
To intensify the enforcement activities, the Run After Tax Evaders (RATE) Program was strengthened. Under this program, the BIR was mandated to investigate individuals and/or entities engaged in tax evasion and other criminal violations of the National Internal Revenue Code (NIRC) of 1997. A nationwide tri-media RATE information campaigns were conducted in eighteen (18) Regional Offices. Trainings and capacity-building

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<sup>718</sup> BIR Annual Report 2007, p. 25

<sup>719</sup> *Ibid.*, pp. 26-28

of BIR investigators and lawyers, DOJ prosecutors and CTA lawyers were conducted to ensure successful prosecution and conviction, especially of cases involving deficiency taxes of P 50 Million and above. On June 12, 2007, the activities under RATE Program were institutionalized with the issuance of Executive Order (EO) No. 625-A creating a Special Prosecution Division under the Legal and Inspection Group.<sup>720</sup>



In improving and broadening taxpayer base, Tax Compliance Verification Drive (TCVD), Premyo Sa Resibo (PSR) Program, and “No Official Receipt” Complaint programs were continued. The Premyo Sa Resibo (PSR) Program on the other hand was institutionalized through the issuance of RMO No.

10-2007. The program was a joint undertaking between BIR and Philippine Amusement and Gaming Corporation (PAGCOR). This was a text raffle system through which text entries received (bearing the official receipt details) are being processed to determine compliance on the issuance of registered official receipts. The “No Official Receipt” Complaint project was established to serve as an electronic medium for consumers to report to BIR the individuals/establishments that fail or refuse to issue receipt for the consummated transactions. An email facility was utilized in reporting the non-issuance of official receipts by individual or business establishments. RMO Nos. 10-2007 and 15-2007 were issued prescribing the guidelines regarding the project implementation.<sup>721</sup>

To improve assistance process, the Nationwide Roll-out of Computerized System (NRCS) was implemented. This project aimed to roll-out core Integrated Tax System (ITS) modules which were the Registration (REG) System, Collections and Bank Reconciliation (CBR) System, Returns

<sup>720</sup> BIR Annual Report 2007, pp.29-30

<sup>721</sup> *Ibid.*, p. 31-32

Processing System (RPS) and Taxpayer Accounting System (TAS). With the roll out of the core systems, there was, among others, on-line processing of taxpayer registration and availability of electronic filing and payment systems. The RDOs can also streamline and automate their traditional manual processes, thus, reducing processing time, giving prompt response to taxpayer inquiries and build a reservoir of tax information than can be used in audit and enforcement activities. The NRCS Project was rolled-out in twenty-three (23) sites or 100% of the target roll-out sites for 2007.<sup>722</sup>

To improve compliance and enforcement process, the Tax Enhancement Program on Excise Tax Administration was improved through the creation of Task Force for the purpose of determining the effective control system for cigarettes and other tobacco products. The conduct of LTS table audit/verification of excise tax declaration of taxpayers engaged in excisable activities resulted to the issuance of 63 assessment notices.

Further, to improve audit process, the Letter Notices Monitoring System (LNMS) was institutionalized to effectively monitor the status of Letter Notices (LNs) deployed via the Information Delivery Portal (IDP) of the Bureau. LNs were issued based on the tax assessment findings through the reconciliation and cross-matching of data in the ITS in accordance with RMO Nos. 32-2007 and 28-2007.<sup>723</sup> Another project towards improving compliance and enforcement process was the strengthening of the Letter of Authority Monitoring System (LAMS). It has the means to monitor and control LA issuance from the time it is released by the approving office up to its closure. RMO No. 8-2006 was issued prescribing the policies and guidelines in the implementation of the LAMS.

Another initiative effected was the enhancement of collection process involving revalidation of Tax Credit Certificates (TCC) through the Special Revalidation Program. The program referred to the retirement or recall and cancellation of all outstanding TCCs jointly issued by the BIR as of

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<sup>722</sup> *BIR Annual Report 2007, p. 33*

<sup>723</sup> *Ibid., p. 35*

August 31, 2006. This also involved the replacement of such cancelled TCCs with new TCCs utilizing updated forms with enhanced security features.<sup>724</sup>

In improving the integrity/accuracy of taxpayer registration database, the Registration Database Clean-Up Program was implemented which aimed to clean up taxpayer registration database to ensure accuracy and reliability of the data. The initial clean-up strategy was undertaken with the BIR-SEC Data Matching on Inactive Business Taxpayers wherein 17, 422 corporations registered with SEC were identified to be unregistered with the BIR and 162,369 business taxpayers registered in the BIR database were found to be inactive or not filing returns for the last three consecutive years.

Another project relative to the improvement of taxpayer databases was the enhancement of eServices such as Electronic Filing and Payment System (eFPS), Electronic Taxpayer Identification Number (eTIN), Electronic Submission (eSubmission), Electronic Accreditation Registration/Registration of Cash Register Machines, Point-of-Sales and other Business Machines (eAccReg) System. The number of eFPS enrollees reached 22,235 as of December 2007. The eTIN, an on-line facility to secure TIN registered a total of 727,229 taxpayers as of the same year. The eSubmission allows electronic submission of Summary List of Sales (SLS), Summary List of Purchases (SLP) and Summary List of Importation (SLI) and highly recommended for taxpayers whose data file/attachment was more than 2MB. A total of 22,689 distinct filers per form type have availed of the eSubmission system.<sup>725</sup> The eAccReg System accredited 312 suppliers and issued 44,781 permits for machine/software.<sup>726</sup>

In addition, One-Time Tax Transactions (ONET<sup>3</sup>) System was initiated. This system was a convenient on-line internet service to taxpayers to accurately self-assess their tax liabilities independent of tax officials and file requisite forms with the BIR. ONET<sup>3</sup> transaction covered transaction subject to final capital gains tax on sale of real properties considered as capital assets, capital gains tax (CGT) on the net capital gain

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<sup>724</sup> *BIR Annual Report 2007, pp. 36-37*

<sup>725</sup> *Ibid., pp. 38-39*

<sup>726</sup> *Ibid., p. 40*

on sale, transfer or assignment of stocks not traded in stock exchange, expanded withholding tax (EWT) on sale of real properties considered as ordinary assets, donor's tax, estate tax and other taxes related thereto including documentary stamp tax (DST).<sup>727</sup>

Correspondingly, Information Technology projects were implemented which included Revenue Watch Dashboard, a web-based online facility that monitors the status of tax collection against targets at any given time across all levels of organization in the BIR. The other one was LGU Revenue Assurance System (LGURA) System which aimed to improve revenue generation capabilities of the BIR and LGUs, as well as to develop a more accurate database of registered taxpayers nationwide.<sup>728</sup>

Relative to the information technology improvements of the Bureau, Commissioner Hefti, during the Bureau's 104<sup>th</sup> anniversary, said that the wonders of technology have changed BIR since it began operation which has made possible for taxpayers to pay taxes "with nothing more than a few keystrokes and the click of a computer mouse."<sup>729</sup>

Further, to improve knowledge management for 2007, benchmarking and industry profiling was adopted pursuant to RMO No. 4-2006 wherein taxpayers from selected industries were identified for profiling that would level the playing field among taxpayers. Profiling activities was focused on taxpayers belonging to the top 10,000 corporations using the eFPS.

Other programs during Commissioner Hefti's term included the strengthening of tie-ups with government agencies thru information linkages. Memoranda of Agreements (MOAs) between BIR and Board of Investments (BOI) and BIR and Philippine Economic Zone Authority (PEZA) were signed last March 1, 2007 to effectively monitor taxpayers enjoying fiscal incentives and their corresponding data on Income Tax Holiday.<sup>730</sup>

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<sup>727</sup> BIR Annual Report 2007, pp. 40-41

<sup>728</sup> *Ibid.*, pp. 41-42

<sup>729</sup> Philippine Information Agency (PIA), retrieved from <http://archives.pia.gov.ph> (PIA Press Release 2008/08/12 – BIR turns 104 years old) on 8/7/2014

<sup>730</sup> BIR Annual Report 2007, p. 43



To improve integrity, professionalism, competence and satisfaction of human resources, the BIR Rationalization Program, Performance Management System (PMS) and Office Performance Evaluation System (OPES) were effected. To maintain full potentials and capabilities of the Bureau's workforce, trainings, seminars and workshops were continuously being conducted.<sup>731</sup>

To exceed collection target for 2008, the following projects were continued and intensified:

To increase voluntary compliance, Republic Act (RA) No. 9337, otherwise known as the Reformed VAT Law was intensified. Various guidelines were issued to strengthen its implementation. Among them were Revenue Memorandum Circular (RMC) No. 31-2008 – clarifying the imposition of EVAT rate to the common carriers by sea on the transport of passengers, goods & its cargoes; RMC No. 46-2008, clarifying the imposition of EVAT rate to the common carriers by air; RMC No. 74-2008 publishing the full text of Joint Circular No. 2008-1 of DOF & DBM entitled "Guidelines and Procedures for the release of the LGU share from VAT in lieu of franchise tax collected from the racetrack operations of the Manila Jockey Club, Inc. and the Philippine Racing Club, Inc.".<sup>732</sup>

To intensify audit and investigation, the Bureau initiated the audit of 2007 tax returns and issued several guidelines providing direction in audit and investigation activities. To supplement the preliminary analysis and audit verification of the 2007 and 1<sup>st</sup> Quarter VAT returns, Revenue Memorandum Order Nos. 19-2008, 20-2008 and 22-2008 were issued.<sup>733</sup>

To intensify collection efforts, Accounts Receivable Program, Stop-Filer Program and Compromise Settlement Program were continued and intensified.

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<sup>731</sup> BIR Annual Report 2007, pp. 44-45

<sup>732</sup> BIR Annual Report 2008, p. 22

<sup>733</sup> *Ibid.*, p. 23

To intensify collections from other administrative measures, the Tax Amnesty Program was intensified which was implemented on July 15, 2007 and ended May 30, 2008. It covered all unpaid taxes from taxable year 2005 and prior years.<sup>734</sup>

To improve taxpayer satisfaction, the BIR tax campaign was intensified, e-e-Lounges were continuously established to other Revenue District Offices and to Large Taxpayers Service and strengthened the operations of BIR Contact Center.

The BIR tax campaign focused on the theme, “Itaguyod ang Bayan, Tamang Buwis ay Bayaran”. Culminating the tax campaign kick-offs were the awarding of Certificates of Recognition and Certificates of Appreciation to the revenue regions’ top taxpayers.<sup>735</sup>



During the year, particularly in February 2008, the new Call Monitoring System was used by BIRCC which was capable of tracking and escalating complex queries and assisting BIRCC Agents and Help Desk Analysts in managing their workload, effectively enhancing service to taxpayers and internal clients. Compared to the previous year, a 3.58% increase in call volume was received.<sup>736</sup>

To improve taxpayer compliance, enforcement activities such as the Run After Tax Evaders Program was intensified. A total of 120 criminal cases for tax evasion was filed with Department of Justice (DOJ) and various courts pending for resolution.<sup>737</sup>

To broaden the tax base, the Tax Compliance Verification Drive, “Premyo sa Resibo” Program, “No Official Receipt” Complaint Project were continuously intensified. The use of Business Intelligence/Exchange of

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<sup>734</sup> BIR Annual Report 2008, pp. 23-24

<sup>735</sup> *Ibid.*, p. 25

<sup>736</sup> *Ibid.*, p. 26

<sup>737</sup> *Ibid.*, p. 27

Information Expansion of the Tax Reconciliation System was strengthened.<sup>738</sup>

To improve assistance process, the Nationwide Roll-out of Computerized System (NRCS) Project expanded the coverage of implementation of Integrated Tax System (ITS) to additional 65 non-computerized Revenue District Offices. Another project was the linkage with other government agencies thru Information Sharing pursuant to Revenue Memorandum Circular No. 13-2008 “Re-circularization of Executive Order No. 53, Mandating All Government Agencies Concerned To Provide BIR with the Necessary Information to Help Increase Tax Collection”. The said agencies were as follows: Department of Trade & Industry (DTI), Department of Transportation & Communication (DOTC), Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), and all departments including Government Owned and Controlled Corporations (GOCCs).

The other project involving assistance process was the establishment of taxpayer feedback mechanism thru the e-Complaint on-line facility of the Bureau. Complaints on BIR employees and taxpayers who do not issue official receipts/sales invoices or commit tax evasion can be reported via email at [ecomplaint@bir.gov.ph](mailto:ecomplaint@bir.gov.ph) or by filling out a Complaint Form posted at [www.bir.gov.ph](http://www.bir.gov.ph) and submitting it via the web or email.<sup>739</sup>

To improve knowledge management, Performance Management System was established and enhanced thru RMO Nos. 15-2008 and 19-2008. This system aimed to automate the monitoring and evaluation of performance, which covered collection and non-collection performance indicators, the areas of audit, taxpayer service and other non-financial factors thru a web-based Performance Management Information System (PMIS).<sup>740</sup>

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<sup>738</sup> *BIR Annual Report 2008, pp. 28-29*

<sup>739</sup> *Ibid., pp. 30-32*

<sup>740</sup> *Ibid., p. 38*

To develop integrity, professionalism, competence and satisfaction of human resources, the following were enhanced: Organization and Management System through the BIR Rationalization Plan wherein it ensured the implementation of objectives and improved delivery of services by focusing on vital functions and channeling government resources to core public services, with the existing organizational structure under E.O. No. 175, where it has provided 13,070 plantilla positions to the BIR.<sup>741</sup>

Trainings & Development were conducted through seminars, trainings, and workshops, also Employee Welfare promotion. Another development was done by operationalizing the Tax Administration Projects through National Program Support for Tax Administration (NPSTAR), a four-year undertaking financed by the World Bank through a loan to the Republic of the Philippines. Such was an agreement that supported BIR efforts in implementing a sustainable and long-term tax reform agendas.<sup>742</sup> It was where Tax Reform Agenda (TRA) priority actions/projects were conveyed pursuant to RMO No. 23-2008.

Other accomplishments under Commissioner Hefti were the issuance of RR No. 2-2008 to rationalize the grant of “float period” incentive to Accredited Agent Banks (AABs) and the imposition of penalties to the erring AABs; the issuance of RMO No. 24-2008 prescribing the policies and guidelines for the development, investigation and prosecution of cases under the Bureau’s RATE Program; and issuance of RR No. 10-2008 implementing Republic Act No. 9504 relative to the withholding of Income Tax on compensation and other concerns wherein compensation income of Minimum Wage Earners (MWE) were discussed.

Commissioner Hefti also focused on the strengthening of the use of business intelligence by embarking on data matching of income payments of withholding agents against the reported income of the concerned recipients. It was also during her term that the information sharing between the BIR and the Local Government Units (LGUs) was escalated through the LGU Revenue Assurance System. To enhance the Bureau’s audit capabilities,

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<sup>741</sup> BIR Annual Report 2008, p. 39

<sup>742</sup> BIR Annual Report 2007, pp. 45-47

the use of Computer-Assisted Audit Tools and Techniques (CAATTs) was also introduced.<sup>743</sup>

## TAX ERODING MEASURES

Tax eroding measures which has negative implications on collection but are monitored by the Bureau are as follows:

- Republic Act No. 9504 or an act amending Sections 22, 24, 34, 35, 51, and 79 of Republic Act No. 8424 as amended, otherwise known as the National Internal Revenue Code of 1997 dated July 23, 2007 states that a minimum wage earners as defined in Section 22 (HH) of the said Code shall be exempt from the payment of income tax on their taxable income and that the holiday pay, overtime pay, night shift differential pay and hazard pay received by such minimum wage earners shall likewise be exempt from income tax. In addition, on the allowance of personal exemption for individual taxpayer, a basic personal exemption amounting to ₱50,000.00 for each individual taxpayer shall be allowed. Also, an additional exemption of ₱25,000.00 for each dependent not exceeding 4 shall be allowed in the additional exemption for dependents.<sup>744</sup>
- Revenue Memorandum Circular (RMC) No. 50-2007 dated July 30, 2007 indicated the tax treatment of sale, barter or exchange of goods or properties or sale or exchange of services made by suppliers from the customs territory to Registered Freeport Zone Enterprises in the Subic Freeport Zone (SFZ), the Clark Freeport Zone (CFZ), as well as the Poro Point Freeport Zone (PPFZ), and vice versa under Sections 12 and 15 or Republic Act No. 7227, as amended by Republic Act No. 9400. Section 3 of RMC No. 50-2007 stated that if the seller is a VAT taxpayer, treatment of such sale, barter or exchange shall be subject to VAT at zero (0%) percent. If the seller is a non-VAT taxpayer, the transaction shall be exempt from VAT.

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<sup>743</sup> *BIR History*, retrieved from <http://www.bir.gov.ph/index.php/transparency/bir-history.html> on 7/28/2014

<sup>744</sup> *Republic Act No. 9504*, retrieved from <http://www.gov.ph/2008/06/17/republic-act-no-9504/>

## ORGANIZATION

To strengthen the decentralization of the Bureau's set-up for the purpose of maximizing revenue collections and tax assessments, intensifying enforcement of revenue laws and regulations and bringing the revenue service closer to the taxpaying public, Revenue Administrative Order (RAO) No. 1-2008 was signed by Commissioner Hefti and approved by DOF Secretary on September 16, 2008 prescribing the splitting of the Revenue District Offices (RDOs) in the provinces of Bulacan and Cavite and redefining their areas of jurisdiction, to wit:

1. Revenue Region No. 5 – Valenzuela
  - a. RDO No. 25A – Plaridel, Bulacan
  - b. RDO No. 25B – Marilao, Bulacan
  
2. Revenue Region No. 9 – San Pablo City
  - a. RDO No. 54A – Trece Martirez City, South Cavite
  - b. RDO No. 54B – Rosario, North Cavite<sup>745</sup>

Likewise, RAO No. 2-2008 was also signed on the same date (September 16, 2008) which prescribed the splitting of RDO No. 53 Las Piñas – Muntinlupa City and redefined its area of jurisdiction, to wit:

1. RDO No. 53A – Las Piñas City
2. RDO No. 53B – Muntinlupa City<sup>746</sup>

## COLLECTION PERFORMANCE

### A. Collection vs. Goal

In CY 2008, a total of ₱778.581 Billion was collected by the BIR, 9.32% higher than that of CY 2007 collection. However, compared to CY 2008 target of ₱844.950 Billion, collection fell short by ₱66.369 Billion or 7.85%. Collection slowed down due to the implementation of Republic Act (R.A.) No. 9504 (exempting minimum wage earners from income tax and

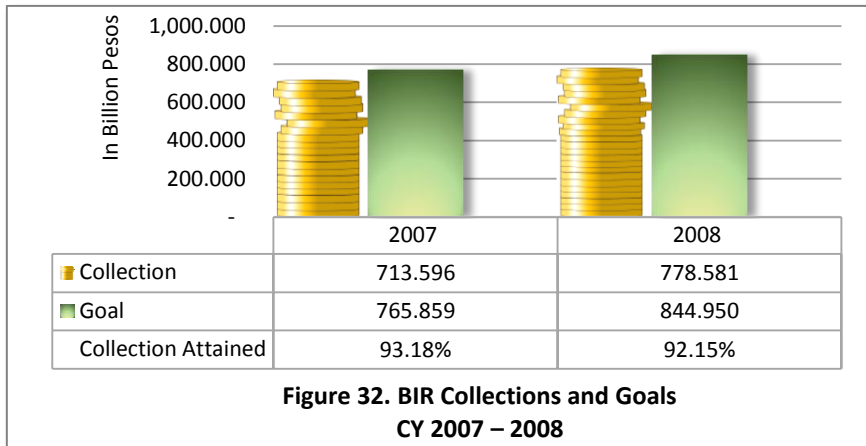
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<sup>745</sup> Revenue Administrative Order No. 1-2008 dated September 16, 2008

<sup>746</sup> Revenue Administrative Order No. 2-2008 dated September 16, 2008

increasing personal exemptions); amortization of input tax from previous year’s capital expenditure; and the initial impact of global economic crisis, among others. Yet, this year’s collection attained 92.15% of the revenue.<sup>747</sup> The major sources of revenues were collected from Taxes on Net Income and Profit posting 61.94% share of the total internal revenue collections. Value-Added Tax followed with a share of 18.02% and rest were shared by Excise Taxes, Other Taxes, and Percentage Taxes with 7.89%, 6.91%, and 5.24%, respectively.<sup>748</sup>

The Large Taxpayers Service (LTS) contributed 52.90% of the total revenues. Revenue Regions and Non-BIR Operations collected 42.28% and 4.82% respectively.<sup>749</sup> Of the nineteen (19) revenue regions only one (1) region overshot its goal for CY 2008. RR No. 6 – Manila had an excess of ₱3,450.09 Million or 7.72% against target.<sup>750</sup> (Figure 32)



<sup>747</sup> BIR Annual Report 2008, p. 9

<sup>748</sup> *Ibid.*, p. 14

<sup>749</sup> *Ibid.*, p. 12

<sup>750</sup> *Ibid.*, pp. 56-57

## B. Cost of Operations

For CY 2007, the Bureau's total expenditure amounted to ₱4.478 Billion compared to last year's ₱3.957 Billion. The bulk of the operations cost came from Personal Services which constitutes 62.35% of the total obligations. The cost to collect for every ₱100 revenue collected by the Bureau, vis-à-vis total collections of ₱713.60 Billion during the year, stood at ₱0.63.<sup>751</sup>

In CY 2008, total expenditures amounted to ₱5.628 Billion compared to last year's ₱4.629 Billion. The main bulk of the operations cost came from Personal Services which comprised 52% of the total obligations. Cost to collect for every ₱100 revenue stood at ₱0.72 vis-à-vis the Bureau's collection of ₱778.56 Billion during the year. The said cost was higher by ₱0.09 than last year's cost to collect.<sup>752</sup> (Table 57)

**Table 57. Expenditures and Cost of Collecting ₱100  
CY 2007 – 2008**

Calendar Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
2007	4,478,180,000.00		0.63	
2008	5,628,000,000.00	20.43	0.72	12.50

## C. Registered Taxpayers

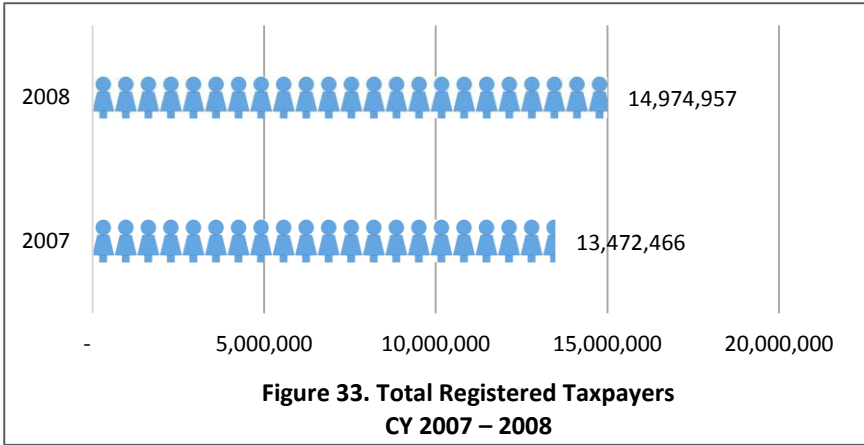
As of December 31, 2008, total number of Registered Taxpayers reached 14.97 Million or an increase of 11.15% over CY 2007 with 13.47 Million. The highest numbered Registered Taxpayers in CY 2008 were Individual Taxpayers with 10.08 Million, 9.55% higher than that of CY 2007. Likewise, Corporate Taxpayers, Estate and Trust Taxpayers, Marginal Income Earners, One Time Taxpayer (ONETT), and Other Registered Taxpayers (under Executive Order No. 98 and Non-Resident Citizen)

<sup>751</sup> BIR Annual Report 2007, p. 52

<sup>752</sup> BIR Annual Report 2008, p. 46



increased in number from CY 2007 to CY 2008 with 8.52%, 19.02%, 4.95%, 12.59% and 19.68% respectively.<sup>753</sup> (Figure 33)



**PERSONNEL COMPLEMENT**

The number of employees for the CY 2008 was 1.17% lower compared to the previous year. From 11,475 employees in CY 2007 it was reduced to 11,341 in CY 2008.<sup>754</sup> (Table 58)

**Table 58. Number of Employees  
CY 2007 – 2008**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
2007	11,475		
2008	11,341	(134)	(1.18)

<sup>753</sup> BIR Annual Report 2008, p. 63

<sup>754</sup> BIR Annual Report 2007 – 2008



*Sixto S. Esquivias IV*

**Commissioner of Internal Revenue**

(November 3, 2008 – November 26, 2009)

## SIXTO S. ESQUIVIAS IV

Commissioner **Sixto S. Esquivias IV**, a CPA-Lawyer, obtained his Bachelor of Science in Commerce Major in Accounting from Far Eastern University and his Bachelor of Laws from the Ateneo de Manila University. He took his Masters in Public Administration at the University of Santo Tomas. He also taught taxation subjects on a part time basis at the University of the Philippines and Manila Law College. He took his Master of Laws Major in Taxation at Manuel L. Quezon University. He completed the academic requirements of both post-graduate degrees. He entered the BIR in 1977 as Revenue Examiner I.

Commissioner Esquivias was the Deputy Commissioner for Legal & Enforcement Group of the Bureau during President Ramos' administration, prior to his appointment as BIR Commissioner on November 3, 2008.<sup>755</sup>

### GENERAL ADMINISTRATION

Commissioner Esquivias' administration was marked with the conduct of the nationwide closure of erring business establishments through Revenue Memorandum Order (RMO) Nos. 3-2009 and 36-2009 or the "Oplan Kandado" Program.

A Taxpayer Feedback Mechanism (through the eComplaint facility accessible via the BIR Website and SMS facility) was also established. Revival of the "Handang Maglingkod" Program pursuant to RMO No. 15-2009 was launched, a taxpayer enhancement program focused on taxpayers' service.<sup>756</sup> Relative to this was the creation of a Taxpayer Service Area or BIR Help Desk thru RMO No. 16-2009.

Other programs were strengthened and monitored such as Expansion of Withholding Agent's Coverage pursuant to RR No. 6-2009 to minimize tax leakage; Enhanced Audit Programs with the issuance of RMO

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<sup>755</sup> BIR: Records Management Division (PDS of Sixto S. Esquivias IV) & Personnel Division (Service Record of Sixto S. Esquivias IV)

<sup>756</sup> BIR History, retrieved on <http://www.bir.gov.ph/index.php/transparency/bir-history.html> on 7/28/2014

No. 19-2009 prescribing the 2009 Audit Program for the audit/investigation of 2008 internal revenue tax returns and issuance of RMO No. 13-2009 prescribing the Office Audit Program in the Assessment Division of Revenue Regional Office that addressed the persistent problem of low compliance in the payment of tax liabilities. Also, the Summary List of Sales and Purchases (SLSP) Compliance Monitoring Project was introduced.<sup>757</sup>

Three additional programs enhancing collection enforcement efforts were: Accounts Receivable Program which 14,237 cases were closed in CY 2008; Stop-filer Program where cases closed reached 41,460,287; and Compromise Settlement Program.<sup>758</sup>

To improve taxpayer satisfaction, quality of customer service was enhanced. Projects covering this initiative included the continuous improvement of BIR Contact Center, establishing e-Lounges nationwide, and intensifying tax campaign.

For the year 2009, the BIR adopted the theme, “BUWIS PARA SA BAYAN, LAAN SA BUHAY AT KINABUKASAN,” to give emphasis to its vital role of raising revenues to secure the future of the nation.<sup>759</sup>



Another taxpayers’ assistance & tax information campaign activity then for the nearing Christmas Season was the implementation of “SanTAX Claus” Project. All Revenue District Offices (RDO) nationwide were directed to create and deploy their own SanTAX Claus Teams (composed of Revenue Officers) in bazaars and trade events in their respective areas to remind “tiangge” vendors and shoppers about their tax obligations pursuant to RMO 34-2009.<sup>760</sup>

For taxpayers’ compliance, enforcement activities such as Run After Tax Evaders Program was intensified. A total of 120 criminal cases for tax evasion were filed in various courts.

<sup>757</sup> BIR Annual Report 2009, pp. 19-21

<sup>758</sup> BIR Annual Report 2008, pp. 23-24

<sup>759</sup> BIR 105<sup>th</sup> Anniversary Supplement (At 105, securing the nation’s future)

<sup>760</sup> BIR Monitor Vol. 11 No. 10, pp. 1-2

In improving and broadening taxpayer base, previous programs/projects were continued such as Tax Compliance Verification Drive (TCVD), Premyo sa Resibo (PSR) Program and No Official Receipt Complaint Project. The use of business intelligence/ exchange of information that focused on the expansion of the Tax Reconciliation System was strengthened.

To improve assistance process, Nationwide Roll-out Computerized System Project was continued and the Taxpayer Feedback Mechanism by the use of eComplaint on-line and SMS facility was established.<sup>761</sup>

For compliance and enforcement process, Excise Tax Administration was improved through the enhanced Official Registry Book (ORB) Reconciliation Program and selected inventory-taking. Audit processes were also improved through Letter Notices Monitoring System.<sup>762</sup>

Similar with the previous year, the integrity or accuracy of taxpayer registration database was also improved thru the enhanced eServices such as Electronic Filing and Payment System (eFPS), Electronic Submission (eSubmission), Electronic Taxpayer Identification Number (eTIN) pursuant to RMO 26-2009 and Electronic Accreditation/Registration/Registration of Cash Register Machines, Point-of-Sales and other Business Machines (a new web-based eAccReg System rolled out by BIR where issuance of Permit to Use sales machines was made easier).<sup>763</sup>

In addition, the Electronic Documentary Stamp Tax (eDST) System pursuant to RR No. 7-2009 in lieu of the On-line Documentary Stamp Electronic Imprinting Machines (DSEIMs) was implemented.<sup>764</sup> Likewise, information technology projects implemented in the previous year were continued such as LGU Assurance System and Revenue Watch Dashboard.<sup>765</sup>

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<sup>761</sup> BIR Annual Report 2008, pp. 27-32

<sup>762</sup> *Ibid.*, p.33

<sup>763</sup> *Ibid.*, pp. 34-36

<sup>764</sup> BIR Annual Report 2009, p.32

<sup>765</sup> BIR Annual Report 2008, pp. 36-37

To improve integrity, professionalism, competence and satisfaction of human resources, organization and management system, the BIR Rationalization Plan, which has already been started in the previous years was carried on. This program aimed to further strengthen the performance of BIR's core function.

Also, the Tax Reform Administration Group (TRAG) was made operational. It has initiated a comprehensive reform of tax administration known as the Tax Reform Agenda (TRA) focusing on the Bureau's organization, systems and procedures.

Enhancement/ development of projects were prioritized such as Registration Database Clean Up, Nationwide Roll-out of Computerized System, Third Party Information (TPI) Linkage, Accounts Receivable System, Computer-Assisted Audit Tools and Techniques System (CAATTS), Human Resource Information System (HRIS), Tax Reform Management, Change Management, and Improved Strategic Planning.<sup>766</sup>

Programs implementing good governance were continuously implemented such as Personnel Integrity Program, Training & Development, Employee Welfare Program and Integrity Development Action Plan (IDAP): BIR Anti-Corruption Plan.<sup>767</sup>

## **TAX ERODING MEASURES**

The following tax laws are monitored by the Bureau but have negative impact to collection:

- Republic Act No. (9728) or "Freeport Area of Bataan (FAB) Act of 2009", dated July 27, 2009, is an act converting the Bataan Economic zone located in the Municipality of Mariveles, Province of Bataan, into the Freeport Area of Bataan (FAB), creating for this purpose the Authority of the of the Freeport Area of Bataan (AFAB), appropriating funds therefor and for other purposes. This is to actively promote a balanced industrial, economic, and social development of the country in order to provide jobs to the people

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<sup>766</sup> BIR Annual Report 2008, pp. 39-41

<sup>767</sup> *Ibid.*, pp. 41-43

especially those in the rural areas, increase productivity and individual and family income, and thereby improve the quality of living condition through the establishment of special economic zones in strategic locations in the country and through measures that will attract legitimate and productive foreign investments.

- Section 6 of R.A. No. 9728 on Imposition of Tax Rate of Five Percent (5%) on Gross Income Earned states that no taxes, local and national, shall be imposed on business establishments operating within the FAB. The said business establishments shall pay a five percent (5%) final tax on their gross income earned.<sup>768</sup>
- Republic Act No. (9994) or the “Expanded Senior Citizens Act of 2010” dated July 27, 2009 was ratified granting additional benefits and privileges to Senior Citizens, further amending Republic Act No. 7432, as amended, otherwise known as “An act to maximize the contribution of senior Citizens to nation building, grant benefits and special privileges and for other purposes.” On this account, the senior citizens shall be entitled to the grant of twenty percent (20%) discount and exemption from the value-added tax (VAT), if applicable, on the sale of goods and services from all establishments, for the exclusive use and enjoyment or availment of the senior citizen.<sup>769</sup>

## ORGANIZATION

On February 2, 2009, three (3) Revenue Administrative Orders (RAOs) were issued to strengthen the decentralization of the Bureau’s set-up for the purpose of maximizing revenue collections and tax assessments, intensifying enforcement of revenue laws and regulations and bringing the revenue service closer to the taxpaying public. They were as follows:

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<sup>768</sup> Republic Act No. 9728: The LAWPHIL Project, retrieved from [http://www.lawphil.net/stautes/repacts/ra2009/ra\\_9728\\_2009.html](http://www.lawphil.net/stautes/repacts/ra2009/ra_9728_2009.html) on 3/2/2015

<sup>769</sup> Republic Act No. 9994: The LAWPHIL Project, retrieved from [http://www.lawphil.net/statutes/repacts/ra2010/ra\\_9994\\_2010.html](http://www.lawphil.net/statutes/repacts/ra2010/ra_9994_2010.html) on 3/3/2015

- RAO No. 1-2009 prescribed the splitting of Revenue District Office (RDO) No. 43 – Pasig City and redefined their areas of jurisdiction.<sup>770</sup>
- RAO No. 2-2009 on the other hand, prescribed the splitting of Revenue District Office (RDO) No. 17 – Tarlac City, Tarlac, RDO No. 21 – San Fernando City, Pampanga, RDO No. 23 – Cabanatuan City and RDO No. 113 – Davao City and redefined their areas of jurisdiction.<sup>771</sup>
- RAO No. 3-2009 prescribed the splitting of Revenue District Office (RDO) No. 93 – Zamboanga City and redefined their areas of jurisdiction.<sup>772</sup>

As a result of splitting of big RDOs, nine (9) new RDOs were created which resulted to one hundred twenty four (124) from one hundred fifteen (115) RDOs.

## **COLLECTION PERFORMANCE**

### **A. Collection vs. Goal**

For CY 2009, the overall internal revenue collection performance reached ₱750.288 Billion, 3.63% lower against the collection in CY 2008 amounting to ₱778.581 Billion. The full-year collection attained 93.97% of the assigned goal of ₱798.455 Billion which was lower than the target by ₱48.167 Billion or 6.03%. The Bureau's performance was affected mainly by the implementation of tax-eroding legislations, global economic crisis and natural calamities which impacted on trade and commerce in the affected regions.<sup>773</sup>

Taxes on Net Income and Profit posted a 58.03% share of the total revenue collections. Value-Added Tax (VAT) followed with a share of 22.43%

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<sup>770</sup> Revenue Administrative Order No. 1-2009 dated February 2, 2009

<sup>771</sup> Revenue Administrative Order No. 2-2009 dated February 2, 2009

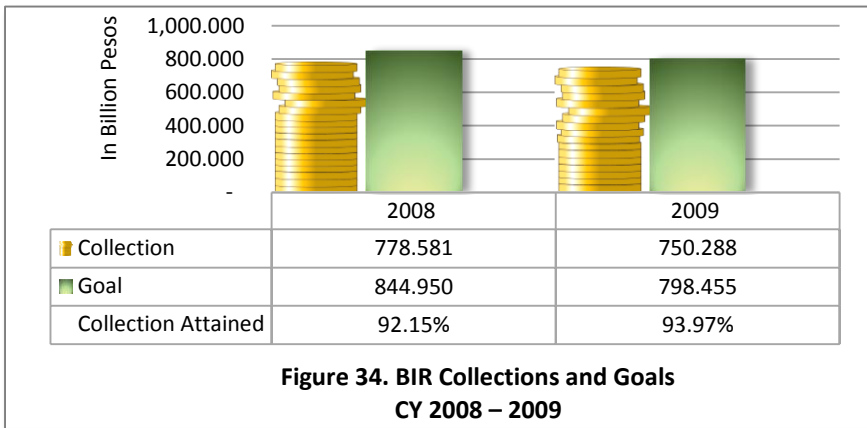
<sup>772</sup> Revenue Administrative Order No. 3-2009 dated February 2, 2009

<sup>773</sup> BIR Annual Report 2009, p.8



and the rest were shared by Excise Taxes (ET), Other Taxes (OT), and Percentage Taxes (PT) with 8.07%, 5.76% and 5.71%, respectively.<sup>774</sup>

The highest amount of revenues was collected by the Large Taxpayers Service (LTS) which posted 58.16% share. The remaining 41.84% came from the Revenue Regions with a total share of 37.32% and from Non-BIR Operations which was 4.52%.<sup>775</sup> Of the nineteen (19) revenue regions only three (3) overshot their respective goals for CY 2009 as follows: RR No. 1 – Bacolod City with ₱252.57 Million excess or 6.23%, followed by RR No. 14 – Tacloban City with ₱29.85 Million excess or 0.93% and RR No. 13 – Cebu City with ₱6.43 Million excess or 0.07% excess against targets.<sup>776</sup> (Figure 34)



## B. Cost of Operations

For CY 2008, total expenditures amounted to ₱5.628 Billion compared to last year’s ₱4.629 Billion. The main bulk of the operations cost came from Personal Services which comprised 52% of the total obligations. Cost to collect for every ₱100 revenue stood at ₱0.72 vis-à-vis the Bureau’s

<sup>774</sup> BIR Annual Report 2009, p. 12

<sup>775</sup> *Ibid.*, p. 11

<sup>776</sup> *Ibid.*, pp. 64-65

collection of ₱778.56 Billion during the year. The said cost was higher by ₱0.09 than last year's cost to collect.<sup>777</sup>

In CY 2009, total expenditures amounted to ₱5.737 Billion compared to last year's ₱5.628 Billion. The main bulk of the operations cost came from Personal Services which comprised 56% of the total obligations. Cost to collect for every ₱100 revenue stood at ₱0.76 vis-à-vis the Bureau's collections of ₱750.29 Billion during the year. The said cost was higher by ₱0.04 than last year's cost to collect.<sup>778</sup> (Table 59)

**Table 59. Expenditures and Cost of Collecting ₱100  
CY 2008 – 2009**

Calendar Year	Expenditures	% Inc./Dec.)	Cost of Collecting ₱100	% Inc./Dec.)
2008	5,628,000,000.00	20.43	0.72	12.50
2009	5,737,000,000.00	1.90	0.76	5.26

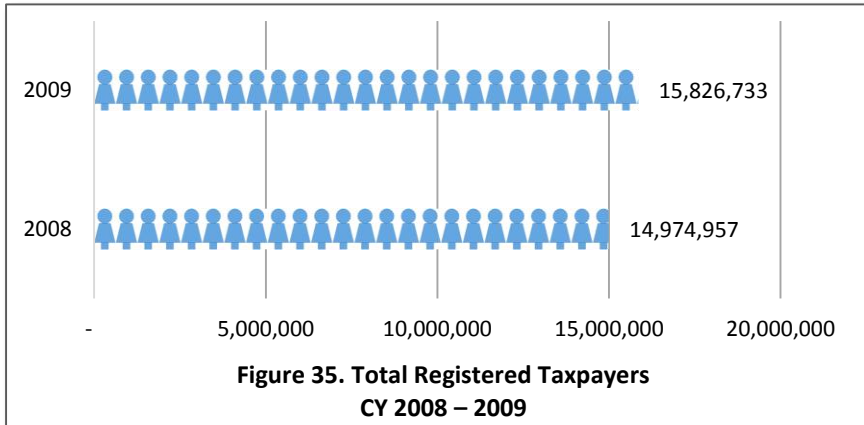
### C. Registered Taxpayers

Total number of Registered Taxpayers as of December 31, 2009 was 15.83 Million, 5.69% higher compared to 14.97 Million of CY 2008. Majority of Registered Taxpayers in CY 2009 were Individual Taxpayers with 10.47 Million or an increase of 3.92% against CY 2008 having 10.08 Million. Similarly, Corporate Taxpayers and Other Registered Taxpayers (under Executive Order No. 98) increased in number from CY 2008 to CY 2009 with 5.78% and 29.18%, respectively. However, Estate and Trust Taxpayers, Marginal Income Earners and One Time Taxpayer (ONETT) decreased in size from CY 2008 to CY 2009 with -30.94%, -42.45% and -2.90%, respectively.<sup>779</sup> (Figure 35)

<sup>777</sup> BIR Annual Report 2008, p.46

<sup>778</sup> BIR Annual Report 2009, p.53

<sup>779</sup> *Ibid.*, p. 72



**PERSONNEL COMPLEMENT**

The number of employees for CY 2009 was 4.56% lower than the previous year. This indicated that from 11,341 employees in CY 2008 it was reduced to 10,824 in CY 2009.<sup>780</sup> (Table 60)

**Table 60. Number of Employees  
CY 2008 – 2009**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
2008	11,341	(134)	(1.18)
2009	10,824	(517)	(4.78)

<sup>780</sup> BIR Annual Report 2008 – 2009



*Joel L. Tan-Torres*

**Commissioner of Internal Revenue**

(November 27, 2009 – July 1, 2010)

## JOEL L. TAN-TORRES

Commissioner **Joel L. Tan-Torres** graduated cum laude from the University of the Philippines (UP) with a Bachelor of Science in Business Administration and Accountancy degree. He topped the CPA board examination in 1979. He attended various programs such as Asian Tax Program in 1981 from UP and obtained his Masters in Business Administration in the same school in 1983; International Tax Program, Harvard Law School in 1988; Doctoral in Public Administration (1989); Executive INTAX Program, US Internal Revenue Service, 1993; Program on Information Technology for Fiscal Systems, Harvard University, 1995 and Family Business Consulting Masters Program, Arthur Andersen, 2002.

He was a part-time professorial lecturer in UP (1979-1996), at Miriam College (1981-87), at Ateneo De Manila University (1982-87) and at De la Salle University (1999-2001). He was also a CPA reviewer at Aeon Review and Professional Training Center (1984-87).

Commissioner Tan-Torres joined the BIR as Senior Revenue Executive Assistant I in 1980. He held various key positions such as Chief of International Tax Affairs Division and Assistant Commissioner for Management and Planning Service.

In 1996, he left the Bureau and joined SyCip Gorres Velayo & Co. (SGV & Co.) as Director.<sup>781</sup> He was invited back to the BIR as Senior Deputy Commissioner on August 20, 2009 by virtue of Executive Order No. 827 entitled "Creating the Office of the Senior Deputy Commissioner in the Bureau of Internal Revenue".<sup>782</sup> Briefly to the post, he was appointed as Commissioner of BIR on November 27, 2009.<sup>783</sup>

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<sup>781</sup> BIR: Records Management Division (PDS of Joel L. Tan-Torres) & Personnel Division (Service Record of Joel L. Tan-Torres)

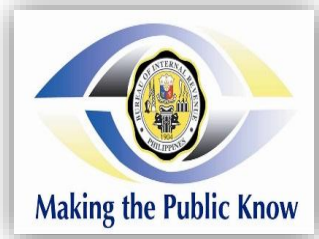
<sup>782</sup> Executive Order No. 827 (Creating the Office of the Senior Deputy Commissioner in the BIR)

<sup>783</sup> BIR Service Record, Personnel Division, September 16, 2014

## GENERAL ADMINISTRATION

Commissioner Tan-Torres institutionalized and intensified the following programs/projects: “Re-invigorated RATE Program” pursuant to RMO No. 27-2010 to deter, to the greatest possible degree, tax evasion practices, and to encourage voluntary compliance with the internal revenue tax laws; Taxpayers’ Lifestyle Check System (TLCS) pursuant to RMO No. 19-2010 to properly determine tax compliance of individuals; “Industry Champion Program” thru RMO No. 24-2010 that provided and developed Revenue Officers with in-depth expertise/specialization in certain industries or sectors in order for them to have a better understanding of the issues affecting the taxability of the said industries; “Handang Maglingkod Program” pursuant to RMO No. 28-2010; Electronic Registration Systems (eReg) and the “No Noon Break” work schedule policy in BIR frontline service offices as well as the 24/7 eServices pursuant to RMO No. 5-2010 ; “Project R.I.P. (Rest in Peace)” pursuant to RMO No. 10-2010 which was implemented to tap the large potential of increasing the number of Estate Tax returns filed and Estate Taxes collected.<sup>784</sup>

The BIR’s theme and slogan for the year 2010 tax campaign was “Making the Public Know”. This theme aptly reflected the thrust of the Commissioner to pursue a high visibility communication to all stakeholders of the BIR’s tax administration activities and initiatives.



The theme also highlighted the transparency policy that the BIR promoted vigorously. These directions helped in improving the voluntary compliance of the taxpayers as they became aware of the activities of the BIR and more information on the tax compliance requirements. The logo of “Making the Public Know” campaign incorporated a diagram of the human

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<sup>784</sup> *BIR History*, retrieved from <http://www.bir.gov.ph/index.php/transparency/bir-history.html> on 7/28/2014

eye that symbolized the initiative of the BIR of letting the public know and see what developments in the BIR under the policy of full transparency. To reflect this, the BIR seal was shown as the “pupil” of the eye, with the outer rims symbolizing the priority areas, programs, projects, activities and strategies being pursued by the BIR to enhance its efforts and image for the improvement of taxpayer service and increasing the tax collection levels.<sup>785</sup>

Major accomplishments were divided into four (4) different perspectives: Revenue Perspective, Taxpayer Perspective, Process Perspective, and Organization & People Perspective.

For Revenue Perspective which aimed to attain the Bureau’s collection targets, the following programs were adopted: “Oplan Kandado” Project; Accounts Receivable Program; Stop-Filer Program; Compromise Settlement Program; Abatement Program providing the Commissioner of the Bureau the sole authority to abate or cancel penalties pursuant to the provisions of Sections 204 (B), 7 (C) and 290 of the National Internal Revenue Code; Enhance Collection from One-Time Transactions (ONETT) through updating zonal values of real property in the BIR Portal; and monitoring of entities enjoying tax exemptions/incentives under PEZA and BOI.<sup>786</sup>

Taxpayer Perspective’s objective which aimed to improve taxpayer satisfaction was realized through the implementation of the following programs: Handang Maglingkod Program (HMP), establishment of e-Lounges, and BIR Contact Center (BIRCC) Operations.

Taxpayer compliance was improved by its enforcement activities through Run After Tax Evaders (RATE) Program making the public aware that tax evasion is a crime and violators will be caught and punished.<sup>787</sup>

On the other hand, taxpayer base was improved implementing Tax Compliance Verification Drive (TCVD) and Premyo sa Resibo (PSR). Furthermore, the No Official Receipt (OR) Complaint Project, an electronic

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<sup>785</sup> Revenue Memorandum Order (RMO) No. 3-2010 dated January 18, 2010

<sup>786</sup> BIR Annual Report 2009, pp. 20-22

<sup>787</sup> *Ibid.*, pp. 22-24

medium of the BIR where erring individuals/establishments were reported for the non-issuance of receipts.<sup>788</sup>

In Process Perspective, improved assistance processes were carried out with the implementation of the following programs: Nationwide Roll-out of Computerized System (NRCS) Project, a grant from the Millennium Challenge Corporation-Philippine Threshold Program-Technical Assistance Project (MCC-PTP-TAP), extended the use of core Integrated Tax System (ITS) modules to additional six (6) non-computerized RDOs; Linkages with Government and Private Sectors such as Bureau of Local Government Finance (BLGF) and Philippine Association of Local Treasurers and Assessors, Inc. (PHALTRA);<sup>789</sup> Linkages with other Government Agencies that helped improve integrity and accuracy of taxpayer database were the Bureau of Customs (BOC), Land Transportation Office (LTO), Philippine National Police (PNP), Securities and Exchange Commission (SEC), National Bureau of Investigation (NBI) & Criminal Investigation and Detection Group (CIDG), Office of the Solicitor General (OSG), CREBA Land Services and Title Warranty Corporations (CREBALAND), & Office of the Ombudsman (OMB), Tourism Infrastructure and Enterprise Zone Authority (TIEZA);<sup>790</sup> and Established Taxpayer Feedback Mechanism (eComplaint System pursuant to RMO No. 51-2010).

To improve compliance and enforcement process, implementation of various programs were continued such as Accounts Receivable Management Program, Electronic Letter of Authority Monitoring System (eLAMS), and Letter Notices Monitoring System (LNMS).<sup>791</sup>

To improve integrity/accuracy of taxpayer registration database, various BIR eServices were enhanced such as Electronic Filing and Payment System (eFPS), Electronic Submission (eSubmission), Electronic Accreditation Registration (eAccReg)/ Registration of Cash Register Machines (CRMs), Point-of-Sales (POS) and other Business Machines,

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<sup>788</sup> BIR Annual Report 2009, p. 25

<sup>789</sup> *Ibid.*, pp. 26-27

<sup>790</sup> BIR Annual Report 2010, pp.28-29

<sup>791</sup> BIR Annual Report 2009, pp. 28-29



continued implementation of Electronic Documentary Stamp Tax (eDST) System, execution of Electronic Registration (eREG) System – a web application system for various taxpayer registration services that caters to different types of individual taxpayers, and launching of Backlog Management Task Force (BMTF) to address the problem on registration, returns filed/transactional and collection backlogs. Implementation of Information Technology projects such as LGU Revenue Assurance Dashboard and Revenue Watch Dashboard were also continued.<sup>792</sup>

Regarding Organization and People Perspective, knowledge management was improved through Office Performance Monitoring and Evaluation which involved the performance monitoring and evaluation of incumbent heads of the RRs, RDOs, LTS and LTDOs. This Program a) ensured the alignment of office performance with the Bureau's overall strategic direction; b) clarified expected results from offices; c) gauged the extent of contribution of offices to the overall performance of the Bureau; and d) provided an objective basis for decision-making.

To improve integrity, professionalism, competence, and satisfaction of human resources the BIR Rationalization Program was continued to strengthen the BIR's core function by increasing manpower requirement to promote taxpayer satisfaction by improving frontline services as well as the BIR's accessibility to clientele.

Another project was the Human Resource Information System (HRIS) which provided the revenueurs with fast and easy access to comprehensive and integrated human resource data that will improve planning of human resource requirement.

Other endeavor was the optimization of Tax Reforms Administration Group (TRAG). The Tax Reform Administration Agenda was mainly funded by World Bank's National Program Support for Tax Administration Reforms (NPSTAR). The Tax Reform Agenda focused on seven (7) priority areas, namely: Registration, Filing and Payment; Audit; Legal and Enforcement and

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<sup>792</sup> BIR Annual Report 2009, pp. 29-34

Internal Affairs; Collection Enforcement and Arrears Management; Strengthened Taxpayer Service, Development and Compliance; Improved Organization and Management Systems; and Tax Reform Management and Change Management.<sup>793</sup>

Major accomplishments of priority reform projects were as follows:

A. Registration, Filing and Payment –

- Enhanced eREG/eTIN System pursuant to RMC No. 45-2009 where the said eService was expanded providing taxpayers the convenience of securing their TIN via the internet. Further, this facility offers online payment of registration fee for business individuals using eFPS and the generation of Certificate of Registration (COR) for business registrants.
- Compliance in Tax Obligation Simplification (CTOS) where eight (8) tax reforms were simplified. These were the following BIR Form Nos. 2551M, 2550M, 2550Q, 1700, 1701, 1701Q, 1702Q, and 1702.
- Registration Database Clean-Up to minimize discrepancies in registration information by synchronizing the databases of the Bureau. It was further enhanced to provide more detailed taxpayer information.

B. Audit –

- Computer-Assisted Audit Tools and Techniques (CAATTs) were provided wherein twenty-nine (29) software licenses were procured and distributed to Revenue Officers of the Large Taxpayers Service and members of CAATT to be used in the audit of computerized accounting systems of large taxpayers.<sup>794</sup>
- Audit Manual/Model which serves as a reference guide to all BIR tax auditors in their audit, were drafted for (8) priority industries

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<sup>793</sup> BIR Annual Report 2009, pp. 34-35

<sup>794</sup> *Ibid.*, p. 36

such as Bars and Restaurants, Entertainment, Construction, Hotels and Motels, Telecommunications, Manufacturing, Banks and PEZA-registered corporations.

- Other Activities that helped audit activities were profiling and benchmarking of taxpayers' information in pilot RDOs, crafting of a National Audit & Information Plan and revisiting of criteria for selection of Large Taxpayers.

C. Legal and Enforcement and Internal Affairs –

- RATE Program were beefed up in terms of packaging media releases and other information materials and coaching of legal officers in the development and handling of RATE cases. By this, media and legal consultants were hired in support of the said program.
- Enhanced Internal Audit was implemented through a foreign internal audit advisor that provided consultancy services on how BIR's internal audit functions may be strengthened.

D. Collection, Enforcement and Arrears Management –

- Accounts Receivable Management – to provide applications support in the enhancement of Accounts Receivable System, the services of Systems Analysts and programmers were engaged. Also, the Accounts Receivable Conversion System (ARCS) module was developed to ensure the integrity and accuracy of information on potentially collectible Accounts Receivable cases.<sup>795</sup>

E. Strengthened Taxpayer Service, Development and Compliance –

- Strengthen Third Party Information through the development of a computerized system for matching data on taxpayers of BIR with data from Local Government Units (LGUs). This system supported RDOs in their effort to increase their taxpayer base.

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<sup>795</sup> BIR Annual Report 2009, pp. 36-37

F. Tax Reform Management and Change Management –

- Tax Reform Management was implemented in which a consultant for tax reforms was hired that provided assistance on project management, particularly on project monitoring, including analysis of the project implementation process and outcomes.
- BIR Performance Evaluation Survey was conducted nationwide for internal and external stakeholders to assess the performance of the BIR as a provider of taxpayer service and as an employer.<sup>796</sup>

Implementation of good governance initiative were continued through the following programs: Personnel Integrity Program (PIP) implementation, Trainings and Development, Employee Health and Welfare Program, implementation of the Integrity Development Action Plan (IDAP): BIR Anti-Corruption Plan, BIR Building Program, and Performance Governance System (PGS) - an initiative of the Philippine Government for the Millennium Challenge Corporation (MCC) assistance program eligibility which gave grant to the country to finance development-oriented initiatives such as tracking performance and commitment to work.<sup>797</sup>

To provide revenueurs and external stakeholders with a timely glimpse of events and developments arising in a particular week in the Bureau and in line with its thrust to disseminate information on major events and developments in the BIR, a new publication called the BIR Weekender Briefs is being released every week. Said publication contained photos (with short caption/ description) of major events in the BIR, and released every Friday via e-mail by



<sup>796</sup> BIR Annual Report 2009, p. 37

<sup>797</sup> *Ibid.*, pp. 38

the Corporate Communication Division (CCD). This can also be accessed from the BIR website [www.bir.gov.ph](http://www.bir.gov.ph).<sup>798</sup> The first issue of the BIR Weekender Briefs was published on January 15, 2010.<sup>799</sup>

## ORGANIZATION

On December 14, 2009, Revenue Administrative Order (RAO) No. 15-2009 was issued to prescribe the transfer of Revenue Region No. 18 from Cotabato City to Koronadal City. In view of the transfer, Revenue Region No. 18-Cotabato City was renamed as Revenue Region No. 18 – Koronadal City. This was in compliance with E.O. No. 304 dated March 30, 2004 designating Koronadal City as the Regional Center and Seat of SOCCSKSARGEN Region.<sup>800</sup>

Revenue Administrative Order (RAO) No. 1-2010 dated January 4, 2010 was approved by Commissioner Tan-Torres renaming RDO No. 25-B – Marilao, Bulacan to RDO No. 25-B – Sta. Maria, Bulacan. In as much as the approved location under RAO No. 1-2008 dated September 16, 2008 was not followed in RDO No. 25B – Marilao, Bulacan, said office is renamed to RDO No. 25B – Sta. Maria, Bulacan consistent with its existing location.<sup>801</sup>

On February 19, 2010, RAO No. 2-2010 was also approved splitting Revenue District Offices (RDO) No. 116 – Regular Large Taxpayers and RDO No. 121 – Excise Large Taxpayers under the Large Taxpayers Service (LTS) and redefined their areas of jurisdiction. The areas of jurisdiction/covered industry of the newly restructured/established RDOs as a result of the division into four (4) of RDO No. 116 – RLT and into two (2) of RDO No. 121 - ELT under the LTS shall be as follows:

### **A. Regular Large Taxpayers:**

1. RDO No. 116 – Regular Large Taxpayers 1 – composed of electricity, gas and water, activities auxiliary to financial intermediation, transport, storage and communications, identified manufacturers of food, manufactures of wearing apparel, wood, paper, rubber, plastic, other

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<sup>798</sup> Revenue Memorandum Circular (RMC) No. 8-2010 dated January 22, 2010

<sup>799</sup> BIR Weekender Briefs, Volume No. 1 Issue No. 1, Week ending January 15, 2010

<sup>800</sup> Revenue Administrative Order (RAO) No. 15-2009 dated December 14, 2009

<sup>801</sup> Revenue Administrative Order (RAO) No. 1-2010 dated January 4, 2010

non-metallic, basic metals, fabricated metal products, machinery equipment & electrical machinery and identified wholesale/retail trade.

2. RDO No. 125 – Regular Large Taxpayers 2 – composed of banking institutions, non-banking financial intermediaries, insurance and pension funding, identified manufacturers of food and identified wholesale/retail trade.
3. RDO No. 126 – Regular Large Taxpayers 3 – composed of real estate, renting of goods & equipment, miscellaneous business activities, manufacture of chemicals and identified wholesale/retail trade.
4. RDO No. 127 – Regular Large Taxpayers 4 – composed of agriculture, fishing, compulsory, education, health and social works, other community, social, personal and other service activities, publishing, printing, reproduction, manufacture of radio, television & communication equipment/apparatus, manufacture of medical, manufacture of other transport equipment, manufacture of others (not elsewhere classified), hotels and restaurants, construction and identified wholesale/retail trade.

#### **B. Excise Large Taxpayers:**

1. RDO No. 121 – Excise Large Taxpayers 1 – composed of alcohol, power, mining and sugar industry.
2. RDO No. 124 – Excise Large Taxpayers 2 – composed of tobacco, petroleum, cement, non-essential and automobiles industry.<sup>802</sup>

### **COLLECTION PERFORMANCE**

#### **A. Collection vs. Goal**

For CY 2010, the Bureau's overall collection performance reached ₱822.624 Billion, an increase of 9.64% over the collection of CY 2009 amounting to ₱750.288 Billion. This collection was an achievement that enabled it to attain 95.60% of its revenue target of ₱860.441 Billion. The

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<sup>802</sup> Revenue Administrative Order (RAO) No. 2-2010 dated February 19, 2010

Bureau's performance was tempered by the impact of tax-eroding legislative measures that were implemented throughout 2010, as well as the temporary slowdown in operations of some enterprises and losses sustained due to natural calamities.<sup>803</sup>

Taxes on Net Income and Profit (Income Tax) posted a 59.48% share of the BIR's total collections. Revenues from the VAT came a rather distant second at 21.06%, while the remaining tax payments were attributed to Excise Taxes, at 8.17%; Other Taxes, at 5.87%; and Percentage Taxes, at 5.41%.<sup>804</sup>

The Large Taxpayers Service (LTS) which served the country's major business establishments, accounted for 55.20% of the BIR total collection for the year. The Revenue Regions, on the other hand, constituted 40.69% of the total collections and the remaining 4.10% was sourced from Non-BIR Operations.

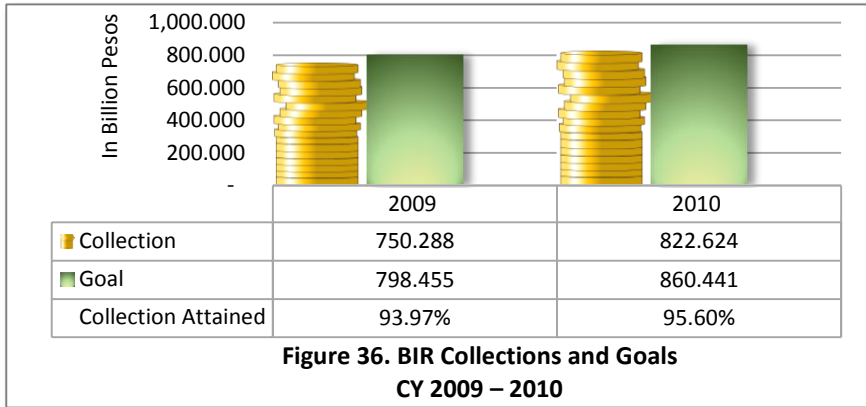
Fourteen (14) out of twenty (20) Implementing Groups exceeded their collection targets for CY 2010. The top five revenue regions that registered the largest percent of excess over target were the following: RR No. 3 – Tuguegarao , Cagayan with ₱494.57 Million excess or 17.28%, followed by RR No. 4 – San Fernando, Pampanga with ₱1,414.08 Million excess or 10.92% and RR No. 13 – Cebu City with ₱1,233.28 Million excess or 10.85% excess against targets. The rest of the regions were RR No. 1 – Calasiao, Pangasinan with ₱519.42 Million excess or 9.59% and RR No. 11 – Iloilo City with ₱420.77 Million excess or 7.21%.<sup>805</sup> (Figure 36)

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<sup>803</sup> BIR Annual Report 2010, p.6

<sup>804</sup> *Ibid.*, p.10

<sup>805</sup> *Ibid.*, pp. 64-65



### B. Cost of Operations

For CY 2009, total expenditures amounted to ₱5.737 Billion compared to last year’s ₱5.628 Billion. The main bulk of the operations cost came from Personal Services which comprised 56% of the total obligations. Cost to collect for every ₱100 revenue stood at ₱0.76 vis-à-vis the Bureau’s collections of ₱750.29 Billion during the year. The said cost was higher by ₱0.04 than last year’s cost to collect.<sup>806</sup>

In CY 2010, total expenditures amounted to ₱6.508 Billion compared to last year’s ₱5.737 Billion. The main bulk of the operations cost came from Personal Services which comprised 54% of the total obligations. Cost to collect for every ₱100 revenue stood at ₱0.79 vis-à-vis the Bureau’s collections of ₱822.62 Billion during the year. The said cost was higher by ₱0.03 than last year’s cost to collect.<sup>807</sup> (Table 61)

**Table 61. Expenditures and Cost of Collecting ₱100  
CY 2009 – 2010**

Calendar Year	Expenditures	% Inc./ (Dec.)	Cost of Collecting ₱100	% Inc./ (Dec.)
2009	5,737,000,000.00	1.90	0.76	5.26
2010	6,508,000,000.00	11.85	0.79	3.80

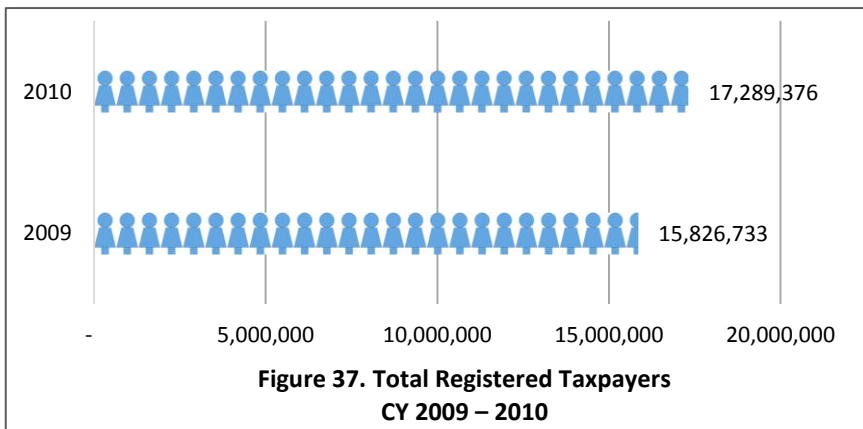
<sup>806</sup> BIR Annual Report 2009, p.53

<sup>807</sup> BIR Annual Report 2010, p.52



### C. Registered Taxpayers

Total number of Registered Taxpayers as of December 31, 2010 was 17.29 Million, 9.24% higher over CY 2009 with 15.83 Million. Individual Taxpayers presented the largest number of Registered Taxpayers in CY 2010 with 11.20 Million, 7% higher against CY 2009 with 10.47 Million. Likewise, Corporate Taxpayers, Estate and Trust Taxpayers, Marginal Income Earners, One Time Taxpayer (ONETT) and Other Registered Taxpayers (under Executive Order No. 98) increased in number from CY 2009 to CY 2010 with 6.32%, 19.08%, 8.70%, 9.29% and 19.07% respectively.<sup>808</sup> (Figure 37)



### PERSONNEL COMPLEMENT

The number of employees for CY 2010 was 0.99% lower compared with the previous year. The total personnel complement for CY 2009 was 10,824 and was reduced to 10,717 in CY 2010.<sup>809</sup> (Table 62)

**Table 62. Number of Employees  
CY 2009 – 2010**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
2009	10,824	(517)	(4.78)
2010	10,717	(107)	(1.00)

<sup>808</sup> BIR Annual Report 2010, p.73

<sup>809</sup> BIR Annual Report 2009 – 2010

# CHAPTER X

## INSTITUTIONALIZING GOOD GOVERNANCE



*Kim S. Jacinto-Henares*

**Commissioner of Internal Revenue**

**(July 2, 2010 – Present)**

## KIM S. JACINTO-HENARES

Commissioner ***Kim S. Jacinto-Henares*** is a topnotch CPA-lawyer with Master of Laws degree from Georgetown University. She obtained her Bachelor of Laws degree (Second Honor) from Ateneo de Manila University and her Bachelor of Science in Commerce (major in Accounting) degree at the De La Salle University, where she was a consistent Dean's Lister.

She was a consultant to then Commissioner Guillermo L. Parayno, Jr. when she first entered the BIR in January 2003. After seven months, she was then appointed as the first Deputy Commissioner for Special Concerns and concurrent Officer-in-Charge of the Large Taxpayers Service, as well as official spokesperson of the BIR.

Commissioner Henares, though she left the revenue service in 2005, continued to be part of the BIR with her involvement in the monitoring of the Bureau's tax reform projects as Senior Private Sector Development Specialist of the World Bank.<sup>810</sup>

Following the highly-acclaimed inauguration of President Benigno C. Aquino III in June of 2010, Atty. Kim S. Jacinto-Henares was appointed as the new Commissioner of Internal Revenue on July 2, 2010.<sup>811</sup>

Commissioner Henares was also conferred the Presidential Lingkod Bayan Award for outstanding work performance and consistent ethical behavior in 2014. Her extra toil and time dedicated to her job has redounded to the benefit of the Filipino people.<sup>812</sup> She was also appointed as member of the United Nations Committee of Experts on International Cooperation in Tax Matters which started in October 2014 and will end on June 30, 2017. The committee is tasked to explore ways and means of facilitating the

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<sup>810</sup> *BIR Monitor Volume 12 No. 6, p. 2*

<sup>811</sup> *BIR History, retrieved from <http://www.bir.gov.ph>*

<sup>812</sup> *President.gov.ph/news/palace-honors-this-years-outstanding-public-servants, retrieved on 8/11/2015*

conclusion of tax treaties between developed and developing countries and to promote international tax cooperation among tax authorities.<sup>813</sup>

On May 2015, Commissioner Henares was chosen as the Vice Chair of working party for Base Erosion and Profit Shifting (BEPS) Action Plan No. 15 of Organization for Economic Cooperation and Development (OECD) G20 which mandated to develop a multilateral instrument on tax treaty measures.<sup>814</sup>

## GENERAL ADMINISTRATION

During the first few months of Commissioner Henares in the Bureau, several programs were continued, others developed which essentially geared to intensify tax compliance and enforcement efforts, improve taxpayer service and good governance and improve organization structure and management. Top priority are the Run After Tax Evaders (RATE) Program and the “Oplan Kandado” which were given much emphasis and focus and were institutionalized and implemented all throughout her administration.

The RATE program identifies and prosecutes high profile tax evaders through investigation of large-scale violators of the tax laws. Started in the year 2005, it was re-invigorated under the administration of Commissioner Henares and was expanded in the revenue regions. The resolute and continuous nationwide implementation of the program has led to higher levels of tax consciousness and compliance not only among private individuals and companies but also in public entities and instrumentalities.



<sup>813</sup> [www.gmanetwork.com/news/story/386591/money/finance/kim-henares-named-to-un-panel-of-tax-experts](http://www.gmanetwork.com/news/story/386591/money/finance/kim-henares-named-to-un-panel-of-tax-experts), retrieved on 8/12/2015

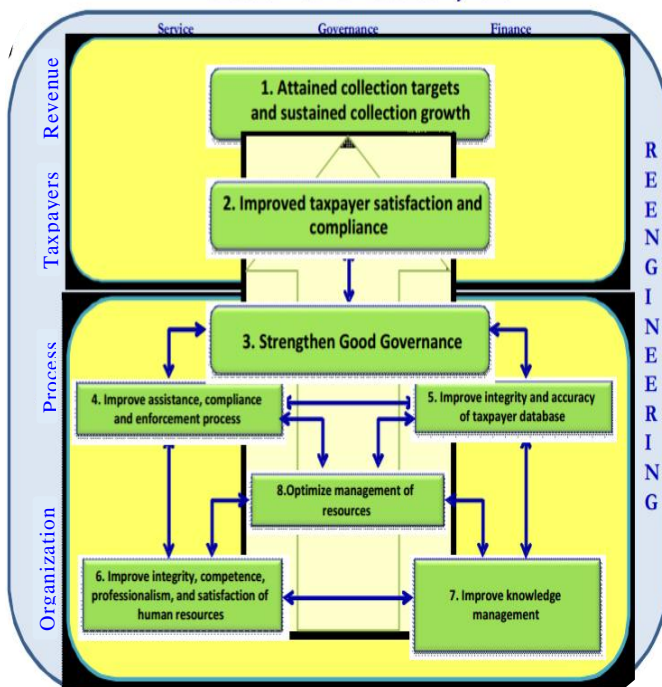
<sup>814</sup> [www.oecd.org/tax/treaties/work-underway-for-the-development-of-the-beps-multilateral-instrument.htm](http://www.oecd.org/tax/treaties/work-underway-for-the-development-of-the-beps-multilateral-instrument.htm), retrieved on 8/11/2015

The Oplan Kandado Program is an initiative involving the strengthening of the Bureau's imposition of prescribed administrative sanctions of suspending the business operations and closing temporarily of business establishments



for non-compliance with essential requirements of value-added tax (VAT) taxpayers such as taxpayer's VAT registration, the issuance of sales invoices/receipts, filing of VAT returns, declaration of taxable transactions and paying the correct amount of taxes by persons engaged in transactions subject to VAT pursuant to Section 115 of the Tax Code, as amended.<sup>815</sup>

Bureau of Internal Revenue By 2016



To map out the direction of the Bureau to achieve its desired outcomes and align all resources and efforts to further improve the agency's performance for 2011-2016, the Strategy Roadmap was defined.

<sup>815</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

**To attain collection targets and sustain collection growth, the following programs were initiated/continuously implemented:**

- Central Arrears Management Program (CAMP). This aims to formulate programs, guidelines and procedures on collection enforcement re-engineering as well as to oversee, monitor and evaluate the activities of the Project Team to ensure the Program's successful implementation.<sup>816</sup>
- Internal Revenue Stamps Integrated System (IRSIS) for Alcohol Products – Distilled Spirits. This was formally launched on August 1, 2014.<sup>817</sup> This is a web-based application that manages the ordering, production, distribution, affixing and tracking as well as provision of security features in the revenue stamps for alcohol products. Its primary objective is to ensure the collection of correct excise taxes on alcohol products.<sup>818</sup>
- Accounts Receivable Management System (ARMS). A web-based system that enables the establishment of accurate Accounts Receivable/Delinquent Accounts (AR/DA) database of the BIR across all offices for easy monitoring/tracking and timely generation of required correspondences and reports.<sup>819</sup>

**To improve taxpayer satisfaction and compliance, the following programs were continuously implemented:**

- Electronic Authority to Release Imported Goods (e-ATRIG) which provides the online application for Authority to Release Imported Goods (ATRIG) and automates the processing and issuance thereof.<sup>820</sup>
- LTS Compliance Strategy Program was developed for the systematic identification, ranking and treatment of the most significant risks posed by

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<sup>816</sup> BIR Annual Report 2014, p. 13

<sup>817</sup> *Ibid.*

<sup>818</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

<sup>819</sup> BIR Annual Report 2014, p. 14

<sup>820</sup> BIR Annual Report 2012, pp. 22-23

the Large Taxpayers. It also profiles the Large Taxpayers using a range of financial data and specific tax indicators.<sup>821</sup>

- Establishment of eLounge in each Revenue District Office.<sup>822</sup>
- Expansion of International Organization for Standardization (ISO) Certification to other districts. The implementation of Quality Management System (QMS) as mandated under Executive Order No. 605 (Institutionalizing the Structure, Mechanism and Standards to Implement the Government Quality Management Program) which aims to promote and enhance public sector performance through the adoption of ISO 9001-2008 QMS in all government agencies. BIR established QMS for the Business Registration Process for both individual and non-individual taxpayers.<sup>823</sup>
- Interactive Forms or eBIRForms System was developed to provide electronic submission channels to all non-Electronic Filing and Payments System (eFPS) taxpayers.<sup>824</sup>
- Tax Ruling and Case Management System (TRCMS). On June 20, 2014, Operations Memorandum No. 2-2014 was issued prescribing the policies, guidelines, and processes in the implementation of the TRCMS.<sup>825</sup>
- Electronic Official Registry Book (eORB). This is an automated facility on excise products that allows the manufacturers of excisable product to electronically submit the ORBs. Allows to monitor the submission and check entries to uncover discrepancies on declarations of the Official Registry of Book of businesses involved in tobacco, alcohol and petroleum products.<sup>826</sup>
- Online System for Accreditation of Importers and Customs Brokers. This automates the manual processes in accrediting importers and custom

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<sup>821</sup> BIR Annual Report 2012, p. 24

<sup>822</sup> BIR Annual Report 2014, p. 16

<sup>823</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

<sup>824</sup> BIR Annual Report 2012, pp. 22-23

<sup>825</sup> BIR Annual Report 2014, p. 17

<sup>826</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015



brokers from the filing of application to the issuance of Importers/Brokers Clearance Certificates.<sup>827</sup>

- Capacity Development and Public Awareness (eLearning). eLearning is the use of electronic media and information and communication technologies (ICT) in education to enable people to learn anytime and anywhere. It provides: a) a tool for capacity development/building for employees skills enhancement as well as provide post training evaluation; and b) a tool for educating external stakeholders/public awareness.<sup>828</sup>
- Compliance Improvement Strategy. A system that develops a comprehensive end to end compliance improvement strategy for taxpayers for the effective management of risks and to improve overall levels of compliance in the areas of registration, filing and payment, under-reporting, and arrears management. The compliance improvement strategy further strengthens tax administration and complements and support the achievement of the BIR Strategic Plan.<sup>829</sup>
- Transfer Pricing Program. This program seeks to complement Transfer Pricing Guidelines of the BIR issued through Revenue Regulations No. 2-2013 dated January 23, 2013. It prescribed the guidelines in determining the appropriate revenues and taxable income of the parties in controlled transactions which is largely based on the Economic Cooperation and Development (OECD) Transfer Pricing Guidelines.<sup>830</sup>

**To strengthen good governance, the following projects were implemented:**

- Strategic Performance Management System (SPMS). This seeks the individual performance with the agency's organization vision, mission and strategic goals. With some adjustments, it also makes use of existing

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<sup>827</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

<sup>828</sup> *Ibid.*

<sup>829</sup> *Ibid.*

<sup>830</sup> *Ibid.*

performance evaluation and management systems and links performance management with other human resource (HR) systems.<sup>831</sup>

- Integrity Management Program (IMP). This is a preventive anti-corruption measure of the government jointly undertaken by the Office of the President through the Office of the Deputy Executive Secretary for Legal Affairs (OP-ODESLA) and the Office of the Ombudsman (OMB). It aims to install a standard but flexible approach at the agency and program level in ensuring that standard norms of conduct for public officials are consistently applied.<sup>832</sup>
- Enhanced Career Executive Service Performance Evaluation System (CESPES). The policies of the CESPES was enhanced thru Career Executive Service Board (CESB) Resolution No. 1136 to align targets/ commitments to the Organizational Strategic Objective, streamline the behavioral competencies with the six (6) CES core competencies for an effective and accountable executive performance, as well as revised the rating scale from seven to five points to achieve full alignment with the SPMS. The BIR was given a Plaque of Recognition from the CESB for its efficient and timely compliance on the submission of the CESPES forms of its third level executives.<sup>833</sup>
- Apart from the continuing initiatives to implement efficient good governance, the strengthening of BIR Internal Control System was also embarked into. This was a key undertaking in support of the Aquino Administration's campaign for good governance. Briefings on Internal Control System were conducted throughout the agency with no less than the Deputy Executive Secretary Alberto A. Bernardo from the Office of the President as resource speaker. The briefings focused on strengthening of accountability, ensuring ethical, economical, efficient and effective operations and improving the quality and quantity of outputs and outcomes, to improve responses to the needs of the public.<sup>834</sup>

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<sup>831</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

<sup>832</sup> BIR Annual Report 2014, p. 19

<sup>833</sup> *Ibid.*, p. 19

<sup>834</sup> BIR Annual Report 2012, p. 27

**To improve assistance, compliance and enforcement processes, various programs and projects were initiated as follows:**

- Electronic Certificate Authorizing Registration (eCAR). A web-based system that generates the CAR with barcode and electronically transmit data to Land Registration Authority, eliminating or reducing revenue losses from all types of transfer tax transactions. The information from the eCAR system shall be used by BIR offices in conducting pre and post audit of said transactions.<sup>835</sup>
- Electronic Letter of Authority Monitoring System (eLAMS). The eLAMS is a web-based application built to enforce management and control of audit conducts as well as to monitor the workload of concerned case/revenue officer's audit.<sup>836</sup>
- Mobile Revenue Collection Officers System (MRCOS) provides the facility for the Revenue Collection Officers (RCOs)/Special Collection Officers (SCOs) to immediately capture the details of tax payments/fees received, issue electronic receipts [i.e. Revenue Official Receipts (RORs), Official Receipts (ORs), as well as Acknowledgement Receipts (ARs) for no-payment returns received], as well as real-time reporting and generation of pertinent reports for all collection and deposit transactions.<sup>837</sup>
- Electronic Tax Information Systems (eTIS). A major Information and Communications Technology undertaking intended to enhance/improve BIR core Tax Administration System, providing a single, web-based automated solution. It is set to replace the existing BIR Integrated Tax System – the core infrastructure that powers several tax application systems.<sup>838</sup>
- On-line System for Transfer Tax Transactions (OST<sup>3</sup>). This program aims to provide a facility for BIR officers to review and approve online the one-time transactions filed by taxpayers. One-time transaction includes not

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<sup>835</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

<sup>836</sup> Assessment Performance Monitoring Division, Assessment Service

<sup>837</sup> BIR Annual Report 2014, p. 22

<sup>838</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

only transfer of real properties and stocks not traded in the stock exchange but also transfer of other properties in connection with estate tax and donor's tax. In OST3, taxpayers has to use the eBIRForms offline package for lodging/encoding one-time tax returns and use the online eBIRForms facility to submit/file the return and attach the necessary documentary requirements. The OST3 will then interface with eBIRForms system to pull or get data. Other necessary details will be lodged using the OST3 facility. Review and approval of the taxpayer's application for one-time transaction will be done thru OST3 and will push/insert data to eCAR system for the generation of CAR.<sup>839</sup>

- Electronic Documentary Stamp Tax (eDST) System Electronic Documentary Stamp Tax (eDST) System. A web-based system that allows taxpayers to imprint/affix secured documentary stamps on taxable documents, capable of providing a 3-layer watermark on stamps for added security. It also provides them with the facility to access information on their own DST transactions via the Internet.<sup>840</sup>
- Enhancement of Electronic Accreditation (eAccreg) and Electronic Sales (eSales). A web-based system for on-line accreditation of suppliers and their machines and on-line registration of CRMs/POS by the supplier and the taxpayer user.<sup>841</sup>
- Re-implemented the Electronic Sales (eSales) System, via the BIR website, piloted by the Large Taxpayers. Through the use of the eSales System (suspended in 2005), taxpayers engaged in business using CRM/POS machines and other receipt/invoice-generating machines will report to the BIR their gross monthly sales generated per machine using the BIR website/portal.<sup>842</sup>
- Electronic Complaint (eComplaint). An online e-mail facility where taxpayers can lodge their various complaints against erring BIR personnel as

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<sup>839</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

<sup>840</sup> BIR Annual Report 2014, p. 22

<sup>841</sup> *Ibid.*

<sup>842</sup> BIR Monitor Vol. 13 No. 1, pp. 1 & 8

well as against taxpayers who do not issue Official Receipts or those who commit tax fraud.<sup>843</sup>

- Collection Reconciliation System (CRS). A web-based system that provides a facility for the automated reconciliation of internal revenue tax collections based on the records of the BIR as against the records of the Bureau of Treasury (BTr), Bangko Sentral ng Pilipinas (BSP), as well as with the Authorized Government Depository Banks (AGDBs).<sup>844</sup>
- Online Application and Processing of Tax Clearance for Bidding Purposes. This covers the development of an online system (web-based) that will facilitate the filing of the application for issuance of Tax Clearance, as well as the automated processing of the same. The system interfaces with the Accounts Receivable Management System (ARMS).<sup>845</sup>

**To improve integrity and accuracy of taxpayer database, the following programs were implemented:**

- Establishment of Document Processing Division (DPD) in the Revenue Regions to centralize retrieval and processing of returns received by Revenue District Offices (RDOs) under the Region and by the Accredited Agent Banks (AABs).<sup>846</sup>
- Asset Information Management (AIM-P). This program establishes a systematic, strategic and integrated revenue management system for asset-related and other relevant transactions, utilizing IT infrastructure, applications and solutions, for enhanced fiscal policy formulation and improved revenue collection; thus, enabling the BIR to contribute to the attainment of the government's overall development agenda. AIMP include the build-up of a taxpayer database management system of asset-related and other relevant information from processed tax amnesty returns. SALNs, TPI and other existing internal information within the BIR. It also covers the

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<sup>843</sup> BIR Annual Report 2014, p. 22

<sup>844</sup> *Ibid.*, p. 23

<sup>845</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

<sup>846</sup> *Ibid.*

development of business intelligence (BI) solutions for revenue administration and decision-making process.<sup>847</sup>

- Workflow Management System (WMS). This a web-based system that manages the documents received by the BIR. Its main features include scanning and barcoding for proper tracking and archiving. It provides a system to process, handle and digitally stores internal and external reports and an avenue for central monitoring of documents.<sup>848</sup>
- Forfeited Asset Management. A web-based facility that enables the BIR to automatically create and update its database of absolutely forfeited properties; monitor the handling of forfeited properties from the time of absolute forfeiture up to final disposition; ensure that all civil and natural fruits of forfeited properties are duly accounted for and remitted to the government, and automatically publish the relevant information on acquired assets to the BIR website for dissemination to all interested internal and external parties.<sup>849</sup>
- Taxpayer Registration Information Update (TRIU) Program. The existing eRegistration System was enhanced and the linkages with third parties including National Statistics Office (NSO), Government Service Insurance System (GSIS), Social Security System (SSS), Securities and Exchange Commission (SEC), Land Transportation Office (LTO), Professional Regulation Commission (PRC), Insurance Commission (IC), among others, as sources for the updates of registration information.<sup>850</sup>
- Electronic Authority to Release Imported Goods (eATRIG) has been used by the Bureau in processing applications for ATRIG and in issuing the corresponding ATRIG, for excise tax purposes, particularly on all importations of articles subject to excise tax (whether exempt or taxable), including the raw materials in the production thereof, as well as the

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<sup>847</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

<sup>848</sup> *Ibid.*

<sup>849</sup> *Ibid.*

<sup>850</sup> BIR Annual Report 2013, p. 25

machines, equipment, apparatus or any mechanical contrivances especially used for its assembly/production.<sup>851</sup>

- Electronic Tax Remittance Advice (eTRA) System, an automated process of filing of withholding tax returns and payment of the taxes due therein using the Tax Remittance Advice made by National Government Agencies (NGAs), in lieu of the manual filing and payment thereof, pursuant to RR No. 1-2013.<sup>852</sup>
- The Exchange of Information (EOI) Program and the implementation of the Foreign Account Tax Compliance Act Intergovernment Agreement Model 1 (FATCA-IGA 1). This program seeks to make the BIR more aware of the benefits of EOI in collecting taxes, particularly, on cross-border transactions since information on foreign-sourced incomes derived by taxable residents area often declared on voluntary basis. The BIR can obtain information from another tax authority regarding such income. This information will assist our revenue officers in building up a case whether in a simple tax audit or a tax fraud case.

FATCA is a type of EOI covered by an intergovernment agreement with the US Internal Revenue Service which calls for automatic exchange of financial account information. Its benefits include: improved tax transparency and international tax compliance (i.e. US tax law); BIR will receive data on Filipinos with bank accounts and assets in the US; helps enforcement efforts and covers individuals and corporations: both US and Philippines follow worldwide taxation.<sup>853</sup>

- Geographical Information System (GIS). It is a computer system designed to allow users to collect, manage and analyze large volumes of spatially referenced and associated attribute data using a web-based geographic data visualization and information system. This serves as a tool which will help improve processes by integrating system with geographic information for sound decision-making. It will also provide dynamic data and

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<sup>851</sup> BIR Annual Report 2013, p. 25

<sup>852</sup> *Ibid.*

<sup>853</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

location intelligence to valuation and taxation functions as well as the visualization of information gathered from eSales, zonal valuation and collection.<sup>854</sup>

**To improve integrity, competence and satisfaction of human resources, the following project were initiated:**

- Human Resources Information System (HRIS). The establishment of a modern, fully automated HRIS will allow better utilization and management of BIR staff. The HRIS will support the requirements of the Civil Service Commission (CSC) Program to institutionalize Meritocracy and Excellence in Human Resource Management (PRIME-HRM) and to provide the revenueurs with fast and easy access to comprehensive and integrated human resource data. The data inside the HRIS will be used in the implementation of the Government Financial Management Information System (GIFMIS) which was developed per Executive Order No. 55 – Directing the Integration and Automation of GIFMIS to allow greater financial management control at the oversight and agency levels, ensure stricter compliance of the budget to appropriation laws and corresponding rules and regulations, significantly improve treasury cash management and facilitate keeping of general accounts of government and management reporting at various levels of government.<sup>855</sup>
- The Training Management Division and Training Delivery Division, through the Asian Development Bank Technical Assistance Project and in collaboration with the subject matter experts, designed and developed the revised Personnel Orientation Course, Basic Tax Administration Course and Working with Projects. Using the adult learning principle, through interactive lectures, group activities or case studies, these serve as introductory courses for all the new recruits in BIR.<sup>856</sup>

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<sup>854</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

<sup>855</sup> *Ibid.*

<sup>856</sup> BIR Annual Report 2014, p. 27



**To improve knowledge management, the following programs were implemented:**

- E-Linkage with the Bureau of Treasury (BTr). A new process for the electronic exchange of information/data between the BIR and the BTr with respect to collections and the remittances of internal revenue taxes across all collection channels. It aims to ensure that BTr will electronically provide all the data on tax payments received by the BIR, thru any of its authorized Revenue Collection Officer (RCO) or deputized collection agents, and the same are timely captured by the BIR and the same are currently and timely remitted to the BTr.<sup>857</sup>
- Industry Issues Resolutions – Legal. This program was introduced by the Large Taxpayers Service beginning June, 2014 following the issuance of Revenue Memorandum Order No. 9-2014 setting forth the guidelines in the processing of requests for rulings with the Law and Legislative Division. For the purpose, LTS Core Group was created to address and tackle any industry tax issues and concerns of large taxpayers, specifically on matters declared as “No Ruling Areas”. Also being discussed for resolution by the Core Group are issues raised in an ongoing audit/investigation requiring immediate action and resolution and/or crafting of appropriate revenue issuances or amendments to existing issuances. The LTS Core Group is composed of the LTS Officials and representatives from the Legal Group.<sup>858</sup>

**To optimize management of resources, the following project was implemented:**

- Procurement, Payment, Inventory, Distribution and Monitoring System. This project will automate and integrate, for a more efficient and effective delivery of services, the processes pertaining to receipt of purchase requests, allocation of funds, procurement of goods/services, maintenance of inventory and distribution of goods purchased/monitoring of rendition of services contracted, payment of purchases made, while adhering to existing

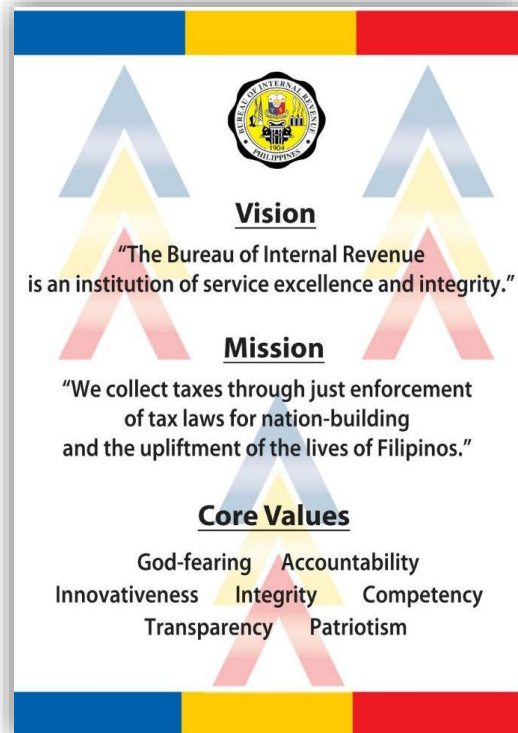
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<sup>857</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

<sup>858</sup> *Ibid.*

procurement, budgeting, accounting and auditing laws, rules and regulations.<sup>859</sup>

To serve as information and guiding principles in the performance of our mandate, the BIR Mission and Vision Statements and Core Values were defined as follows:<sup>860</sup>



With the strengthening of tax administration efficiency and continued innovation and implementing e-governance platforms in the interest of data transparency,<sup>861</sup> Commissioner Henares delivered historic achievement by hitting trillion peso mark collections from CY 2012 and the succeeding years.

<sup>859</sup> Revenue Memorandum Circular No. 3-2015 dated January 13, 2015

<sup>860</sup> Revenue Memorandum Circular No. 79-2015 dated December 29, 2015

<sup>861</sup> BIR Annual Report 2012, p. 2

Commissioner Henares continuously made every effort to sustain the commendable performance to effectively support the country's economic development.<sup>862</sup>

## ORGANIZATION

On September 24, 2010, Revenue Administrative Order (RAO) No. 3-2010 was approved by Commissioner Kim Jacinto – Henares renaming Revenue District No. 15 to Naguilian, Isabela. In view of the transfer of RDO No. 15 from Ilagan, Isabela to Naguilian, Isabela, it was renamed to RDO No. 15 - Naguilian, Isabela consistent with its new station located at Provincial Road, Barangay Roxas, Naguilian, Isabela.<sup>863</sup>

Revenue Administrative Order No. 1-2011 dated November 28, 2011 was approved amending pertinent provisions of RAO 2-2010 on the splitting of RDO No. 116 – Regular Large Taxpayers under the Large Taxpayers Service (LTS) and redefining their areas of jurisdiction. Said RAO prescribed the restructuring/regrouping of RDO No. 116 – Regular Large Taxpayers (RLT) under the LTS into three (3) audit divisions. It also redefined the jurisdictional boundaries of the newly structured RDOs for the purpose of maximizing revenue collections and tax assessments, and intensifying enforcement of revenue laws and regulations.

On September 13, 2013, RAO No. 3-2013 was approved establishing RDO Sub-offices in Boracay and in Camiguin Islands. This RAO was issued to formally establish the BIR Sub-offices in the islands of Boracay and Camiguin. The following revenue districts now have a sub-office:

<u>RDO</u>	<u>Sub-Office</u>
1. RDO No. 71 – Kalibo, Aklan	Boracay Island
2. RDO No. 97 – Gingoog City	Camiguin Island

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<sup>862</sup> *BIR Annual Report 2012, p. 3*

<sup>863</sup> *Revenue Administrative Order No. 3-2010 dated September 24, 2010*

The Sub-office will process applications/requests for business registration, TIN, Authority to Print, Invoices, Registration of Books of Accounts for approval of RDO; receive all other applications/requests for processing and approval of RDO; perform the functions of Revenue Collection Officer, in accordance with existing procedures; prepare communications and assist taxpayers in the computation of correct taxes; act on identified taxpayers as non-filers and other related work as may be assigned.<sup>864</sup>

To enable the government focus its efforts on vital/core functions to improve service delivery and productivity, the Government Rationalization Program was implemented pursuant to Executive Order (EO) No. 366 issued on October 5, 2004. This covered all Departments of the Executive Branch, including all agencies and Government-Owned and Controlled Corporations (GOCCs) under/ attached to them. It aimed to eliminate redundancies/ overlaps/duplications that will redound to refocusing of resources to priority areas.<sup>865</sup>

On June 17, 2014, RAO 1-2014 was issued prescribing the BIR Organization Structure under Executive Order No. 366 (Rationalization Plan) for the guidance of all internal revenue officials and employees.<sup>866</sup>(Chart 20)

On August 7, 2014, RAO 2-2014 was issued defining the organization and functions of offices in the National Office under the approved BIR Rationalization Plan.

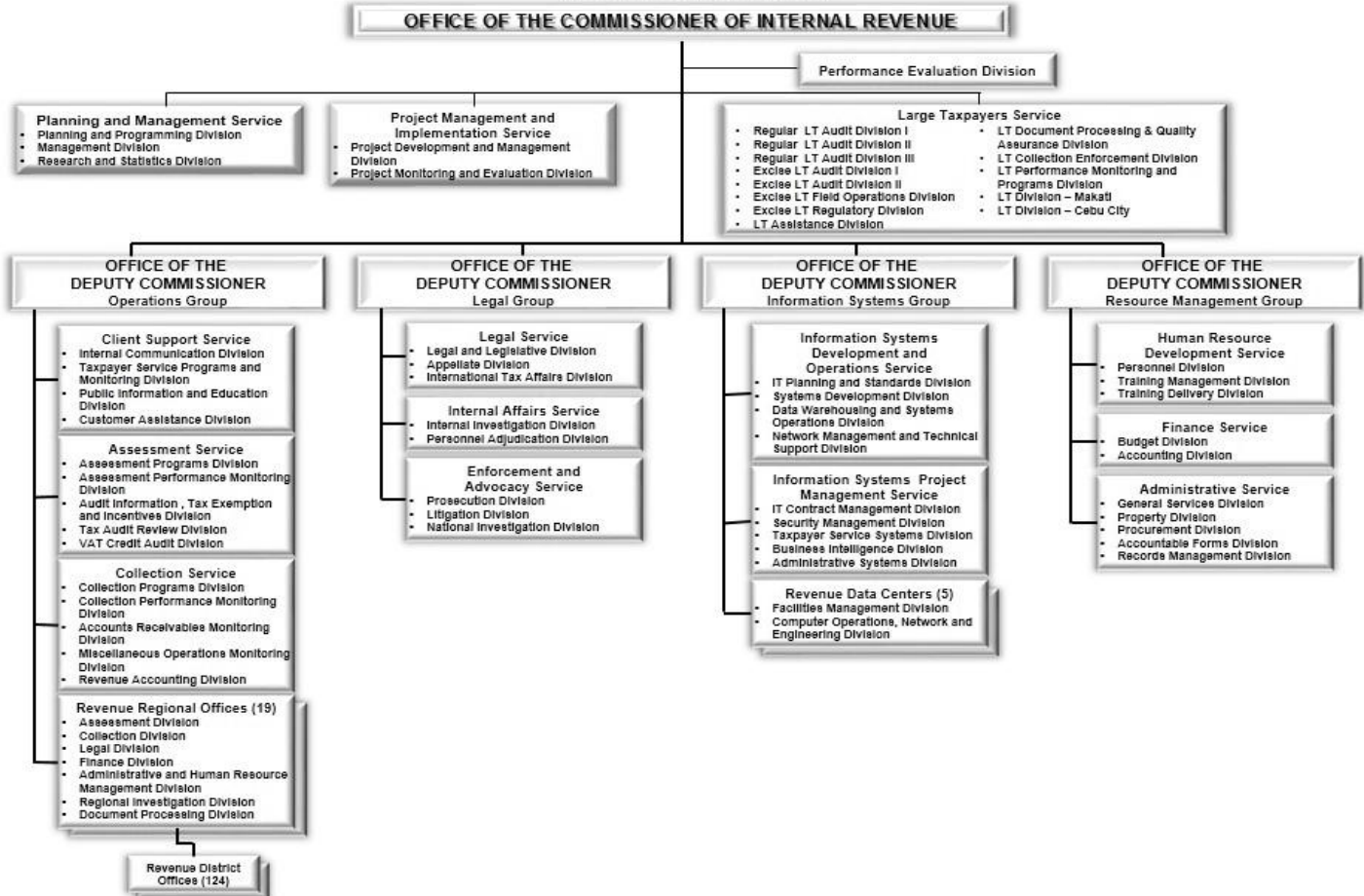
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<sup>864</sup> Revenue Administrative Order No. 3-2013 dated September 13, 2013

<sup>865</sup> Executive Order No. 366 "Directing a Strategic Review of the Operations and Organizations of the Executive Branch and Providing Options and Incentives for Government Employees Who May Be Affected by the Rationalization of the Functions and Agencies of the Executive Branch." Retrieved from <http://www.gov.ph/2004/10/04/executive-order-no-366-s-2004/> on 6/26/15

<sup>866</sup> Revenue Administrative Order No. 1-2014 dated June 17, 2014

**Chart 20.**  
**BUREAU OF INTERNAL REVENUE – DEPARTMENT OF FINANCE**  
**Approved Organizational Structure**  
**Executive Order No. 366**



The organizational changes effected (from EO 175 to EO 366) were as follows:<sup>867</sup>

❖ Office of the Commissioner (OCIR)

The Services/Offices comprising the OCIR are the Large Taxpayer Service (LTS), Planning and Management Service (PMS) which was renamed (formerly Policy and Planning Service), Project Management and Implementation Service (PMIS) which replaced the abolished Tax Reform Administration Group (TRAG) and the Performance Evaluation Division (formerly Internal Audit Division).

The Excise Taxpayers Service (ETS) was abolished along with its three (3) divisions, namely, ET Assistance Division, ET Programs Division and ET Document Processing and Quality Assurance Division. The ET Operations Division was transferred to LTS and was renamed as Excise LT Field Operations Division (ELTFOD).

The Enforcement Service (ES) that was originally under the Office of the Commissioner (OCIR) was renamed as Enforcement and Advocacy Service (EAS) and was transferred to the Legal Group (LG), formerly Legal and Inspection Group.

Under the LTS, five (5) new divisions were created to establish an industry-based groupings among the respective divisions. These divisions were the Regular LT Audit Division II (RLTAD II), Regular LT Audit Division III (RLTAD III), Excise LT Audit Division I (ELTAD I), Excise LT Audit Division II (ELTAD II) and Excise LT Regulatory Division (ELTRD). The ELTRD was created in line with the BIR's policy for a more taxpayer-focused delivery of services and provide a "one-stop shop/fast lane" service to excise taxpayers. The Excise LT Field Operations Division (ELTFOD) was transferred to LTS from the abolished ETS. The LT Assessment Division was renamed as Regular LT Audit

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<sup>867</sup> *“Summary of the Significant Changes in the BIR NO functions from previous RAO under EO 175 to Rationalization Plan (EO 366)”, an attachment to the Proposed Revenue Administrative Order on Organization and Functions of Offices in the BIR National Office per memorandum addressed to Carlo A. Carag, Undersecretary, Revenue Operations and Legal Affairs Group, Department of Finance, dated June 30, 2014*

Division I (RLTAD I). The LT Collection and Enforcement Division (LTCED) and LT Programs Division (LTPD) were renamed as LT Collection Enforcement Division (LTCED) and LT Performance Monitoring and Programs Division (LTPMPD), respectively. The LT Assistance Division, LT Document Processing and Quality Assurance Division (LTDQPQAD), LT Division-Makati (LTD-Makati) and LT Division-Cebu (LTD-Cebu) were retained.

Under the Planning and Management Service, the Planning Division (PD) and Statistics Division (SD) were renamed to Planning and Programming Division (PPD) and Research and Statistics Division (RSD), respectively. The Management Division's (MD) function was strengthened to coordinate efforts towards improving systems and procedures, internal control and risk management processes in the BIR. The manpower planning function of Personnel Division was transferred to this division. The change management function of MD was transferred to PMIS. The Corporate Communications Division (CCD) renamed as Internal Communications Division (ICD) was transferred to the Client Support Service (CSS) (formerly TAS) under the Operations Group.

Under the Project Management and Implementation Service, two (2) new divisions are created to absorb the functions of the abolished TRAG. These were the Project Development and Management Division (PDMD) and Project Monitoring and Evaluation Division (PMED).

The Internal Audit Division (IAD) which was formerly under the Inspection Service was renamed as Performance Evaluation Division (PED). The said division was transferred directly under the OCIR to enable the Commissioner of Internal Revenue (CIR) to tackle sensitive audit and/or graft-related matters which may involve high-ranking officials of the BIR.

❖ Operations Group (OG)

The Services comprising OG are the Assessment Service (AS), Collection Service (CS) and Client Support Service (CSS) (formerly the Taxpayer Assistance Service (TAS)).

Under the Assessment Service, two (2) divisions were created, namely, VAT Credit Audit Division (VCAD) and Tax Audit Review Division (TARD). The VAT Credit Audit Division was created to institutionalize the functions performed by Revenue Officers assigned at the DOF-OSS Center relative to processing and audit of claims for VAT credits of direct exporters and strengthened internal controls in processing of claims.<sup>868</sup> On the other hand, the Tax Audit Review Division was created to review and evaluate tax audit reports on claims for tax credit/refund submitted by VCAD, as well as those emanating from Revenue Regions.<sup>869</sup> The Asset Valuation Division (AVD) was renamed as Assessment Performance Monitoring Division (APMD). The Assessment Programs Division (APD) and Audit Information, Tax Exemption and Incentives Division (AITEID) were retained.

Under the Collection Service, a new division named Collection Performance Monitoring Division (CPMD) was created. This division will monitor collection related functions such as collection of taxes thru Authorized Agent Banks (AABs) and the Collection Agents. The Collection Enforcement Division (CED) was renamed as Accounts Receivables Monitoring Division (ARMD). The former Withholding Tax Division was renamed to Miscellaneous Operations Monitoring Division (MOMD). The MOMD will perform collection-related automated services eTRA System such as the generation of Tax Credit Certificate/Tax Debit Memo, the Electronic Documentary Stamp Tax (eDST) System. ARMD will monitor and evaluate the activities of field offices in handling and management of acquired assets. The Collection Programs Division (CPD) and Revenue Accounting Division (RAD) were retained. However, some of the functions of CPD were transferred to CPMD and MOMD.

Under the Client Support Service (formerly Taxpayer Assistance Service), the Taxpayer Information and Education Division (TIED) was

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<sup>868</sup> *“Summary of the Significant Changes in the BIR NO functions from previous RAO under EO 175 to Rationalization Plan (EO 366)”, an attachment to the Proposed Revenue Administrative Order on Organization and Functions of Offices in the BIR National Office per memorandum addressed to Carlo A. Carag, Undersecretary, Revenue Operations and Legal Affairs Group, Department of Finance, dated June 30, 2014*

<sup>869</sup> *Tax Audit Review Division, Assessment Service*



renamed as Public Information and Education Division (PIED). The Corporate Communications Division (CCD) renamed as Internal Communications Division (ICD) was transferred to this Service from Policy and Planning Service to centralize all communications to cater both internal and external clients and stakeholders of the BIR. The Taxpayer Service Programs and Monitoring Division (TSPMD) was retained.<sup>870</sup>

The BIR Contact Center (BIRCC) was institutionalized into a division under this Service and renamed as Customer Assistance Division (CAD) to deliver fast and quality service to taxpayers nationwide.

❖ Legal Group (LG)

The Legal and Inspection Group (LIG) was renamed to Legal Group (LG) since legal functions are common to all the three (3) Services under it. The Services comprising LG are the Legal Service, Enforcement & Advocacy Service (EAS) (formerly Enforcement Service) and Internal Affairs Service (IAS) (formerly Inspection Service).

Under the Legal Service, the Law Division was renamed as Legal and Legislative Division (LLD). The Appellate Division and International Tax Affairs Division (ITAD) were retained. The Litigation Division and Prosecution Division were transferred to Enforcement and Advocacy Service.

Under the Enforcement and Advocacy Service, the Tax Fraud Division was renamed to National Investigation Division (NID). Two (2) divisions, namely: Litigation Division and Prosecution Division were transferred from Legal Service.

Under Internal Affairs Service, two (2) divisions were renamed - the Internal Security Division (ISD) to Internal Investigation Division (IID) and Personnel Inquiry Division (PID) to Personnel Adjudication Division (PAD).

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<sup>870</sup> *“Summary of the Significant Changes in the BIR NO functions from previous RAO under EO 175 to Rationalization Plan (EO 366)”, an attachment to the Proposed Revenue Administrative Order on Organization and Functions of Offices in the BIR National Office per memorandum addressed to Carlo A. Carag, Undersecretary, Revenue Operations and Legal Affairs Group, Department of Finance, dated June 30, 2014*

The Internal Audit Division (IAD) was transferred to the OCIR and renamed as Performance Evaluation Division (PED).

❖ Information Systems Group (ISG)

The Information Systems Group (ISG) was restructured to realign functions with outsourcing initiatives. The former three (3) Services namely, Information Systems Operations Service (ISOS), Information Systems Development Service (ISDS) and Information Planning and Quality Service (IPQS) were merged into two (2), namely: Information Systems Development and Operations Service (ISDOS) and Information Systems Project Management Service (ISPMS).

The ISDOS comprises four (4) divisions, namely: Data Warehousing and Systems Support Division (DWSSD), IT Planning and Standards Division (ITPSD), Network Management and Technical Support Division (NMTSD) and Systems Development Division (SDD).

On the other hand, five (5) divisions comprise ISPMS, namely: Security Management Division (SMD), IT Contract Management Division (ITCMD), Taxpayer Service Systems Division (TSSD), Business Intelligence Division (BID) and Administrative Systems Division (ASD).

The Revenue Data Center (RDC) and the two (2) divisions, namely: Computer Operations, Network and Engineering Division and Facilities Management Division were retained. The number of the RDCs were increased from four (4) to five (5).

❖ Resource Management Group (RMG)

The Resource Management Group (RMG) comprises the Human Resource Development Service (HRDS), Finance Service, and Administrative Service from the formerly merged Financial and Administrative Service.

HRDS has the following divisions under it: the Personnel Division, Training Management Division (TMD) and Training Delivery Division (TDD). The Medical, Dental and Welfare Division (MDWD) was abolished. Medical/dental items positions were transferred to medical institutions. The

abolition was required by DBM as the BIR is surrounded with various hospitals for the BIR personnel to avail of.

As a result of the splitting of Financial and Administrative Service into Finance Service and Administrative Service, two (2) divisions were retained under Finance Service, namely: Budget Division and Accounting Division.

Under the Administrative Service, the General Services Division (GSD) was split into two (2) divisions, namely: General Services Division and the new division, Property Division. Three (3) divisions were transferred from the former Financial and Administrative Service, namely: Procurement Division, Accountable Forms Division (AFD) and Records Management Division (RMD) forming part of Administrative Service.<sup>871</sup>

On November 5, 2015, RAO 3-2014 was issued prescribing the organization and functions of the Regional Offices, its Divisions and Sections and the Revenue District Offices. The Regional Office is under the direct supervision of the Deputy Commissioner for Operations Group. It is headed by a Regional Director and is composed of the Assessment Division, Collection Division, Legal Division, Finance Division, Administrative and Human Resource Management Division, Regional Investigation Division, and the Revenue District Offices.<sup>872</sup>

The organizational changes effected (from EO 175 to EO 366) were as follows:

❖ Regional Office

The Taxpayer Assistance Unit was renamed as Client Support Unit and the Human Resource Management Unit was abolished and institutionalized as a section under Administrative and Human Resource

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<sup>871</sup> *“Summary of the Significant Changes in the BIR NO functions from previous RAO under EO 175 to Rationalization Plan (EO 366)”, an attachment to the Proposed Revenue Administrative Order on Organization and Functions of Offices in the BIR National Office per memorandum addressed to Carlo A. Carag, Undersecretary, Revenue Operations and Legal Affairs Group, Department of Finance, dated June 30, 2014*

<sup>872</sup> *Revenue Administrative Order No. 3-2014 dated November 5, 2014*

Management Division. The Assessment Division and Collection Division were retained. The sections under the Legal Division were adjusted to align with the set-up of the Legal Group in the National Office. The Accounting Section under the Finance Division was renamed as Disbursement Accounting Section. The Administrative Division was renamed as Administrative and Human Resource Management Division where Human Resource Management Unit functions were institutionalized as a section under the division. The Special Investigation Division was renamed as Regional Investigation Division. The Data Processing Division was created to centralize and systematize the processing of tax returns and other documents in the region.

#### ❖ Revenue District Office (RDO)

The Assessment Section, Collection Section and Administrative Section were retained with no changes. The Taxpayer Service Section was renamed as Client Support Section. The Document Processing Section was abolished in the RDO and a Data Processing Division was created in the Regional Office to centralize and systematize processing of tax returns and other documents in the Region. Compliance Section was created in the RDO to monitor taxpayer's compliance with registration, tax filing, and payment requirements.<sup>873</sup>

## COLLECTION PERFORMANCE

### A. Collection vs. Goal

The Bureau of Internal Revenue's overall collection performance for CY 2010 reached ₱822.62 Billion.<sup>874</sup> As for CY 2011, it amounted to ₱924.15 Billion attaining a 98.31% of the overall target revenue of ₱940.00 Billion, with a 1.69% deficit. The Bureau's collection efforts were dissipated by the impact of tax eroding legislative measures being implemented, temporary slowdown in operations of some companies, and huge losses incurred due

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<sup>873</sup> *Summary of Significant Changes in the Regional Office functions from previous RAO under E.O. 175 to E.O. 366 and the approved Organizational Structure*

<sup>874</sup> *BIR Annual Report 2010, p. 6*

to natural calamities.<sup>875</sup> Taxes on Net Income and Profit which represented the highest source of revenue posted a 61.88% share of the total internal revenue collections. Value-Added Tax (VAT) and Excise Taxes (ET), each has 19.81% and 7.36% shares of the revenue, respectively. The rest of the revenues were shared by Other Taxes (OT) and Percentage Taxes (PT) with 5.86% and 5.09%, respectively.<sup>876</sup>

With respect to the implementing offices, the biggest share of revenues was generated by the LTS which posted 61.44% share of the total generated collection. The remaining 38.56% was shared by Revenue Regions (RRs) with 34.93%, and Non-BIR Operations with 3.63% share. Of the nineteen (19) revenue regions, only five (5) overshot their respective goals for CY 2010. The top five (5) regions were as follows: RR No. 6 Manila with ₱6,914.06 Million excess or 16.94%, followed by RR No. 18 Koronadal City with ₱254.05 Million excess or 6.10% and RR No. 8 Makati City with ₱3,467.95 Million excess or 4.08% excess against targets.

For CY 2012, the Bureau of Internal Revenue's overall revenue collection reached ₱1,057.9 Billion, attaining 99.23% of the target revenue amounting to ₱1,066.1 Billion. The collection for the year fell short of the goal by ₱8.2 Billion or 0.8%. The Bureau's very modest shortfall was due mainly to the implementation of tax-eroding measures and the impact of natural calamities.<sup>877</sup> The key source of revenues was taken from Taxes on Net Income and Profit, which accounted for 60.7% of the total internal revenue collections. Value-Added Tax (VAT) came second with a share of 21.7% followed by Excise Taxes (ET), Other Taxes (OT), and Percentage Taxes (PT), with 6.8%, 5.8% and 5.0%, respectively. For the implementing offices, the LTS generated the highest amount of revenues registering a 63.8% share in the Bureau's collections from BIR operations for 2012. The Revenue Regions (RRs), on the other hand, accounted for the remaining 36.2% share.<sup>878</sup>

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<sup>875</sup> *BIR Annual Report 2011*, p. 5

<sup>876</sup> *Ibid.*, p. 9

<sup>877</sup> *Ibid.*, p. 8

<sup>878</sup> *BIR Annual Report 2012*, pp. 8-11

Of the nineteen (19) revenue regions, fourteen (14) overshot their respective goals for CY 2011 with percentage excesses over the set target ranging from 0.53% to 10.75%. The following regions were the top five performers: RR No. 8 Makati City ranked first with ₱10, 861.72 Million excess or 10.75%, followed by RR No. 17 Butuan City with ₱222.36 Million excess or 7.30% and RR No. 7 Quezon City with ₱5,762.83 Million excess or 7.13% excess against targets. The rest of the regions were RR No. 6 Manila with ₱1,331.48 Million excess or 4.73% and RR No. 14 Tacloban City with ₱210.39 Million excess or 4.64%.<sup>879</sup>

For CY 2013, the Bureau's overall revenue collection amounted to ₱1.22 Trillion. The overall revenue collection figure attained 97.05% of the ₱1.25 Trillion goal set for the year. The collection was short by ₱37.02 Billion or 2.95% of the target. The Bureau's performance was hampered by temporary slowdown in operations of some enterprises, and losses sustained as a result of both natural and man-made calamities.<sup>880</sup>

The Bureau's key source of revenue was derived from the Taxes on Net Income and Profit, contributing 59.04% of the overall total collection for CY 2013. The remaining collection were backed by Value-Added Tax (VAT) with 20.56%, Excise Taxes with 9.77%, Other Taxes with 5.63%, and Percentage Taxes with 5.00%.<sup>881</sup> Of the Bureau's overall revenue collection for CY 2013, the bulk came from the LTS which has a 64.03% share, while the Revenue Regions constituted 35.97% of the total collections. Of the nineteen (19) revenue regions only one (1) overshot the goal assigned for CY 2013, RR No. 3 Tuguegarao, Cagayan with ₱170.76 Million excess or 3.00% excess against target.<sup>882</sup>

For CY 2014, the BIR collected a total of ₱1.334 Trillion surpassing the previous year's collection by 9.71% or ₱118.10 Billion. The collection performance was the result of the implementation of various programs/projects initiated by different functional groups in the BIR. The

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<sup>879</sup> BIR Annual Report 2012, pp. 68-69

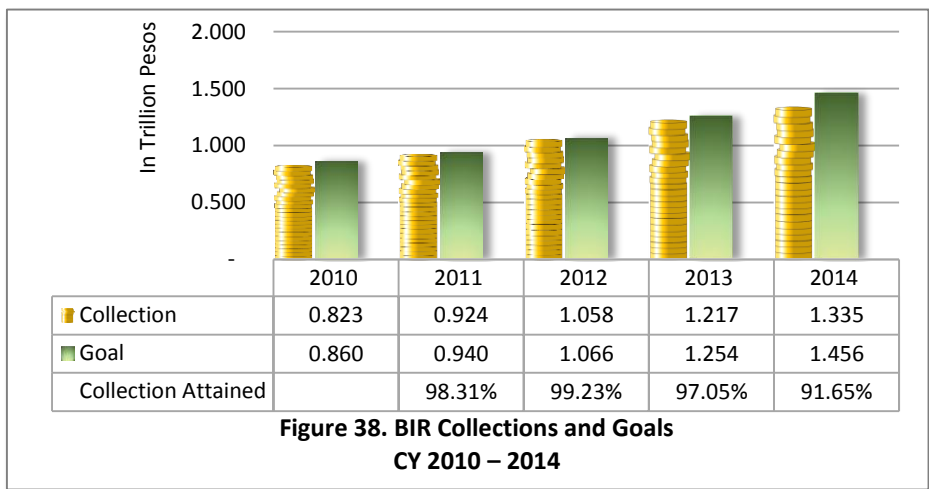
<sup>880</sup> BIR Annual Report 2013, p. 6

<sup>881</sup> *Ibid.*, p. 8

<sup>882</sup> *Ibid.*, p. 70

overall collection stood at 91.65% of the ₱1.456 Trillion goal for the year. The Bureau's main source of revenue was derived from the Taxes on Net Income and Profit, contributing 58.80% of the overall total collection for CY 2014, followed by Value-Added Tax (VAT) with 20.88%, Excise Taxes with 10.14%, Other Taxes with 5.95%, and Percentage Taxes with 4.23%.<sup>883</sup>

For this year, the majority of the overall revenue collection of the Bureau came from the LTS which has a 63.51% share, while the Revenue Regions' share comprised of 36.51% of the entire collections.<sup>884</sup> Of the nineteen revenue regions only two overshot their respective goals for CY 2014 which were RR No. 13 Cebu City with ₱628.01 Million excess or 3.00% excess followed by RR No. 5 Caloocan with ₱28.44 Million excess against target.<sup>885</sup> (Figure 38)



The BIR share in national government tax revenues for the past five years of Commissioner Henares' administration were as follows:

For CY 2010, the bureau contributed 75.22% of the national tax revenues and it gradually increased by CY 2011 bringing in 76.88% proceeds. On CY 2012, the BIR's share in national government tax revenues was

<sup>883</sup> BIR Annual Report 2014, p. 6

<sup>884</sup> *Ibid.*, p. 8

<sup>885</sup> *Ibid.*, p. 64-65

77.73% which continued to improve by CY 2013 realizing a 79.23% yields. However, by CY 2014 the said portion decreased to 77.60%.<sup>886</sup>

## **B. Cost of Operations**

For CY 2011, the total expenditures amounted to ₱7.178 Billion compared to last year's ₱6.508 Billion. The main bulk of the operations cost came from Personal Services which comprised 53% of the total obligations. Cost to collect for every ₱100 revenue stood at ₱0.71 vis-à-vis the Bureau's collection of ₱924.146 Billion during the year. The said cost was higher by ₱0.05 than last year's cost to collect.<sup>887</sup>

In CY 2012, total expenditures amounted to ₱6.981 Billion compared to last year's ₱7.178 Billion. The main bulk of the operations cost came from Personal Services which comprised 57% of the total obligations. Cost to collect for every ₱100 revenue stood at ₱0.60 vis-à-vis the Bureau's collection of ₱1,057.916 Billion during the year. The said cost was lower by ₱0.11 than last year's cost to collect.<sup>888</sup>

For CY 2013, net expenditures amounted to ₱7.476 Billion compared to last year's ₱6.304 Billion. The main bulk of the operations cost came from Personnel Services which comprised 54% of the total obligations. The corresponding cost to collect for every ₱100 revenue stood at ₱0.61 vis-à-vis the Bureau's collection of ₱1,216.661 Billion during the year.<sup>889</sup>

In CY 2014, total expenditures has amounted to ₱6.615 Billion compared to last year's ₱7.476 Billion (net of Tax Refund). The main bulk of the operations cost came from Personal Services which comprised 64% of the total obligations. Cost to collect for every ₱100 revenue was at ₱0.50 vis-à-vis the Bureau's collection of ₱1,334.762 Billion during the year. The said cost was lower by ₱0.11 than last year's cost to collect.<sup>890</sup> (Table 63)

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<sup>886</sup> BIR Annual Report 2014, p. 58

<sup>887</sup> BIR Annual Report 2011, p. 53

<sup>888</sup> BIR Annual Report 2012, p. 58

<sup>889</sup> BIR Annual Report 2013, p. 60

<sup>890</sup> BIR Annual Report 2014, p.54



**Table 63. Expenditures and Cost of Collecting ₱100  
CY 2010 – 2014**

Calendar Year	Expenditures	% Inc./{(Dec.)	Cost of Collecting ₱100	% Inc./{(Dec.)
2010	6,508,000,000.00		0.79	
2011	7,178,000,000.00	9.33	0.71	(11.27)
2012	6,981,000,000.00	(2.82)	0.60	(18.33)
2013	7,476,000,000.00	6.62	0.61	1.64
2014	6,615,000,000.00	(13.02)	0.50	(22.00)

### C. Registered Taxpayers

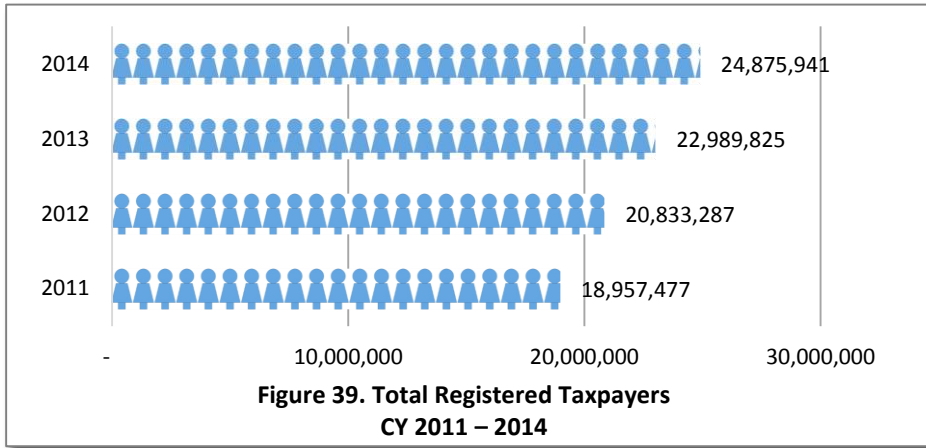
The total number of registered taxpayers for CY 2011 was 18,957,477 comprising of 615,734 corporate; 12,075,999 individual; 25,838 estate; 904 trust; 118,196 marginal income earners; 2,596,652 One Time Taxpayer (ONETT); and 3,524,154 other types of taxpayers (under Executive Order No. 98).

In CY 2012, total number of registered taxpayers was 20,833,287 including 665,227 corporate; 13,084,828 individual; 26,421 estate; 1,095 trust; 116,434 marginal income earners; 2,834,398 ONETT; and 4,104,884 other types of taxpayers.

There were 22,989,825 registered taxpayers recorded in CY 2013 which included 717,980 corporate; 14,311,342 individual; 28,634 estate; 1,703 trust; 115,053 marginal income earners; 3,065,771 ONETT; and 4,749,342 other types of taxpayers.

In CY 2014, 24,875,941 was the total number of registered taxpayers comprising of 753,174 corporate; 15,345,448 individual; 32,923 estate; 1,954 trust; 130,053 marginal income earners; 3,292,074 ONETT; and 5,320,315 others types of taxpayers.<sup>891</sup> (Figure 39)

<sup>891</sup> BIR Annual Report 2014, p. 69



## PERSONNEL COMPLEMENT

The total number of employees was reduced from 10,387 in CY 2011 to 10,187 in CY 2012. Only two (2) personnel was added in CY 2013.<sup>892</sup> In 2014, personnel totaled to 7,525.<sup>893</sup> (Table 64)

**Table 64. Number of Employees  
CY 2011 – 2014**

Calendar Year	No. of Employees	Increase/(Decrease)	
		Number	%
2010	10,717		
2011	10,387	(330)	(3.18)
2012	10,187	(200)	(1.96)
2013	10,189	2	0.02
2014	7,525	(2,664)	(35.40)

<sup>892</sup> BIR Annual Report 2011, p. 53; 2012, p. 58; 2013, p. 60

<sup>893</sup> BIR Annual Report 2014, p. 54

# APPENDICES

**APPENDIX A**  
**SUMMARY OF MILESTONES AND MAJOR CHANGES IN THE BIR**

1904	<ul style="list-style-type: none"> <li>▪ Establishment of the Bureau of Internal Revenue (BIR) by virtue of Act No. 1189, “An Act to provide revenue for the support of the insular, provincial and municipal governments, by internal taxation” which took effect on August 1, 1904 with John S. Hord as its first Collector. The Bureau was under the Secretary of Finance, Henry Clay Ide and was created during the term of the second civil governor Luke E. Wright.</li> </ul>
1905	<ul style="list-style-type: none"> <li>▪ Passage of Opium Law by virtue of Act No. 1461 which took effect on March 8, 1905, “An Act for the purpose of restricting the sale and suppressing the evil resulting from the sale and use of opium until March First, Nineteen Hundred and Eight, when its importation or use for any but medical purposes is forbidden by act of Congress”. By this Act, the Bureau of Customs was required to cooperate with the Bureau of Internal Revenue in the control of the opium traffic in the Philippine Islands and in the collection of the heavy tax thereby imposed upon that traffic.</li> </ul>
1907	<ul style="list-style-type: none"> <li>▪ The Bureau began to put in effect the regulations for the guidance of tobacco growers, manufacturers and internal revenue officers for the purpose of furnishing data of great assistance in the prevention of fraud on the revenues, as well as statistical data, which will be of great value to the government and to the growers and manufacturers themselves.</li> <li>▪ Passage of second Opium Law thru Act No. 1761 which took effect on October 17, 1907, “An Act gradually to restrict and regulate the sale and use of opium pending the ultimate prohibition of the importation of opium in</li> </ul>

	<p>to the Philippine Islands in whatever form except for medicinal purposes as provided by the act of congress approved march third, nineteen hundred and five, and prohibition any person from having the possession of opium, cocaine or alpha or beta eucaine in any of their several forms, or any derivative or preparation on any of such drugs or substances, except for medicinal purposes and repealed Act No. 1461, and for other purposes". The Collector of Internal Revenue is hereby authorized and empowered to prepare and distribute regulations, directions, and instructions for the carrying out of the provisions of this Act; and such regulations, directions, and instruction, not inconsistent with this Act, whether general or specific in character, shall have the force and effect of law then approved by the Secretary of Finance and Justice.</p>
1909	<ul style="list-style-type: none"> <li>▪ Act 1761 was amended thru Act No. 1910 that all taxes, fines and all other moneys collected by virtue of any of the provisions of Act no. 1761 was to be covered into the Insular Treasury constituting a special fund for payment of reasonable expenses, in some reputable hospital, of those desiring to be cured of opium habit, among others.</li> </ul>
1911	<ul style="list-style-type: none"> <li>▪ Imposition of a tax at 70 centavos per proof liter on all distilled spirits manufactured in, or imported into the Philippine Islands for domestic consumption, except distilled spirits produced from the sap of the coco, nipa, or buri palm, juice, sirup, or sugar of the cane, upon which the tax at the rate of 25 centavos per proof liter was continued by virtue of Act No. 2015 amending Section 74 of Act No. 1189.</li> <li>▪ Promulgation of Act No. 2019 amending Section 20 (a) of Act No. 1761 providing for the collection of internal revenue tax on the amount of opium or its derivatives</li> </ul>

	<p>contained in medicinal preparations mentioned in the United States Pharmacopoeia or National Formulary, instead of on the net weight of the whole preparation.</p> <ul style="list-style-type: none"> <li>▪ Act No. 2027 amended paragraph 6 of Section 68 of Act No. 1189 by reducing the license tax for wholesale liquor dealers outside of the City of Manila from ₱200 to ₱60 per annum.</li> <li>▪ Act No. 20141 gave the Collector of Internal Revenue jurisdiction over the collection of all fines and fees in justice of the peace courts in the Philippine Islands, except in provinces inhabited by non-Christians, and authorized him to prescribe administrative regulations for all such collections.</li> <li>▪ Act No. 2055 amended Section 120 of Act No. 1189 by exempting from the cedula tax all persons required to pay the road tax imposed by Section 19 of Act no. 1396. This exemption applied to residents of the Provinces of Mindoro, Palawan and Batanes only.</li> <li>▪ The Collector of Internal Revenue, by order of the Governor-General was charged with the collection of all franchise and special percentage taxes payable to the Insular Government or to any provincial or municipal government effective May 1, 2011.</li> </ul>
1913	<ul style="list-style-type: none"> <li>▪ The Federal Income Tax Law of 1913 was promulgated which took effect on March 1, 1913 by the United States Congress which was extended to the Philippines by its express provision. The said law was enforced in the Philippines for a period of two years and ten months, from March 1, 1913 to December 31, 1915. With this, law Personal exemptions allowed were: ₱6,000 for a single person, and ₱8,000 for a married couple. No additional exemption was allowed for dependents. The</li> </ul>

	<p>rate of normal tax was 1% and applied to the total net income of individuals and corporations. Surtax rates, levied on individuals only, began with a rate of 1% when the net income reached ₱40,000 and increased gradually to 6% on income in excess of ₱1,000,000.</p> <ul style="list-style-type: none"> <li>▪ Enforcement of the Opium Law was given over to the constabulary and the police force of different municipalities for the detection and prevention of violations of the opium law, since the revenue features of opium law have been significant with its absolute prohibition except for medicinal purposes which became effective since May 1908.</li> </ul>
1914	<ul style="list-style-type: none"> <li>▪ Promulgation of Act No. 2339, “An Act revising and consolidating the laws relative to internal revenue” otherwise known as Internal Revenue Law of 1914, which took effect on July 1, 1914. Section 5 of the said Act mandated the BIR to come up with regulations necessary in the application of the Act, to wit, “The Collector of Internal Revenue shall have the power, and it shall be his duty, to make regulations, not inconsistent with law, necessary to carry this Act into full effect and to secure a harmonious and efficient administration of this branch of the service.”</li> </ul>
1915	<ul style="list-style-type: none"> <li>▪ Imposition of increased and additional taxes was effected on January 1 to December 31, 1915 thru Act No. 2432 amending Act No. 2339. Percentage taxes of the following were raised from one-third of 1 per cent to 1 per cent: merchants, printers, and publishers, contractors, warehousemen, proprietors of dockyards, persons selling light, heat or power, persons engaged in conducting telephone or telegraph lines and exchanges, keepers of hotels and restaurants, keepers of livery stables and garages, transportation contractors, persons</li> </ul>

	<p>who transport passengers of freight for hire, and common carriers.</p> <ul style="list-style-type: none"> <li>▪ Promulgation of Act No. 2541 extending the effect of Act No. 2432 to December 31, 1917 and changing the rates of taxes and additional taxes, created new ones and abolished others. Proprietors of steam laundries were taxed for the first time under this Act, the rate being two pesos a year and 1 per cent of the gross receipts. A provision for collecting a percentage tax of 4 per cent of the gross compensation of merchandise brokers in excess of five hundred pesos per quarter, was also made.</li> </ul>
1916	<ul style="list-style-type: none"> <li>▪ New taxes on cinematographic films, playing cards, pearl fisheries, inheritance tax, sponge fisheries, and tobacco inspection fees were imposed which contributed to the increase in revenue collection.</li> <li>▪ The Inheritance Tax Law was passed by virtue of Act No. 2601, effective July 1, 1916. This law provided an exemption of ₱3,000 for the surviving spouse, a legitimate child, and a recognized natural or adopted child. The tax must be paid within six months subsequent to the death of the decedent or if court proceedings were taken within that period, before delivery of the shares to the beneficiaries.</li> <li>▪ Passage of Income Tax Law known as the 1916 Law which was in force in the Philippines for a period of three years, from January 1, 1916 to December 31, 1918. Personal exemptions under this law were the same as under the 1913 Law, ₱6,000 for a single person and ₱8,000 for a married couple. Dependents were not allowed an additional exemption. The normal tax rate was raised from 1% and 2% and surtax rates were made</li> </ul>



	<p>to range from 1% when the net income reached ₱40,000 to 13% when the net income exceeded ₱4,000,000.</p>
1917	<ul style="list-style-type: none"> <li>▪ The disposition of proceeds of income and inheritance taxes which shall accrue to Insular Government was implemented pursuant to the Internal Revenue Allotment Law by virtue of Act No. 2711, “An Act amending the Administrative Code” which was approved in March 1917.</li> </ul>
1924	<ul style="list-style-type: none"> <li>▪ Passage of Act No. 3179 amending Section 12 of Act No. 2613, effective November 25, 1924 which originally enumerated six purposes for which the Tobacco Inspection Fund may be expended. The amendment provided the expenditure of the Tobacco inspection Fund for nine purposes, and created the Tobacco Board composed of the Collector of Internal Revenue as ex officio chairman, the Director of Agriculture, the Director of the Bureau of Tobacco Association, and two persons appointed by the Governor-General to represent the tobacco growers, as members, to make allotments from the said fund.</li> </ul>
1936	<ul style="list-style-type: none"> <li>▪ Transfer of radio registration fees collection from the Bureau of Posts to the Bureau of Internal Revenue pursuant to Executive Order (EO) No. 44 approved on September 1, 1936.</li> </ul>
1937	<ul style="list-style-type: none"> <li>▪ Promulgation of Revenue Regulations (RR) No. 95 recognizing the need for creation of Provincial Inspection District and maintaining in each province a permanent internal revenue office with an agent-in-charge who was then called Provincial Agent.</li> </ul>
1939	<ul style="list-style-type: none"> <li>▪ Promulgation of Commonwealth Act (CA) No. 466, “An Act to revise, amend and codify the Internal Revenue Laws of the Philippines”, otherwise known as the</li> </ul>

	<p>National Internal Revenue Code approved on June 15, 1939 and made effective on July 1, 1939. CA No. 466 constituted a complete codification of all Internal Revenue Laws, with the exception of the Residence Tax Law.</p>
1940	<ul style="list-style-type: none"> <li>▪ Promulgation of CA No. 465, “An Act to impose a Residence Tax”, effective January 1, 1940. Section 8 of said Act provided that “The taxes herein prescribed shall be collected by the provincial or city treasurers and their deputies. All collections shall be remitted by the treasurer concerned to the Collector of Internal Revenue and shall be allotted in the following proportions by the said Collector among the provinces, cities, municipalities, and municipal districts on the basis of population as shown by the latest official census: one-fourth to the general funds of the provinces. A sub-province shall receive its proportionate share of the proceeds allotted to the province; one-fourth to the general funds of the cities, municipalities and municipal districts; and one-fourth to the school fund of the cities, municipalities and municipal districts.</li> </ul>
1946	<ul style="list-style-type: none"> <li>▪ Promulgation of RA No. 35, “An Act authorizing the exemption of new and necessary industries from the payment of internal revenue taxes”, approved on September 30, 1946. With the Philippines’ devastated economy brought about by World War II, tax exemption privileges were granted to new and necessary industries for the development of the nation which signaled the start of an “incentive” system in the Philippines.</li> <li>▪ Promulgation of RA No. 55, “An Act to impose a war profits tax”, effective October 15, 1946. Said Act imposed tax on the increase of net worth of individual, partnership, company or corporation from the period</li> </ul>

	<p>covering December 8, 1941 to February 26, 1945. The impact of the law fell on those who amassed wealth or increased their wealth during the war, but did not touch the less fortunate.</p>
1950	<ul style="list-style-type: none"> <li> <p>▪ Promulgation of RA No. 590, “An Act to amend certain section of CA No. 466, as amended, otherwise known as the National Internal Revenue Code, and to add Title II thereof, a supplement providing for the withholding of the income tax on wages and for other purposes”, approved on September 22, 1950. Salient features of the said Act were as follows:</p> <ul style="list-style-type: none"> <li>➤ Provision for an amended rate to be levied, assessed, collected and paid annually upon the entire net income received in the preceding taxable year from all sources by every individual, a citizen or resident of the Philippines. Rate ranges from 5% per annum upon the amount by which such total net income does not exceed ₱2,000 up to 60% per annum upon the amount by which such total income exceeded ₱500,000. (Sec. 1, RA No. 590)</li> <li>➤ Provision for a tax of 16% upon such income; and a like tax shall be levied, assessed, collected, and paid annually upon the total net income received in the preceding taxable year from all sources within the Philippines by every corporation organized, authorized, or existing under the laws of any foreign country. (Sec. 4, RA No. 590)</li> <li>➤ Provision for the amount of personal exemptions allowable to individuals (Sec. 3, RA No. 590), as follows: <ul style="list-style-type: none"> <li>a) Personal exemption of single individuals. – The sum of one thousand eight hundred pesos</li> </ul> </li> </ul> </li> </ul>

	<p>(₱1,800), if the person making the return is a single person or a married person legally separated from his or her spouse.</p> <p>b) Personal exemption of married persons or heads of family. – The sum of three thousand pesos (₱3,000), if the person making the return is a married man with a wife no legally separated from him or a married woman with a husband not legally separated from her, or the head of a family. Provided, that only one exemption of three thousand pesos (₱3,000) shall be made from the aggregate income of both husband and wife when not legally separated.</p> <p>c) Additional exemption for dependents. – The sum of six hundred pesos (₱600) for each legitimate, recognized natural, or adopted child wholly dependent upon the taxpayer, if such dependents are under twenty-one years of age or incapable of self-support because mentally or physically defective.</p> <p>d) Change of status. – If the status of the taxpayer insofar as it affects the personal and additional exemption for himself or his dependents, changes during the taxable year by reason of his death, the amount of the personal and additional exemptions shall be apportioned, under rules and regulations prescribed by the Secretary of Finance, in accordance with the number of months before and after such change.</p>
1951	<ul style="list-style-type: none"> <li>▪ Installation of the Unit Record Machines in the Bureau using the International Business Machines (IBM) 405 Accounting Machines on March 16, 1951.</li> </ul>

1954	<ul style="list-style-type: none"> <li>▪ Creation of Court of Appeals under RA No. 1125 on June 16, 1954. This Court exercised exclusive appellate jurisdiction to review by appeal the decisions of BIR Collectors on cases involving disputed assessments, refunds, fees or other charges, penalties or other matters arising under the National Internal Revenue Code or other law or part of law administered by the Bureau.</li> </ul>
1955	<ul style="list-style-type: none"> <li>▪ Implementation of “Package Audit Policy” in the tax audit of taxpayers’ books of accounts. This aimed to prevent harassment of taxpayers by eliminating multiple visitations of revenue men and to improve Bureau-taxpayer relationship.</li> </ul>
1956	<ul style="list-style-type: none"> <li>▪ Abolition of registration and license fees for radio thru RA No. 1476. All fees uncollected under the provision was condoned.</li> <li>▪ A relentless campaign was waged against all persons who manufacture, sell and distribute illicitly manufactures articles subject to specific tax by the Specific Tax Division, charged with enforcing the provision of Title IV of the National Internal Revenue Code and the various revenue regulations and circulars pertaining to specific taxes. Accordingly, the first to feel the brunt of this campaign were persons dealing in the illicit manufacture, sale and distribution of tobacco products, especially cigarettes.</li> </ul>
1957	<ul style="list-style-type: none"> <li>▪ A campaign against carriers and transportation contractors in February 1957 was started. The common carriers, as discovered, resorted to a new method of going around the requirement of tax clearance before the registration of a motor vehicle by “selling” or transferring their vehicles. A memorandum was issued</li> </ul>

	<p>on February 23, 1957 which rules that the vendee of the motor vehicle cannot secure a tax clearance unless outstanding liabilities were previously paid.</p> <ul style="list-style-type: none"> <li>▪ “Operations Collection” was implemented from February to June 1957 which resulted to the closure of delinquent accounts involving a total sum of ₱14.9 Million.</li> <li>▪ The activities of the Bureau of Internal Revenue, for the period from July 1, 1957 to June 30, 1958, included the administration of the Tobacco Inspection Law because the Commissioner of Internal Revenue was entrusted with its enforcement.</li> <li>▪ The official designation of Collector and Deputy Collector of Internal Revenue were changed to Commissioner and Deputy Commissioner of Internal Revenue.</li> </ul>
1959	<ul style="list-style-type: none"> <li>▪ Passage of RA No. 2338, “An Act to provide for reward to informers or violations of the internal revenue and customs laws” which took effect on June 19, 1959.</li> </ul>
1960	<ul style="list-style-type: none"> <li>▪ Passage of RA No. 2655 which took effect on July 1, 1960. The Commissioner of Customs and his subordinates were constituted agents of the Commissioner of Internal Revenue for the collection of the national internal revenue on imported articles.</li> <li>▪ Filing a record number of cases by the Law Division in the Deportation Board against delinquent alien taxpayers under the provisions of RA No. 1093.</li> </ul>
1962	<ul style="list-style-type: none"> <li>▪ Passage of the ruling thru the Secretary of Justice regarding the filing of income tax returns.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Implementation of “Operations Collection” on July 1, 1962 to August 31, 1962.</li> <li>▪ Implementation of “Operations New Taxpayers” pursuant to Revenue Memorandum Order (RMO) No. 38-62 dated July 16, 1962.</li> </ul>
1963	<ul style="list-style-type: none"> <li>▪ Passage of several laws affecting internal revenue taxation by the 5<sup>th</sup> Congress of the Republic of the Philippines during its second session and approved by the President of the Philippines, such as RA Nos. 3522, 3538, 3589, 3676, 3696, 3704, 3823, 3825 and 3841.</li> </ul>
1964	<ul style="list-style-type: none"> <li>▪ Continuous implementation of “Operations New Taxpayers”.</li> <li>▪ Launching of “Operation Blue Pencil”.</li> <li>▪ Approval of the BIR Official Seal by the Heraldry Committee of the Office of the President.</li> </ul>
1965	<ul style="list-style-type: none"> <li>▪ Implementation of new laws affecting internal revenue taxation such as RA Nos. 2023, 4481, 4522, 4574 and 4620.</li> <li>▪ Implementation of the “Blue Ribbon Master Program” which aimed for a humane and better service to taxpayers.</li> <li>▪ Implementation of the “Voluntary Tax Compliance Program” which aimed to flush out professionals both in the private and government to report their thru income and pay their professional taxes.</li> <li>▪ Installation of IBM 1401 Electronic Data Processing Machine. The pilot project was started in Regional Office</li> </ul>

	No. 4 for the automatic processing of the 1965 income tax returns.
1966	<ul style="list-style-type: none"> <li>▪ Implementation of Tax Account Number (TAN).</li> </ul>
1967	<ul style="list-style-type: none"> <li>▪ Launching of Tax Returns Compliance Program.</li> <li>▪ Declaration of “Tax Consciousness Week” on April 1 -7, 1967 by President Ferdinand E. Marcos.</li> <li>▪ First election of BIR Employees Association, Inc. (BIREA) on February 25, 1967 which was originally registered with the Securities and Exchange Commission (SEC) on May 3, 1962.</li> <li>▪ Passage of RA No. 4900 relative to increasing the salaries of officials and employees of the BIR, effective July 1, 1967.</li> <li>▪ Creation of BIR Savings and Loan Association (BIRSALA).</li> </ul>
1968	<ul style="list-style-type: none"> <li>▪ Implementation of BIR Management Improvement Program (BIRIP). Several projects under this programs were as follows: Tax Returns Compliance Program; Forms Revision; Revision of the Administrative Schedules and Paragraphs to Tax Numeric Code Scheme; Manual Development; Automatic Data Processing Program; Revenue Accounting; Management Audit Survey; Records Management; Training; Collection through Banks; Personnel Improvement; Equipment Standardization; Tax Fraud Program; and Building Program</li> </ul>
1969	<ul style="list-style-type: none"> <li>▪ Creation of BIR Mutual Aid Group (BIRMAG).</li> </ul>



	<ul style="list-style-type: none"> <li>▪ Enactment of RA No. 5448, otherwise known as the Science Stamp Tax Law.</li> <li>▪ Approval of Merit Promotion Plan and System of Ranking Positions by the Civil Service Commission on October 29, 1969.</li> </ul>
1970	<ul style="list-style-type: none"> <li>▪ Start of banking system under EO No. 206 in which the Central Bank of the Philippines was directed to receive internal revenue tax payments effective January 9, 1970.</li> </ul>
1971	<ul style="list-style-type: none"> <li>▪ Implementation of “Package Audit” which aimed to examine thoroughly all taxpayer’s liabilities once a year.</li> <li>▪ Implementation of “Investigation by Lines of Business” which aimed to examine interrelated industries.</li> </ul>
1972	<ul style="list-style-type: none"> <li>▪ Beginning of New Society upon the proclamation of Martial Law on September 21, 1972.</li> <li>▪ Overhauling of the Philippine Tax Code thru Presidential Decree (PD) No. 69.</li> <li>▪ Promulgation of PD No. 23 issued on October 16, 1972 – amnesty tax on undeclared and hidden wealth earned prior to 1972.</li> </ul>
1973	<ul style="list-style-type: none"> <li>▪ Promulgation of PD No. 157 issued on June 16, 1973 – amnesty tax on undeclared income earned in 1972 if the taxpayer paid 40% in excess of what he paid in income tax in 1971.</li> <li>▪ Promulgation of PD No. 213 issued on June 16, 1973 – amnesty tax on all taxpayers who failed to file income tax returns in previous years whether they were tax exempt or not.</li> </ul>

1974	<ul style="list-style-type: none"> <li>▪ Conducting of seminars on Martial Law and the New Society to all organization levels of the Bureau, from the National Office to the Revenue District Office to keep revenue personnel attuned to the ideals of the New Society.</li> </ul>
1975	<ul style="list-style-type: none"> <li>▪ Continuous implementation of various tax amnesties.</li> </ul>
1976	<ul style="list-style-type: none"> <li>▪ Issuance of Revenue Memorandum Order No. 57-76 directing the Special Audit Group and all other concerned to brook no interference in the conduct of their investigation due to pressure brought upon the examiners in scaling down the deficiency tax assessments.</li> <li>▪ Implementation of various tax laws, to wit: <ul style="list-style-type: none"> <li>- PD No. 894 requiring government offices, agencies instrumentalities and government owned or controlled corporations, persons and entities enjoying tax exemption, incentive or subsidy from the government to utilize in international transportation the services of the Philippine Flag Air Carrier and Shipping Lines and for other purposes.</li> <li>- PD No. 924 amending PD No. 791 by granting tax exemption to importation of farm machinery, plant machinery, equipment and spare parts under certain conditions.</li> <li>- PD No. 930 simplifying export procedures and documentation by realigning functions of certain government offices/agencies involved in processing export documents, by authorizing the issuance of periodic clearances, by the adoption of standardized export documents for other purposes.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- PD No. 937 amending Section Four of PD No. 144, regarding “Revising the present system of National Internal Revenue Allotments To Local Governments” as amended by PD No. 559 and Section 22, paragraph (c), of PD No. 898.</li> <li>- PD No. 956 creating an agency known as National Gaming Commission to supervise and control all forms of gaming and imposing taxes thereon.</li> <li>- PD No. 990 restoring the tax exemption granted to the Philippine Communications Satellite Corporation (PHILCOMSAT) under Republic Act No. 5514.</li> <li>- PD No. 1045 declaring without value certain denominations of documentary and science stamps.</li> </ul>
1977	<ul style="list-style-type: none"> <li>▪ Approval of the National Internal Revenue Code (NIRC) of 1977 by President Ferdinand E. Marcos promulgated by virtue of Presidential Decree No. 1158.</li> <li>▪ Introduction of TAN Soundex System, a new Taxpayer Account Number (TAN) System to assure one TAN would be assigned to each taxpayer.</li> <li>▪ Implementation of Revenue Tax Receipt (RTR) System where RTR was issued for every corresponding tax payments to detect malversation of funds and insure that payment was made with the authorized agent bank.</li> </ul>
1978	<ul style="list-style-type: none"> <li>▪ Issuance of Confirmation Receipt (CR), a part of the RTR System that will insure payment has really been made with the authorized agent bank.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Revenue Memorandum Order No. 23-78 was issued to detect malversation of funds by collecting officers in areas not reached by RTR System.</li> </ul>
1979	<ul style="list-style-type: none"> <li>▪ Tax system improvements were imposed such as Energy Tax on Electric Power Consumption (BP 36); Capital Gains Tax (BP 37); Travel Tax (BP 38); Omnibus Tax Law (BP 41); and Specific Tax on Premium &amp; Regular Gasoline (EO 550).</li> <li>▪ Full data capture by Data Processing Service of income tax returns through the installation of a 370-148 IBM computer for studies on gross income taxation.</li> <li>▪ The computerized Management Information System of the bureau was started.</li> <li>▪ Introduction of new tax returns in accordance with Batas Pambansa Blg. 37 such as Individual Capital Gains Tax Return (1701E) and Individual Capital Gains Tax Return for Installment Payment Received (1701E-1).</li> </ul>
1980	<ul style="list-style-type: none"> <li>▪ A Management Audit and Improvement Program was implemented. Likewise, computerization was maximized by establishing the Regional Data Center.</li> </ul>
1981	<ul style="list-style-type: none"> <li>▪ Implementation of Presidential Decree (PD) No. 800 on January 16, 1981 to increase revenue for the taxation of certain passive income.</li> <li>▪ Grant of Tax Amnesty during the taxable years 1974 to 1980 on untaxed income/wealth earned.</li> <li>▪ Requiring the filing of Statement of Assets, Liabilities and Net worth (SALN) under PD No. 1740 as amended by PD No. 1840.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Issuance of Revenue Memorandum Order No. 15-82 for the improvement in taxpayer's master file thru a color-coded carding system.</li> </ul>
1982	<ul style="list-style-type: none"> <li>▪ Implementation of the following initiatives: <ul style="list-style-type: none"> <li>- "Operation Linis" Project</li> <li>- Increase in the Specific Tax rates on distilled spirits and other alcohol products</li> <li>- Resolution of pending tax cases</li> </ul> </li> </ul>
1983	<ul style="list-style-type: none"> <li>▪ Implementation of the Gross Income Taxation thru the passage of Batas Pambansa (BP) Blg. 135 for taxpayers earning compensation income.</li> </ul>
1984	<ul style="list-style-type: none"> <li>▪ Stricter implementation of the business and withholding tax laws , increased rates of specific taxes on gasoline and other petroleum products, cigarettes and alcoholic products were some of the progressive reforms instituted in the BIR tax system and tax administration.</li> </ul>
1986	<ul style="list-style-type: none"> <li>▪ Launching of "Operation: Walang Lagay" to achieve honest collection of taxes.</li> <li>▪ Institution of "Stop Graft", "Tama Na, Lagay Itigil Na" to increase voluntary compliance and improve BIR image.</li> <li>▪ Implementation of the Sales Tax Reform Program for 1986.</li> </ul>
1987	<ul style="list-style-type: none"> <li>▪ Restructuring of Tax Code under EO No. 273 adopting the Value-Added Tax (VAT) with a rate of ten percent (10%).</li> </ul>
1988	<ul style="list-style-type: none"> <li>▪ Implementation of Value-Added Tax (VAT).</li> <li>▪ Launching of VAT campaign program to encourage compliance with the requirements of VAT.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Abolishment of Revenue Information Systems Service Inc. (RISSI) and transferring it back to BIR thru the Memorandum Order from the Office of the President dated May 24, 1988.</li> </ul>
1989	<ul style="list-style-type: none"> <li>▪ Promulgation of guidelines pertaining to implementation of Value-Added Tax (VAT).</li> </ul>
1990	<ul style="list-style-type: none"> <li>▪ Identification of priority key VAT implementing programs to widen tax base, preclude possible manipulation of sales and purchase transactions and enhanced voluntary compliance.</li> <li>▪ Preparation of guidelines for invalidated Payment Orders to enforce collection.</li> <li>▪ Prescription of alternatives for collection of delinquent accounts of taxpayers residing abroad.</li> <li>▪ Conduct of “Handang Maglingkod Program”, a country-wide program competition among RDOs to promote improved service to taxpayers as prescribed in RMO No. 12-90.</li> </ul>
1991	<ul style="list-style-type: none"> <li>▪ Formulation of the Five Point Tax Administration Improvement Program by CIR Ong which covered the following: <ul style="list-style-type: none"> <li>- New Payment Control System</li> <li>- Taxpayer Identification Number</li> <li>- Final Withholding Tax System</li> <li>- Large Taxpayer Unit</li> <li>- Monthly VAT Payment</li> </ul> </li> </ul>
1992	<ul style="list-style-type: none"> <li>▪ Issuance of guidelines on the implementation of Revenue Regulations No. 2-88 and BIR Rulings regarding</li> </ul>

	<p>sale of raw materials to EPZA and sale of gold to Central Bank.</p> <ul style="list-style-type: none"> <li>▪ Prescription of a revised Withholding Tax Table on Compensation provided in R.A. No. 7167.</li> <li>▪ Issuance of guidelines for establishing VAT Information System (VATIS).</li> <li>▪ Issuance of TINs.</li> </ul>
1993	<ul style="list-style-type: none"> <li>▪ Implementation of “OPLAN: Tax Mapping”, a compliance strategy of the bureau.</li> <li>▪ Publication of the official National Internal Revenue Code, Revenue Regulations and dissemination of primers on new and existing tax laws.</li> <li>▪ Forging of a ₱2 Billion contract between BIR and a consortium of four (4) multi-national firms led by Andersen Consultancy, Inc. for the full computerization of the BIR.</li> <li>▪ Expansion of Value-Added Tax Information System (VATIS)</li> </ul>
1994	<ul style="list-style-type: none"> <li>▪ Continuation of the following work programs to transform tax administration: <ul style="list-style-type: none"> <li>- Tax Fraud Program</li> <li>- Tax Mapping Program</li> <li>- Selective Audit Program</li> <li>- Third Party Information Program</li> <li>- Delinquent Accounts Management Program</li> <li>- Collection System Program</li> <li>- Stop-Filer/Non-Filer Detection Program</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- Information Systems Development and Enhancement Program</li> <li>- Information Systems Strategic Plan (ISSP) Execution Program</li> <li>- Taxpayer Assistance/Information Campaign Program</li> <li>- Streamlining Program</li> <li>- Staff Training/Continuing Education Program</li> <li>- Administrative Services Improvement Program</li> </ul> <ul style="list-style-type: none"> <li>▪ Establishment of BIR Monitor, a publication of the Bureau to provide information to the revenue personnel on programs and projects of the bureau.</li> </ul>
1995	<ul style="list-style-type: none"> <li>▪ Declaration of “Taxpayer Service Year” by President Ramos through Proclamation No. 541 to increase public awareness of tax laws and enhance delivery of taxpayer service.</li> <li>▪ Passage of Expanded Value Added Tax (EVAT)</li> <li>▪ Adoption of “Capital Budgeting Systems”, a new budgeting approach.</li> <li>▪ Launching of “BIR ACTS MOST in SPIRIT” slogan under the BIR Transformation Program.</li> <li>▪ Crafting of the Bureau’s first Vision Statement.</li> <li>▪ Setting up of Action Centered Transformation Strategy (ACTS) including the System for Philippine Internal Revenue Information Technology (SPIRIT) and the Management and Organization Strategic Team (MOST).</li> </ul>



1996	<ul style="list-style-type: none"> <li>▪ Accomplishments of the following: <ul style="list-style-type: none"> <li>➤ SPIRIT Projects <ul style="list-style-type: none"> <li>- Forged computerized information interchange between BIR and selected agencies (BOC, DOF, DFA, BTR, DTI, FINLINK, BLGK, SEC, LRA, PHILPOST, SSS)</li> <li>- Rollout Assistance Committee was created.</li> <li>- Help Desk was established.</li> <li>- Conducted trainings for technical users.</li> </ul> </li> <li>➤ MOST Projects <ul style="list-style-type: none"> <li>- Taxpayers and BIR Personnel Training Projects were conducted for preparation of TCP implementation.</li> <li>- Recruitment Project was able to fill up 50% IT positions.</li> <li>- Forms Implementation Project had redesigned all BIR forms.</li> <li>- Procedures Packaging Project had written instruction for uniformity in tax enforcement.</li> <li>- Office Planning Committee completed its preparation of layout of offices and scope of work.</li> </ul> </li> <li>➤ OPERATIONS GROUP Projects included the following: <ul style="list-style-type: none"> <li>- AAB Enhancement</li> <li>- Legislative Change</li> <li>- Taxpayer Record Update</li> <li>- Codes Review</li> <li>- Process Improvement</li> <li>- Manual Procedures Guide (MPG)</li> </ul> </li> </ul> </li> </ul>
1997	<ul style="list-style-type: none"> <li>▪ Implementation of Operation “Even Returns”</li> <li>▪ Expansion of Voluntary Assessment Program (VAP)</li> </ul>

1998	<ul style="list-style-type: none"><li>▪ Enhancement of the Large Taxpayers Monitoring System thru a forge MOA within Authorized Agent Banks for large taxpayers.</li><li>▪ Implementation of the centralized filing/payment system for large taxpayers at banks.</li><li>▪ Implementation of MOA with the Insurance Commission</li><li>▪ Implementation of OPLAN Accounts Receivable (AREC) pursuant to RMO No. 68-98 through the creation of National and Regional Collection Task Force.</li><li>▪ Implementation of the Tax Compromise Program pursuant to RMO No. 2-98.</li><li>▪ Intensification of Collection from Documentary Stamp Taxes through the use of new metering machines with encryption pursuant to RMO No. 83-98.</li><li>▪ Development of Tax Fraud Cases</li><li>▪ Launching of Tax Campaign</li><li>▪ Establishment of the Taxpayer's Service Counter in each RDOs/RRs pursuant to RMO No. 93-98.</li><li>▪ Launching and implementation of the Program on the raffle of sales invoices and receipts dubbed as "Humingi ng Resibo, Manalo ng Libo-Libo, Part II".</li><li>▪ Conduct of nationwide seminars of the latest BIR rulings and regulations.</li><li>▪ Execution of Five-Year Tax Computerization Project.</li></ul>
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	<ul style="list-style-type: none"> <li>▪ Development of Letter of Authority Monitoring System</li> <li>▪ Implementation of the Internal Audit Program.</li> </ul>
1999	<ul style="list-style-type: none"> <li>▪ Implementation of Self-Assessment Program</li> <li>▪ Implementation of Delinquent Accounts Program</li> <li>▪ Implementation of the Economic Recovery Assistance Payment (ERAP) Program pursuant to RR No. 2-99.</li> <li>▪ Implementation of the BIR-Land Registration Authority (LRA) Projects</li> <li>▪ Implementation of Office Audit Program pursuant to RMO No. 71-99.</li> <li>▪ Issuance of Certificates Authorizing Registration (CARs) for transactions on real properties.</li> <li>▪ Issuance of pre-generated TIN cards and plastic TIN cards</li> <li>▪ Conclusion and signing of a tax treaty between RP-China, RP-Czech Republic, and RP-Turkey.</li> <li>▪ Implementation of Oplan Linis Libro Program.</li> </ul>
2000	<ul style="list-style-type: none"> <li>▪ Strengthening of the Large Taxpayers Monitoring Program through the passage of Executive Order (EO) No. 306 on October 31, 2000.</li> <li>▪ Enhancement of enforcement system initiative.</li> <li>▪ Initiation of the BIR Change Management Program.</li> <li>▪ Development of Ownership Building Project.</li> </ul>

- Undertaken the Compromise Settlement Program
- Usage of Documentary Stamps Metering Machines
- Implementation of BIR-Land Regulatory Authority (BIR-LRA) Project
- Implementation and usage of Tax Remittance Advise (TRA) as new mode of payment for government offices pursuant to Joint Circular (JC) No. 1-2000 with DOF, DBM, and COA.
- Execution of Taxpayer Information and Education Program initiatives such as setting up of Tax Tulungan Centers, launching of 2000 BIR Tax Campaign Program, and forged MOA between BIR and FFCCI, MAP, PCCI, TMAP.
- Intensification of judicial actions on administrative protests and assessments.
- Undertaken continuous conduct of tax treaty negotiations with other countries.
- Implementation of Management Improvement project to upgrade the Bureau's facilities.
- Construction of Training Centers in Luzon and Mindanao for conduct of in-house training.
- Implementation of Human Resource Information System were carried out.
- Implementation of new Performance Evaluation System pursuant to RMO No. 43-2000.

	<ul style="list-style-type: none"> <li>▪ Execution of the Full ITS Rollout Acceleration Program.</li> <li>▪ Implementation of Taxpayer Service Support Infrastructure wherein one of which was BIR Web Page that can be accessed at <a href="http://www.bir.gov.ph">www.bir.gov.ph</a></li> <li>▪ Full utilization of User Support and Communication Infrastructure such as Help Desk, E-mail Facility and Video Conferencing.</li> <li>▪ Implementation of Internal Administrative System (IAS) in which two (2) software packages, PeopleSoft-Human Resource Management Information System (HRIS) and Financial Management Information System (FMIS) were installed.</li> <li>▪ Implementation of BIR's linkages project with 5 government agencies such as BOC, LRA, SEC, DILG, and Manila City Hall.</li> </ul>
2001	<ul style="list-style-type: none"> <li>▪ Implementation of On-line Documentary Stamp Tax (DST) Metering Machine System</li> <li>▪ Expansion in the coverage of the Withholding Tax System</li> <li>▪ Implementation of the provisions of the CTRP</li> <li>▪ Adoption of electronic Filing and Payment System (eFPS) in compliance with the President's directive to implement the E-Commerce Act of 2000.</li> </ul>
2002	<ul style="list-style-type: none"> <li>▪ Implementation of the following flagship programs: <ul style="list-style-type: none"> <li>- Reconciliation of Listings for Enforcement or RELIEF System</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- Voluntary Assessment and Abatement Program (VAAP)</li> </ul>
2003	<ul style="list-style-type: none"> <li>▪ Expansion of Electronic Services of the BIR, to wit: <ul style="list-style-type: none"> <li>- Electronic Filing and Payment System (eFPS)</li> <li>- Payment Gateways (Bancnet)</li> <li>- e-Substituted-filing/e-filing of tax returns</li> </ul> </li> <li>▪ Issuance of “News Release” on October 3, 2003, the 1st newsletter of the BIR entitled “BIR Bares “Bayan, I-txt ang Resibo Part I”Accomplishments.</li> <li>▪ Initiation of Run After Tax Evaders (RATE) Program by DOF and BIR.</li> <li>▪ Launching of 2003 Tax Campaign with the theme: “Buwis Ko, Alay Ko.”</li> <li>▪ Creation of “BIR on Wheels” Program on February 26, 2003 at ABS-CBN.</li> <li>▪ First appearance of “VAT Riders Team” who joined the Tour Pilipinas 2003, a cycling marathon sponsored by Lina Group of Companies which started on April 26 to May 11, 2003.</li> <li>▪ Implementation of of “Bayan I-text ang Resibo”, a raffle promo which started on June 2, 2003 to further intensify tax awareness.</li> <li>▪ Establishment of BIR Contact Center on August 4, 2003 at the National Office.</li> </ul>
2004	<ul style="list-style-type: none"> <li>▪ Establishment of eLounges in RR Nos. 6 – Manila, 7 – Quezon City and 8 – Makati.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Recipient of the Grand Gawad Oscar M. Florendo (GOF) Award for the success of e-raffle project, the Bureau's outstanding public information program.</li> <li>▪ Nominated in the 2004 Management Information Systems (MIS) Innovation Awards in Singapore.</li> </ul>
2005	<ul style="list-style-type: none"> <li>▪ Acceleration of Roll-out of Electronic Services of the Bureau, to wit: <ul style="list-style-type: none"> <li>- Electronic Registration (eRegistration)</li> <li>- Electronic Broadcasting (eBroad)</li> <li>- Electronic Correspondence (eCorrespondence)</li> <li>- Electronic Submission (eSubmission)</li> <li>- Portal Technology (ePortal)</li> <li>- Electronic Sales Reporting System (eSales)</li> <li>- Electronic Accreditation/Registration of Cash Register Machines (CRMs), Point of Sales (POS) Machines and other business machines</li> <li>- Mobile Payment (M-Payment)/ Expanded M-Payment</li> <li>- Letter of Authority Monitoring System (LAMS)</li> <li>- Business Intelligence/Letter Notices Monitoring System (LNMS)</li> </ul> </li> <li>▪ Intensification of Tax Compliance Verification Drive (TCVD)</li> <li>▪ Implementation of Revenue Regulations No. 2-2005 issued on February 15, 2005 prescribing all ecozone registered enterprises doing business within the zone to enjoy tax exemptions and incentives.</li> </ul>
2006	<ul style="list-style-type: none"> <li>▪ Implementation of Expanded Value-Added Tax (EVAT) Law pursuant to Republic Act No. 9337.</li> </ul>

- Increasing of tax collection from enhanced One-Time Tax Transactions (ONETT)
- Intensification of audit and investigation through conduct of quality audit of selected tax returns.
- Expansion of BIR Contact Center where 2 regional contact centers were installed – RR No. 9 (San Pablo City) & RR No. 13 (Cebu City).
- Establishment of eLounges nationwide for free access to BIR web services of taxpayers.
- Continuation of Run After Tax Evaders (RATE) Program
- Establishment of additional modes of tax payment such as G-Cash, service machines of Land Bank of the Philippines, and others.
- Implementation of the following programs:
  - Stop Filer Program
  - Accounts receivables/Delinquent Accounts Program
  - Tax mapping operations
  - Enhanced “Premyo sa Resibo” Promo
  - “No Official Receipt (OR) Complaint” facility
- Enhancement of electronic services as follows:
  - eReport Card from eCorrespondence
  - eBroad
  - eFPS
  - eTIN/eRegistration
  - eSubmission facility
  - rolled-out of eComplaint System in April 2006



	<ul style="list-style-type: none"> <li>▪ Institutionalization of industry benchmarks</li> <li>▪ Establishment of the Integrity Development Review (IDR) to review and assess corruption matters.</li> </ul>
2007	<ul style="list-style-type: none"> <li>▪ Implementation of National Rollout of Computerized Systems (NRCS)</li> <li>▪ Enforcement of the National Program Support for Tax Administration Reforms (NPSTAR).</li> <li>▪ Expansion of Taxpayer Database thru SEC, DTI, SSS, and LGUs</li> <li>▪ Implementation of Revenue Watch Dashboard and the LGU Revenue Assurance System.</li> <li>▪ Continuation of the following undertakings: <ul style="list-style-type: none"> <li>- EVAT Law implementation.</li> <li>- 2007 Audit Program for RDOs.</li> <li>- Accounts Receivable Program</li> <li>- Stop-Filer Program</li> <li>- Compromise Settlement Program</li> </ul> </li> <li>▪ Implementation of Tax Amnesty Program thru R.A. No. 9480 or the “Tax Amnesty Act of 2007”</li> <li>▪ Launching of 2007 Tax Campaign with the theme “Share to the Nation’s Progress, Pay your Correct Taxes” (Makibahagi sa Kaunlaran, Tamang Buwis ay Bayaran)</li> <li>▪ Improvement of Tax Enhancement Program on Excise Tax Administration</li> <li>▪ Institutionalization of Letter Notices Monitoring System (LNMS)</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Strengthening of Letter of Authority Monitoring System (LAMS)</li> <li>▪ Implementation of Registration Database Clean-Up Program</li> <li>▪ Enhancement of eServices</li> <li>▪ Strengthening of tie-ups with government agencies wherein MOA between BIR, BOI, and PEZA was forged on March 1, 2007.</li> <li>▪ Implementation of One-Time Tax Transactions (ONET<sup>3</sup>) System</li> <li>▪ Improvements in the competence of the human resources thru the following: <ul style="list-style-type: none"> <li>- BIR Rationalization Program</li> <li>- Performance Management System (PMS)</li> <li>- Office Performance Evaluation System (OPES)</li> </ul> </li> </ul>
2008	<ul style="list-style-type: none"> <li>▪ Launching of 2008 Tax Campaign with the theme “Itaguyod ang Bayan, Tamang Buwis ay Bayaran”</li> <li>▪ Establishment and enhancement of Performance Management System thru Performance Management Information System (PMIS)</li> <li>▪ Execution of “Oplan Kandado” Program</li> <li>▪ Intensification of RATE Program</li> <li>▪ Improvement in Excise Tax Administration thru the enhanced Official Registry Book (ORB) Reconciliation Program and selected inventory-taking.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Tax Reform Administration Group was made operational from its Tax Reform Agenda funded by World Bank's NPSTAR</li> <li>▪ Enhancement of the following projects: <ul style="list-style-type: none"> <li>- Registration Database Clean Up</li> <li>- Nationwide Roll-out of Computerized System</li> <li>- Third Party Information Linkage (TPI)</li> <li>- Accounts Receivable System</li> <li>- Computer-Assisted Audit Tools and Techniques System (CAATTS)</li> <li>- Human Resource Information System (HRIS)</li> <li>- Tax Reform Management</li> <li>- Change Management</li> <li>- Improved Strategic Planning</li> </ul> </li> </ul>
2009	<ul style="list-style-type: none"> <li>▪ Introduction of the Summary List of Sales and Purchases (SLSP) Compliance Monitoring Project</li> <li>▪ Establishment of Taxpayer Feedback Mechanism</li> <li>▪ Revival of "Handang Maglingkod" Program pursuant to RMO No.15-2009.</li> <li>▪ Creation of Taxpayer Service Area or BIR Help Desk thru RMO No. 16-2009.</li> <li>▪ Launching of 2009 Tax Campaign with the theme "BUWIS PARA SA BAYAN, LAAN SA BUHAY AT KINABUKASAN"</li> <li>▪ Implementation of "SanTAX Claus" Project pursuant to RMO 34-2009.</li> <li>▪ Enhancement of BIR eServices such as eTIN pursuant to RMO No. 26-2009</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Implementation of electronic Documentary Stamp Tax (eDST) System pursuant to RR No. 7-2009.</li> <li>▪ Institutionalization of the following projects: <ul style="list-style-type: none"> <li>- Taxpayer’s Lifestyle Check System (TLCS)</li> <li>- Industry Champion Program</li> <li>- “No Noon Break” work schedule policy</li> <li>- “Project R.I.P. (Rest in Peace)”</li> </ul> </li> <li>▪ Linkages with gov’t and private sectors: BLGF and PHALTRA</li> <li>▪ Launching of Backlog Management Task Force (BMTF)</li> <li>▪ Improved knowledge management thru Office Performance Monitoring and Evaluation</li> <li>▪ Optimization of Tax Reforms Administration Group (TRAG)</li> <li>▪ Implementation of good governance thru Performance Governance System (PGS), an assistance program for the Millennium Challenge Corporation (MCC).</li> <li>▪ Release of BIR Weekender Briefs via email, a new publication of BIR on weekly events.</li> </ul>
2010	<ul style="list-style-type: none"> <li>▪ Initial publication of BIR Weekender Briefs on January 15, 2010</li> <li>▪ Launching of 2010 Tax Campaign with the theme “Making the Public Know”</li> <li>▪ Inauguration of CAATTS Laboratory on December 22, 2010</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Establishment and inauguration of BIR Children’s Center on November 25, 2010</li> </ul>
2011	<ul style="list-style-type: none"> <li>▪ Definition of Strategy Roadmap for the improvement of agency’s performance for 2011-2016</li> <li>▪ Revision of Vision and Mission Statements pursuant to RMO No. 23-2011</li> <li>▪ Implementation of the following projects: <ul style="list-style-type: none"> <li>- Launching of Asset Information Management Program (AIM-P)</li> <li>- Establishment of Document Processing Division (DPD) in RR No. 2-Cordillera Administrative Region</li> <li>- Availability of eFPS Offline Form Application</li> <li>- Instigation of Quality Management System (QMS) Project in partnership with Development Academy of the Philippines (DAP) in which 2 RDOs were given ISO 9001:2008 Certification by TUV SUD Asia Pacific.</li> <li>- Re-implementation of eSales System</li> </ul> </li> </ul>
2012	<ul style="list-style-type: none"> <li>▪ Emergence of Interactive Forms/eBIR Forms</li> <li>▪ Initiation of Electronic Authority to Release Imported Goods (e-ATRIG)</li> <li>▪ Development of LTS Compliance Strategy Program</li> <li>▪ Strengthening of BIR Internal Control System where briefings on this are made with Deputy Executive Secretary Alberto A. Bernardo from the Office of the President.</li> <li>▪ Implementation of the following programs: <ul style="list-style-type: none"> <li>- Electronic Certificate Authorizing Registration (eCAR)</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- Online System for Transfer Tax Transactions (eOSTTT)</li> <li>- Electronic Official Registry Book (eORB) for Excise Product Project</li> <li>- Mobile Revenue Collection Officers System (MRCOS)</li> <li>- Enhanced Electronic Letter of Authority Monitoring System (eLAMS)</li> </ul> <ul style="list-style-type: none"> <li>▪ Continuation of Enterprise Security Architecture (ESA) effort with the implementation of Project BRAInS (BIR Ready and Aware in Information Security).</li> <li>▪ Initial publication of BRAInStorm on August 2012 via email (a newsletter on information security matters).</li> </ul>
2013	<ul style="list-style-type: none"> <li>▪ Launching of 2013 Tax Campaign with the theme “I LOVE THE PHILIPPINES, I PAY TAXES CORRECTLY”</li> <li>▪ Implementation of Republic Act No. 10351 or the New Sin Tax Law.</li> <li>▪ Implementation of VAT Audit Program by Large Taxpayers Service</li> <li>▪ Piloting of Centralized Arrears Management Program (CAMP) in 4 Metro Manila Regions and LTS</li> <li>▪ Implementation of the following: <ul style="list-style-type: none"> <li>- Management of Forfeited Properties Program</li> <li>- Execution of Tax Rulings and Case Management System (TRCMS)</li> <li>- Re-registration of Taxpayers through Taxpayer Registration Information Update (TRUI).</li> <li>- Electronic Authority to Release Imported Goods (eATRIG)</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- Electronic Tax Remittance Advice (eTRA) pursuant to RR No. 1-2013.</li> <li>- Enhancement of eAccreg and eSales</li> <li>- Application of Internal Revenue Stamps Integrated System on the use of Secured Stamps for Cigarettes System (IRSIS)</li> <li>- Usage of Collection Reconciliation System Project</li> <li>- Utilization of the Exchange of Information Program to carry out provisions of a tax treaty.</li> </ul>
2014	<ul style="list-style-type: none"> <li>▪ Application of Electronic Tax Information Systems (eTIS-1)</li> <li>▪ Launching of 2014 Tax Campaign with the theme “I Love the Philippines, I Pay My Taxes Right. It’s as easy as RFP. Register, File, and Pay.”</li> <li>▪ Reconstitution of the Technical Working Committee (TWC) on Arrears Management and Management of Acquired/Forfeited Properties on January 16, 2014.</li> <li>▪ The Bureau conducted a nationwide BIR Employee Satisfaction Census on June 17 – 18, 2014 which were participated by all revenue officials and personnel.</li> <li>▪ Formal launching of Internal Revenue Stamps Integrated System (IRSIS) on August 1, 2014. Its guidelines on IRSIS for cigarettes was issued on July 7, 2014 thru RR No. 7-2014 with amended provision thru RR Nos. 8-2014 and 9-2014 dated October 1, 2014 and October 31, 2014.</li> <li>▪ Issuance of Revenue Regulations No. 6-2014 to mandatorily use eBIRForms in filing of all Tax Returns by Non-Electronic Filing and Payment System (Non-eFPS) filers effective September 24, 2014.</li> </ul>

- Roll-out of the Taxpayer Registration System and Returns Filing and Processing on November 24, 2014.
- Establishment of eleven (11) eLounge facilities in each Revenue District Office.
- Expansion of International Standard Organization (ISO) Certification to other districts. Five (5) newly-ISO Certified district offices under RR 7-Quezon City were: RDO Nos. 38-North Quezon City, 39-South Quezon City, 42-San Juan, 43B-West Pasig and 46-Cainta, Rizal.
- Prescribing the importers and brokers to secure Importer's Clearance Certificate (ICC)/ Customs Broker's Clearance Certificate (BCC) prior to accreditation for importation per RMO No. 10-2014 dated February 10, 2014.
- Implementation of the following programs:
  - Strategic Performance Management System (SPMS)
  - Integrity Management Program (IMP)
  - Enhanced Career Executive Service Performance Evaluation System (CESPES)
- Signing of an agreement between the Philippines and the United States of America [Philippines - United States of America Foreign Account Tax Compliance Act (PH-US FATCA)] to implement FATCA which gives reciprocal access of information to promote physical transparency and seal international tax leaks.



**APPENDIX B**  
**SUMMARY OF ORGANIZATIONAL CHANGES IN THE BIR**

1904	<ul style="list-style-type: none"> <li>▪ The Bureau was formally established with sixty-nine (69) officials and employees. Aside from the Collector were other officials as follows: one (1) Deputy Collector; one (1) Chief Clerk; one (1) Law Clerk; one (1) Records Clerk; one (1) Statistical Clerk; and one (1) Chief for each of the three (3) Divisions, namely: Stamps and Property; Assessments and Returns; and Liquidations. The personnel were grouped into two (2) main classes: the office and field personnel.</li> </ul>
1913	<ul style="list-style-type: none"> <li>▪ The first reorganization of the Bureau was on January 1, 1913 with the establishment of eight (8) Divisions, namely: Accounting, Cash, Clerical, Inspection, Law, Real Estate, License and Records. The Income Tax Section was created to be under the Law Division on account of the application of Federal Income Tax Laws of 1913 to the Philippine Islands.</li> </ul>
1914	<ul style="list-style-type: none"> <li>▪ The Income Tax Section was detached from the Law Division and constituted a division known as the Income Tax Division pursuant to Memorandum Order (MO) No. 11 dated April 27, 1914.</li> </ul>
1915	<ul style="list-style-type: none"> <li>▪ Merging of Real Estate Division and Cash Division called the Cash Division. The Real Estate Division was known as the Assessment Section of the Cash Division pursuant to MO No. 52 dated September 22, 1915.</li> </ul>
1916	<ul style="list-style-type: none"> <li>▪ Reconstitution of Assessment Section as a separate division called Real Estate Division pursuant to MO No. 62 dated April 1, 1916.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Merging of Law Division and Income Tax Division which was under the direction of the Chief of the Law Division pursuant to MO No. 66 dated April 28, 1916.</li> <li>▪ Reconstitution of Income Tax Division as a separate division maintaining with the Law Division the legal work including the preparation of rulings in regard to the Income Tax Law. The Accounting Division, Inspection Division, Law Division, and the Income Tax Division constituted the Insular Department of the Bureau under the direct supervision of the Collector. The Real Estate Division, License Division and the Cash Division constituted the City Department of the Bureau under the direct supervision of the Deputy Collector. This Department performed the duties pertaining to the office of the City Assessor and Collector from the City of Manila. The Clerical Division was likewise renamed to Administrative Division pursuant to MO No. 70 dated June 12, 1916.</li> <li>▪ Abolition of Accounting Division and Income Tax Division. In lieu thereof, a new division named Accounting and Income Tax Division was constituted pursuant to MO No. 101 dated November 4, 1916.</li> </ul>
1917	<ul style="list-style-type: none"> <li>▪ Creation of Tobacco Industry Division pursuant to MO No. 142 dated October 18, 1917.</li> <li>▪ Reestablishment of Income Tax Division from Income Tax Section and Accounting Division from Accounting Section from the Accounting and Income Tax Division effective November 1, 1917 pursuant to MO No. 144 dated October 29, 1917.</li> </ul>

1918	<ul style="list-style-type: none"> <li>▪ Abolition of Tobacco Industry Division pursuant to MO No. 167 dated March 22, 1918. Its work was performed by the Administrative Division.</li> </ul>
1921	<ul style="list-style-type: none"> <li>▪ Abolition of Cash, Clerical, Real Estate, License and Records Divisions due to the transfer of work of the City Assessor and Collector from the Bureau of Internal Revenue to the City of Manila. The Bureau was then composed of the following Divisions: Administrative, Law, Accounting, Income Tax and Inspection.</li> <li>▪ Creation of Income Tax Examiners Division pursuant to MO No. 265 dated May 24, 1921.</li> </ul>
1922	<ul style="list-style-type: none"> <li>▪ Abolition of Income Tax Examiners Division and making it an integral part of the Income Tax Division pursuant to MO No. 308 dated September 19, 1922.</li> </ul>
1923	<ul style="list-style-type: none"> <li>▪ Creation of Secret Service Section under the direct control of the Collector and Deputy Collector to relieve the agents and examiners of the Bureau from detective work pursuant to MO No. 337 dated October 27, 1923.</li> </ul>
1936	<ul style="list-style-type: none"> <li>▪ Creation of Radio Registration Division thru MO No. 629 dated September 1, 1936 pursuant to the provisions of Executive Order (EO) No. 44 dated June 30, 1936.</li> </ul>
1946	<ul style="list-style-type: none"> <li>▪ Creation of a Tax Data Unit thru MO No. 59 dated September 25, 1946 composed of the personnel from the Income Tax Division, Inspection Division, Miscellaneous Tax Division and Secret Service Unit. Activities of which was supervised by the Chief of Income Tax Division.</li> </ul>

1947	<ul style="list-style-type: none"> <li>▪ Division of the Philippines into thirty-one (31) inspection units by virtue of Revenue Regulations (RR) No. V-2 dated October 25, 1947.</li> <li>▪ Transfer of the Records Section of Income Tax and Miscellaneous Tax Divisions and all the employees working in said sections to Records Section, Administrative Division.</li> <li>▪ Transfer of Accounting Division to the Accounting and Statistical Division as Expense Accounts Section thru MO No. V-100 dated October 29, 1947.</li> </ul>
1950	<ul style="list-style-type: none"> <li>▪ Division of the Philippines into thirty three (33) Inspection Units pursuant to RR V-5 dated August 1, 1950, amending RR V-2. Each units were under the charge of a provincial revenue agent, with the exemption of Inspection Unit Nos. 31, 32 and 33 which were considered as special units under the supervision of a city revenue agent, a supervisor of distilleries and a supervisor of tobacco factories.</li> </ul>
1951	<ul style="list-style-type: none"> <li>▪ Creation of Withholding Tax Unit under the Income Tax Division thru MO No. V-188 dated January 26, 1951.</li> <li>▪ Creation of Intelligence Division by virtue of EO No. 392 series of 1951.</li> <li>▪ Creation of Field Division thru MO No. V-246 dated September 12, 1951.</li> </ul>
1952	<ul style="list-style-type: none"> <li>▪ Transfer of Tobacco Inspection Service under the Miscellaneous Tax Division to Business Tax Division thru MO No. 277 dated March 3, 1952.</li> <li>▪ Creation of Field Collection Division on July 1, 1952.</li> </ul>

1953	<ul style="list-style-type: none"> <li>▪ Creation of three (3) new Departments, namely: Legal, Assessment and Collection, effective July 1, 1953 upon the recommendation made by the Economic Survey Mission otherwise known as Bell Mission Report. The Income Tax Division and Business Tax Division under the Assessment Department were created and the Miscellaneous Tax Division was abolished thru MO No. V-360 dated May 18, 1953.</li> </ul>
1954	<ul style="list-style-type: none"> <li>▪ Reorganization was implemented thru MO No. 411 effective March 6, 1954, as follows: <ul style="list-style-type: none"> <li>♦ Transfer of personnel investigation function and personnel of Intelligence Division to Administrative Division.</li> <li>♦ Creation of Specific Tax Division under the Assessment Department.</li> <li>♦ Transfer of Conference Staff from the Assessment Department to the Legal Department.</li> <li>♦ Placing of Tobacco Inspection Service and Radio Registration Service under the Deputy Collector.</li> <li>♦ Creation of Office of the City Revenue Examiner in the Assessment Department.</li> </ul> </li> <li>▪ Creation of a Training Unit thru MO No. V-447 dated September 1, 1954.</li> <li>▪ Creation of five (5) special tax fraud squads in the provinces thru Field Circular V-66 and Circular Memorandum No. V-366.</li> </ul>

1955	<ul style="list-style-type: none"> <li>▪ Establishment of the first two (2) Regional Offices in Cebu and in Davao thru MO No. V-536 dated July 20, 1955.</li> <li>▪ Transfer of Tobacco Inspection Service to the Specific Tax Division thru MO No. V-549 dated September 20, 1955.</li> </ul>
1956	<ul style="list-style-type: none"> <li>▪ Dividing the Philippines into eight (8) Regional Districts thru MO No. V-634 effective July 1, 1956 pursuant to Section 8 and 338 of Commonwealth Act No. 466 (NIRC), to wit: <ul style="list-style-type: none"> <li>– Region No. 1 (Northern Luzon)</li> <li>– Region No. 2 (Central Luzon)</li> <li>– Region No. 3 (Manila and Palawan)</li> <li>– Region No. 4 (South Central Luzon)</li> <li>– Region No. 5 (Southern Luzon)</li> <li>– Region No. 6 (Easter Visayas)</li> <li>– Region No. 7 (Western Visayas)</li> <li>– Region No. 8 (Mindanao and Sulu)</li> </ul> </li> <li>▪ The Main IBM Unit in the Collection Department and IBM Unit in the Regional District and the Administrative and Coordinating Department was created. The Tobacco Inspection Service, Radio Registration Service and Field Revenue Service were abolished. The Provincial Revenue Offices were also created under each Regional Offices.</li> </ul>
1957	<ul style="list-style-type: none"> <li>▪ Division of the Philippines from eight (8) to ten (10) Regional Districts thru MO No. V-727 dated June 27, 1957.</li> <li>▪ Establishment of Medical and Dental Clinic in accordance with Republic Act No. 1800 effective July 1, 1957.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Renaming of Intelligence Division and Conference Staff to Investigation Division and Appellate Division, respectively thru MO No. V-748 effective July 1, 1957</li> <li>▪ Splitting of Specific Tax Division into Tobacco and Miscellaneous Tax Division and Alcohol and Prohibited Drugs Division under Assessment Department thru MO No. V-733 dated July 3, 1957.</li> </ul>
1958	<ul style="list-style-type: none"> <li>▪ Creation of Tax Census Division by virtue of Republic Act (RA) No. 2070 otherwise known as “AN ACT TO PROVIDE FOR NATIONAL TAX CENSUS” effective June 13, 1958.</li> <li>▪ Creation of Specific Tax Unit in each Regional District thru MO No. V-837 dated July 24, 1958.</li> </ul>
1959	<ul style="list-style-type: none"> <li>▪ Creation of Tax Census Unit in the ten (10) Regional Districts thru MO No. V-920 dated July 21, 1959.</li> <li>▪ Creation of position of Assistant Revenue Operations Executive in the different Departments thru MO No. V-948 dated August 3, 1959.</li> </ul>
1960	<ul style="list-style-type: none"> <li>▪ Approval of reorganization plan by the Secretary of Finance on July 25, 1960 effective August 1, 1960. Organizational changes were as follows: <ul style="list-style-type: none"> <li>– Creation of Management and Planning Department having six (6) Divisions under it, namely: Budget, Accounting, National Supervisors, Statistical, Tax Census, and Tax Information.</li> <li>– Renaming of Administrative and Coordinating Department to Administrative Services Department and establishment of four (4) Divisions under it,</li> </ul> </li> </ul>

	<p>namely: General Services (formerly Administrative); Personnel; Cash and Disbursement; and Training.</p> <ul style="list-style-type: none"> <li>– Establishment of Alcohol Tax Division and Narcotic Drugs Division under Assessment Department.</li> <li>– Transfer of Investigation Division from Legal Department to Assessment Department.</li> <li>– Establishment of Delinquent Accounts Division, Collection Agents Division and Accounting Machines Division under Collection Department.</li> <li>– Establishment of Litigation Division under Legal Department.</li> </ul> <ul style="list-style-type: none"> <li>▪ Renaming of Administrative Division to General Services Division.</li> </ul>
1962	<ul style="list-style-type: none"> <li>▪ Creation of Organization and Methods Staff under the Management and Planning Department thru MO No. V-12 dated February 12, 1962.</li> <li>▪ Creation of Collection Division under the Collection Department pursuant to RAO No. 3-62 dated May 31, 1962.</li> </ul>
1963	<ul style="list-style-type: none"> <li>▪ Division of the Philippines from ten (10) to fifteen (15) Regional Offices and seventy-two (72) Inspection Districts thru RR No. 3-63 dated November 15, 1963.</li> </ul>
1964	<ul style="list-style-type: none"> <li>▪ Creation of Specific Tax Department thru Revenue Administrative Order (RAO) No. 3-64 dated August 1, 1964. Said Department had four (4) units under it, namely: Tobacco and Miscellaneous Tax Division;</li> </ul>



Alcohol Tax Division; Tobacco Inspection Service; and Specific Tax Enforcement Division.

- Creation of Withholding Tax Division thru RAO No. 4-64 dated August 1, 1964.
- Creation of Property Division thru RAO No. 5-64 dated August 1, 1964.
- Creation of Special Services Department thru RAO No. 6-64 dated August 1, 1964. Said Department had four (4) units under it, namely: Data Processing Center; Tax Census Division, Tax Information Division; and Laboratory Center.
- Creation of Office of International Operations thru RAO No. 12-64 dated October 20, 1964. Said office had three (3) units under it, namely: Revenue Attaché Service Unit; Technical and Policy Research Unit; and Audit and Intelligence Unit.
- Approval of RAO No. 14-64 effective November 2, 1964 by the Secretary of Finance, prescribing the relation of the National Office to lower operating levels and outlining the duties and functions thereof. Organizational changes were as follows:
  - Establishment of Tobacco Inspection Board and Accountable Forms Committee under the direct supervision of the Commissioner of Internal Revenue.
  - Establishment of Inspection Department having three (3) units under it, namely: Inspection Division; Internal Security Division; and Internal Audit Service.

1965	<ul style="list-style-type: none"> <li>▪ Renaming of Delinquent Accounts Division to Tax Accounts Division under the Collection Department thru RAO No. 4-65 effective July 1, 1965.</li> <li>▪ Creation of Internal Audit Department under the Office of the Commissioner thru RAO No. 9-65 dated October 12, 1965 pursuant to the provisions of RA No. 3456, otherwise known as “The Internal Auditing Act of 1962”. The said Office had three (3) Divisions under it, namely: Operations Audit; Personnel Audit; and Fiscal Audit.</li> <li>▪ Abolition of Inspection Department thru RAO No. 9-65 dated October 12, 1965.</li> </ul>
1966	<ul style="list-style-type: none"> <li>▪ Creation of Prosecution Division under the Legal Department thru RAO No. 5-66 dated April 29, 1966.</li> <li>▪ Creation of Personnel Advisory Committee thru RAO No. 7-66 dated June 28, 1966.</li> <li>▪ Dividing the Philippines into twenty (20) Regional Offices and ninety (90) districts for internal revenue purposes per Revenue Regulation No. 7-66 dated December 16, 1966.</li> </ul>
1967	<ul style="list-style-type: none"> <li>▪ Approval of RAO No. 1-67 dated January 3, 1967 by the President of the Philippines endorsed by the Secretary of Finance, prescribing the statement of BIR organization and functions in conformity with the BIR Reorganization Plan of December 2, 1966. Organizational changes were as follows: <ul style="list-style-type: none"> <li>– Creation of two (2) Deputy Commissioners, one to head the Administration and the other to head the Operations.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>– The Administration was consisted of four (4) Departments, namely: Administrative Services, Management Planning, Technical Services (formerly Specific Services) and Internal Audit.</li> <li>– The Operations was consisted of five (5) Departments, namely: Assessment, Collection, Specific Tax, Special Operations and Legal.</li> <li>– The field service was divided into geographical operational areas: twenty (20) Regional Offices and ninety (90) Revenue Districts.</li> </ul>
1968	<ul style="list-style-type: none"> <li>▪ Reorganization of the Special Investigation Division into two divisions, namely: Fraud Investigation Division and Audit Division under the Special Operations Department thru RAO No. 2-68 dated August 26, 1968.</li> <li>▪ Reorganization of the Anti-Smuggling Division and renaming it to Special Laws Enforcement Division under the Special Operations Department thru RAO No. 1-68 dated September 5, 1968.</li> <li>▪ Transfer of Revenue Attaché Service Unit to the Special Operations Department thru RAO No. 3-68 dated November 20, 1968.</li> <li>▪ Creation of Accountable Forms Division under the Administrative Services Department and transferring of Training Division under Administrative Services Department to the Management Planning Department thru RAO No. 6-68 dated November 29, 1968.</li> </ul>
1969	<ul style="list-style-type: none"> <li>▪ Creation of Specific Tax Branch in each of the Revenue Regions except in Revenue Region Nos. 5, 6, 7, &amp; 8 thru RAO No. 5-69 dated September 8, 1969.</li> </ul>

1970	<ul style="list-style-type: none"> <li>▪ Creation of the Intelligence Unit under the direct control of the Commissioner of Internal Revenue and his Deputy (Operations) thru RAO No. 8-70 dated August 7, 1970.</li> <li>▪ Creation of Gasoline and Miscellaneous Specific Tax Division thru RAO No. 14-70 dated December 14, 1970.</li> </ul>
1971	<ul style="list-style-type: none"> <li>▪ Implementation of a “Nationwide Reorganization” whereby five (5) new Divisions were created, namely: Agricultural &amp; Natural Resources (Audit) Division; Manufacturing (Audit) Division; Financing, Real Estate &amp; Transfer Tax (Audit) Division; Services &amp; Miscellaneous (Audit) Division; and Special Investigation Division, and consequent abolition of five (5) other offices, namely: Special Operations Department; Audit Division; International Operation Division; Special Laws Enforcement Division; and Fraud Investigation Division.</li> <li>▪ Renaming of Tax Census Division to Tax Register Division thru RAO No. 2-71 dated March 10, 1971.</li> </ul>
1972	<ul style="list-style-type: none"> <li>▪ Restoration of Tobacco Inspection Service thru RAO No. 9-72 dated October 2, 1972.</li> </ul>
1975	<ul style="list-style-type: none"> <li>▪ Creation of Assets, Liabilities and Networth Unit under the direct authority of the Commissioner of Internal Revenue and be a unit of the Assessment Department thru RAO No. 2-75 dated May 21, 1975.</li> <li>▪ Creation of Special Tax Compliance Unit under the Intelligence and Security Division thru RAO No. 6-75 dated July 28, 1975 pursuant to Letter of Instructions No. 204 dated July 24, 1974.</li> <li>▪ Approval of the staffing pattern of the Bureau thru RAO No. 8-75 dated July 1, 1975 in conformity with the BIR Reorganizational Plan, as provided in Presidential Decree</li> </ul>

No. 640 dated January 21, 1975. Organizational changes were as follows:

- The Office of the Assistant Commissioner was created with nine (9) Divisions under it, namely: Performance Control; Tax Fraud; Intelligence; International Operations; Investment Incentives; Agricultural and Natural Resources; Financing, Real Estate and Transfer Tax; Manufacturing; and Service and Miscellaneous Tax.
- Eight (8) new Services were renamed, namely: Legal Department to Legal Service; Collection Department to Collection Service; Specific Tax Department to Specific Tax Service; Assessment Department to Assessment Service; Administrative Services Department to Administrative Service; Internal Audit Department to Inspection Service; Management Planning Department to Financial and Management Service; and Technical Services Department to Data Processing Center.
- The Assessment Service had four (4) Divisions, namely: Direct Tax; Indirect Tax; and Withholding Tax.
- The Specific Tax Service had four (4) Divisions, namely: Manufactured Tobacco Tax; Alcohol Tax; Gasoline & Miscellaneous Tax; and Tobacco Inspection.
- The Collection Service had three (3) Divisions, namely: Receivable Accounts; Collection Enforcement; and Delinquent Returns.

	<ul style="list-style-type: none"> <li>• The Legal Service had four (4) Divisions, namely: Law; Litigation; Prosecution; and Appellate.</li> <li>• The Inspection Service had two (2) Divisions, namely: Internal Security and Fiscal Control</li> <li>• The Financial &amp; Management Service had five (5) Divisions, namely: Budget; Management; Accounting; Tax Information &amp; Education; and Career Development.</li> <li>• The Administrative Service had five (5) Divisions, namely: Personnel; General Services; Accountable Forms; Property; and Records.</li> <li>• The Data Processing Center had four (4) Division, namely: Systems &amp; Programming; Document Verification &amp; Control; Machine Operations; and Statistical.</li> <li>• Under the Regional Offices were as follows: Assessment Branch, Specific Tax Branch, Collection Branch, Legal Branch, Administrative Branch, and Revenue District Office.</li> <li>• The twenty (20) Regional Offices was reduced to seventeen (17) comprising of ninety-one (91) Regional Districts.</li> </ul>
1976	<ul style="list-style-type: none"> <li>▪ The Specific Tax Branch in Revenue Region No. 10-A Cagayan De Oro City was re-created pursuant to Revenue Administrative Order (RAO) No. 3-76 dated September 3, 1976.</li> </ul>
1980	<ul style="list-style-type: none"> <li>▪ The Bureau was again reorganized on August 1, 1980 under Executive Order (EO) No. 608 with BIR implementing issuance Revenue Administrative Order</li> </ul>

	<p>(RAO) No. 2-80 dated October 2, 1980 in which the following changes were effected:</p> <ul style="list-style-type: none"> <li>➤ The Financial and Management Service was retained; Administrative Service was renamed as Personnel and Administrative Service; the Data Processing Center and Inspection Service were retained; Assessment Service was renamed as National Assessment Office; Specific Tax Service was renamed as Specific Tax Office; Legal Service was renamed as Legal Office; Collection Service was renamed as Collection Office; and Planning &amp; Policy Service and Sector Operations Office were created.</li> <li>➤ One (1) Deputy Commissioner was added to assist the Commissioner in the exercise of supervision and control over the subordinate units of the Bureau and abolished the positions of two Assistant Commissioners.</li> </ul>
1981	<ul style="list-style-type: none"> <li>▪ The Regional Data Centers in Revenue Region No. 4-A and 4-B were created on September 17, 1981 pursuant to RAO No. 5-81.</li> </ul>
1982	<ul style="list-style-type: none"> <li>▪ The International Taxation Division was created and was placed directly under the Legal Office on March 29, 1982 pursuant to RAO No. 3-82.</li> </ul>
1983	<ul style="list-style-type: none"> <li>▪ The Revenue Information Systems Service Inc. (RISSI) was created in February 1983 replacing the Data Processing Center which was abolished by virtue of EO 873.</li> <li>▪ The Revenue Accounting and Monitoring Division under the Financial Management Service was created on</li> </ul>

	<p>March 3, 1983 pursuant to RAO No. 3-83 and at the same time, Revenue District Offices (RDOs) were reclassified.</p> <ul style="list-style-type: none"> <li>▪ The Specific Tax Office and statement of its functions was reorganized on December 19, 1983 pursuant to RAO No. 2-84. It was composed of the Tobacco Tax Division, Alcohol Tax Division, Oil and Miscellaneous Division, Field Operations Division and the BIR Laboratory.</li> </ul>
1984	<ul style="list-style-type: none"> <li>▪ The Financing, Real Estate and Transfer Taxes Division and the Services and Miscellaneous Taxes Division of the Sector Operations Office were prescribed to split on February 24, 1984 into four divisions pursuant to RAO No. 4-84 and Section 6 (b) of E.O. No. 608 dated August 1, 1980. These were as follows: (1) Banks, Financing and Insurance Division (BFID), (2) Real Estate and Transfer Taxes Division (RETT), (3) Construction and Service Industry Division (CSID), and (4) Franchise and Miscellaneous Taxes Division (FMTD).</li> <li>▪ The Personnel and Administrative Service and statement of its functions including the divisions under it down to section level was reorganized on August 27, 1984 pursuant to E.O. No. 608 and RAO No. 10-84. The Personnel and Administrative Service had the following divisions: Personnel Division, Career Development Division, Records Division, General Services Division, Property Division, Accountable Forms Division, Medical and Dental Division and Facilities Maintenance Division.</li> <li>▪ Inauguration of the Revenue Computer Center (RCC), a three-story building constructed in the Bureau's compound, on September 10, 1984.</li> </ul>
1986	<ul style="list-style-type: none"> <li>▪ The Intelligence Division and International Taxation Division were abolished</li> </ul>



1987	<ul style="list-style-type: none"><li>▪ The Bureau implemented Executive Order No. 127 (Reorganization Act of the Finance Ministry) with the creation of two (2) major functional groups: Assessment and Collection Group; and Legal and Internal Administration Group, each headed and supervised by a Deputy Commissioner. The Services placed under Assessment and Collection Group were the Assessment Service (formerly National Assessment Office); Collection Service (formerly Collection Office); Excise Tax Service (formerly Specific Tax Office); Special Operations Service (formerly Sectors Operations Office); and the Revenue Regional Offices. The Legal Service (formerly legal Office), Finance Service (formerly Financial and Management Service), Administrative Service (formerly Personnel and Administrative Service), Planning and Research Service (formerly Management and Policy Service) and the Inspection Service were all placed under the Legal and Internal Administration Group. The Refund Audit Division of the Assessment Service was renamed Tax Credit/Refund Division. The Receivable Accounts Division was known as the Accounts Receivables/Billing Division while the Collection Performance Control Division was renamed Collection Performance Evaluation Division all under the Collection Service.</li></ul>
1988	<ul style="list-style-type: none"><li>▪ The Special Operations Service (SOS) and statement of its functions including the Divisions under it down to Section level was created on January 21, 1988 pursuant to RAO No. 5-88 and in accordance with Executive Order No. 127. The SOS was composed of one (1) Unit and four (4) Divisions, namely: Audit Review Unit, Industry Audit Division, Banks, Financing, Insurance &amp; Transfer Tax Division, International Tax Affairs Division and Value-Added Tax Division.</li></ul>

	<ul style="list-style-type: none"> <li>▪ The PO/CR Monitoring Division was transferred from the Financial Service to the Collection Service pursuant to RAO No. 18-88 dated July 7, 1988.</li> <li>▪ The Office Audit/Investigation Function of the Revenue District Office (Assessment Unit) was transferred to the Regional Office (Assessment Branch) pursuant to RAO No. 22-88 dated September 15, 1988.</li> <li>▪ The Regional Offices in the Cordillera Administrative Region were established pursuant to RAO No. 23-88 dated November 14, 1988 concurrently implementing Administrative Order No. 36 pursuant to Executive Order No. 220.</li> </ul>
1990	<ul style="list-style-type: none"> <li>▪ The Withholding Tax Audit Division (WTAD) and the statement of its functions down to section level was created on June 8, 1990 pursuant to RAO No. 4-90. The WTAD was under the jurisdiction of the Special Operations Service and was responsible for the audit/investigation of all withholding agents relative to compliance to withholding tax laws and regulations.</li> </ul>
1991	<ul style="list-style-type: none"> <li>▪ The Project Management Office (PMO) for Tax Computerization was created pursuant to RAO No. 2-91 dated February 7, 1991. The PMO was under the supervision of the Office of the Commissioner.</li> </ul>
1992	<ul style="list-style-type: none"> <li>▪ The Computer and Information Systems Service (CISS) and Statement of Functions Thereof, Including the Divisions Under it Down to Section Level was established on November 10, 1992 pursuant to RAO No. 4-92. The CISS had the following divisions: Systems and Programming Division, Central Operations Division, Support Services Division and Technical Operations Division.</li> </ul>

1993	<ul style="list-style-type: none"><li>▪ The Large Taxpayers Division (LTD) and Statement of Its Functions Down to Section Level was created pursuant to RAO No. 1-93 dated May 7, 1993. The said division was under the supervision of the Financial Service and consisted of two (2) sections, namely: 1) Monitoring Section and 2) Data Processing and Analysis Section.</li> <li>▪ The National Office was issued RAO No. 4-93 on December 1, 1993 prescribing the organizational structure and statement of general functions of the said office pursuant to Executive Order No. 132 dated October 26, 1993 streamlining the Bureau of Internal Revenue. The BIR is headed by the Commissioner and assisted by three (3) Deputy Commissioners for Operations Group, Information Systems Group and Resource Management Group. The National Office was composed of the following offices:<ul style="list-style-type: none"><li>- Office of the Commissioner of Internal Revenue</li><li>- Deputy Commissioner for Operations Group</li><li>- Deputy Commissioner for Information Systems Group</li><li>- Deputy Commissioner for Resource Management Group</li></ul></li></ul> <p>*** (The line functions previously performed in the National Office was decentralized to the Regional and Revenue District Offices.)</p> <ul style="list-style-type: none"><li>▪ The areas of jurisdiction and renumbering of Regional and District Offices were redefined pursuant to RAO No. 5-93 dated December 1, 1993. This prescribed the establishment of eighteen (18) additional Revenue District Offices (RDOs) and redefined the jurisdictional areas of each revenue regions and the newly restructured/established Revenue District Offices (RDOs). Pursuant to Section 8 of the National Internal</li></ul>
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	<p>Revenue Code, the Philippines which was divided into nineteen (19) regional Offices for internal revenue purposes, was further sub-divided into one hundred fifteen (115) district offices with their designated Revenue Region/RDO number.</p>
1997	<ul style="list-style-type: none"> <li>▪ The BIR was further streamlined with its Computerized Integrated Tax System (CITS) which was passed through EO No. 430 in 1997. This included the following: the creation of one Deputy Commissioner; creation of four (4) new offices, namely: Taxpayers Assistance Service; Information Systems Development Service; Information Planning and Quality Service; and Internal Affairs Service; splitting of the Financial and Administrative Service; and the creation of Revenue Data Centers. However, this was not completed.</li> <li>▪ The BIR National Revenue Command Center was inaugurated. The Center is the “nerve center” of the BIR’s sophisticated local and wide-area electronic networks.</li> <li>▪ The Revenue Data Centers in Manila, Quezon City and Cebu were launched to link to the BIR National Office.</li> <li>▪ The National Training Center (NTC) and Cebu Training Center was constructed and inaugurated.</li> </ul>
1998	<ul style="list-style-type: none"> <li>▪ The organizational setup and functions of the Large Taxpayers Division under the Collection Service was amended on August 26, 1998 pursuant to RAO No. 1-98. The Large Taxpayers Division under the Collection Service had the following Sections: Taxpayer Assistance Section, Performance Analysis Section, Collection Enforcement Section, and Special Industries Monitoring Section.</li> </ul>

1999	<ul style="list-style-type: none"> <li>▪ RDO Nos. 47-East Makati, 48-West Makati, 49-North Makati, 50-South Makati and 51-Pasay City under Revenue Region No. 8 – Makati were restructured on March 1, 1999 to follow an RDO-based processing of tax returns in the implementation of ITS pursuant to RAO No. 2-99. The said RDOs were composed of the following sections: Assessment Section, Collection Section, Taxpayers Service Section, Document Processing Section, and Administrative Section.</li>   <li>▪ Executive Order (EO) No. 175 was approved by President Estrada dated Nov. 3, 1999 to focus on the core operational functions of the Bureau and improve administrative control over certain categories of taxpayers. The following are the highlights in organizational changes in EO 175: <ul style="list-style-type: none"> <li>- Establishment of the Large Taxpayers Service in the NO and Large Taxpayers Division in ROs.</li> <li>- Establishment of Excise Taxpayers Service in NO.</li> <li>- Reestablishment of the Collection Enforcement Division under the Collection Service.</li> <li>- Establishment of Audit Information, Tax Exemption and Incentives Division.</li> <li>- Consolidation of Financial Service and Administrative Service.</li> </ul> </li> </ul>
2002	<ul style="list-style-type: none"> <li>▪ Executive Order (EO) No. 114 entitled “Restructuring of the Bureau of Internal Revenue towards a Taxpayer-Focused Organization” was approved on July 29, 2002 by then President Gloria M. Arroyo. However, said EO was not implemented.</li> </ul>
2008	<ul style="list-style-type: none"> <li>▪ The splitting of the Revenue District Offices (RDOs) in the provinces of Bulacan and Cavite and redefining their</li> </ul>

	<p>areas of jurisdiction pursuant to RAO No. 1-2008 dated September 16, 2008, to wit:</p> <ul style="list-style-type: none"> <li>➤ Revenue Region No. 5 – Valenzuela <ul style="list-style-type: none"> <li>- RDO No. 25A – Plaridel, Bulacan</li> <li>- RDO No. 25B – Marilao, Bulacan</li> </ul> </li> <li>➤ Revenue Region No. 9 – San Pablo City <ul style="list-style-type: none"> <li>- RDO No. 54A – Trece Martinez City, South Cavite</li> <li>- RDO No. 54B – Rosario, North Cavite</li> </ul> </li> </ul> <p>▪ The splitting of RDO No. 53 Las Piñas – Muntinlupa City and redefined its area of jurisdiction prescribed in RAO No. 2-2008 was also signed on the same date (September 16, 2008), to wit:</p> <ul style="list-style-type: none"> <li>➤ RDO No. 53A – Las Piñas City</li> <li>➤ RDO No. 53B – Muntinlupa City</li> </ul>
2009	<ul style="list-style-type: none"> <li>▪ Creation of nine (9) new RDOs from 115 to 124</li> <li>▪ On February 2, 2009, three (3) Revenue Administrative Orders (RAOs) were issued to strengthen the decentralization of the Bureau’s set-up for the purpose of maximizing revenue collections and tax assessments, intensifying enforcement of revenue laws and regulations and bringing the revenue service closer to the taxpaying public. They were as follows: <ul style="list-style-type: none"> <li>- RAO No. 1-2009 prescribed the splitting of The Revenue District Office (RDO) No. 43 – Pasig City and redefined their areas of jurisdiction.</li> <li>- RAO No. 2-2009 prescribed the splitting of Revenue District Office (RDO) No. 17 – Tarlac City, Tarlac, RDO No. 21 – San Fernando City, Pampanga, RDO No. 23 – Cabanatuan City and RDO No. 113 – Davao City and redefined their areas of jurisdiction.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- RAO No. 3-2009 prescribed the splitting of Revenue District Office (RDO) No. 93 – Zamboanga City and redefined their areas of jurisdiction.</li> <li>▪ The transfer of Revenue Region No. 18 from Cotabato City to Koronadal City was issued pursuant to RAO No. 15-2009 dated December 14, 2009. In view of the transfer, Revenue Region No. 18-Cotabato City was renamed as Revenue Region No. 18 – Koronadal City. This was in compliance with E.O. No. 304 dated March 30, 2004 designating Koronadal City as the Regional Center and Seat of SOCCSKSARGEN Region.</li> </ul>
2010	<ul style="list-style-type: none"> <li>▪ RDO No. 25B – Marilao, Bulacan was renamed to RDO No. 25B – Sta. Maria, Bulacan pursuant to RAO No. 1-2010 dated January 4, 2010. In as much as the approved location under RAO No. 1-2008 dated September 16, 2008 was not followed in RDO No. 25B – Marilao, Bulacan, said office is renamed to RDO No. 25B – Sta. Maria, Bulacan consistent with its existing location.</li> <li>▪ Revenue District Offices (RDO) No. 116 – Regular Large Taxpayers and RDO No. 121 – Excise Large Taxpayers under the Large Taxpayers Service (LTS) was splitted and redefined their areas of jurisdiction pursuant to RAO No. 2-2010 dated February 19, 2010. The areas of jurisdiction/covered industry of the newly restructured/established RDOs as a result of the division into four (4) of RDO No. 116 – RLT and into two (2) of RDO No. 121 - ELT under the LTS shall be as follows: <ul style="list-style-type: none"> <li><b>A. Regular Large Taxpayers:</b> <ol style="list-style-type: none"> <li>1. RDO No. 116 – Regular Large Taxpayers 1 - composed of electricity, gas and water, activities auxiliary to financial intermediation, transport, storage and communications, identified</li> </ol> </li> </ul> </li> </ul>

manufacturers of food, manufactures of wearing apparel, wood, paper, rubber, plastic, other non-metallic, basic metals, fabricated metal products, machinery equipment & electrical machinery and identified wholesale/retail trade.

2. RDO No. 125 – Regular Large Taxpayers 2 - composed of banking institutions, non-banking financial intermediaries, insurance and pension funding, identified manufacturers of food and identified wholesale/retail trade.
3. RDO No. 126 – Regular Large Taxpayers 3 - composed of real estate, renting of goods & equipment, miscellaneous business activities, manufacture of chemicals and identified wholesale/retail trade.
4. RDO No. 127 – Regular Large Taxpayers 4 - composed of agriculture, fishing, compulsory, education, health and social works, other community, social, personal and other service activities, publishing, printing, reproduction, manufacture of radio, television & communication equipment/apparatus, manufacture of medical, manufacture of other transport equipment, manufacture of others (not elsewhere classified), hotels and restaurants, construction and identified wholesale/retail trade.

**B. Excise Large Taxpayers:**

1. RDO No. 121 – Excise Large Taxpayers 1 - composed of alcohol, power, mining and sugar industry.



	<p>2. RDO No. 124 – Excise Large Taxpayers 2 - composed of tobacco, petroleum, cement, non-essential and automobiles industry.</p> <ul style="list-style-type: none"> <li>▪ Revenue District No. 15 Ilagan, Isabela was renamed to Naguilian, Isabela pursuant to RAO No. 3-2010 and upon the approval of Commissioner Kim Jacinto-Henares dated September 24, 2010.</li> </ul>						
2011	<ul style="list-style-type: none"> <li>▪ The RDO No. 116 – Regular Large Taxpayers (RLT) under the LTS was restructured/regrouped into three (3) audit divisions. It also redefined the jurisdictional boundaries of the newly structured RDOs pursuant to RAO No. 1-2011 dated November 28, 2011 amending pertinent provisions of RAO 2-2010 on the splitting of RDO No. 116 – Regular Large Taxpayers under the Large Taxpayers Service (LTS) and redefining their areas of jurisdiction.</li> </ul>						
2013	<ul style="list-style-type: none"> <li>▪ The RDO Sub-offices in Boracay and in Camiguin Islands was formally established pursuant to RAO No. 3-2013 dated September 13, 2013. The following revenue districts shall have a sub-office: <table style="margin-left: auto; margin-right: auto; border: none;"> <thead> <tr> <th style="text-align: center;"><u>RDO</u></th> <th style="text-align: center;"><u>Sub-Office</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1. RDO No. 71 – Kalibo, Aklan</td> <td style="text-align: center;">Boracay Island</td> </tr> <tr> <td style="text-align: center;">2. RDO No. 97 – Gingoog City</td> <td style="text-align: center;">Camiguin Island</td> </tr> </tbody> </table> </li> </ul>	<u>RDO</u>	<u>Sub-Office</u>	1. RDO No. 71 – Kalibo, Aklan	Boracay Island	2. RDO No. 97 – Gingoog City	Camiguin Island
<u>RDO</u>	<u>Sub-Office</u>						
1. RDO No. 71 – Kalibo, Aklan	Boracay Island						
2. RDO No. 97 – Gingoog City	Camiguin Island						
2014	<ul style="list-style-type: none"> <li>▪ The BIR Organization Structure in line with EO 366 was prescribed under RAO No. 1-2014 dated June 17, 2014 for the guidance of all internal revenue officials and employees.</li> <li>▪ The organization and functions of offices in the National Office under the approved BIR Rationalization Plan was prescribed per RAO No. 2-2014 dated August 7, 2014.</li> </ul>						

The organizational changes effected (from EO 175 to EO 366) were as follows:

❖ Office of the Commissioner (OCIR)

The Services/Offices comprising the OCIR are the Large Taxpayer Service (LTS), Planning and Management Service (PMS) which was renamed (formerly Policy and Planning Service), Project Management and Implementation Service (PMIS) which replaced the abolished Tax Reform Administration Group (TRAG) and the Performance Evaluation Division (formerly Internal Audit Division).

The Excise Taxpayers Service (ETS) was abolished along with its three (3) divisions, namely, ET Assistance Division, ET Programs Division and ET Document Processing and Quality Assurance Division. The ET Operations Division was transferred to LTS and was renamed as Excise LT Field Operations Division (ELTFOD).

The Enforcement Service (ES) was renamed as Enforcement and Advocacy Service (EAS) and was transferred to Legal Group (LG) formerly Legal and Inspection Group.

Under the Large Taxpayer Service, five (5) new divisions were created. These divisions were the Regular LT Audit Division II (RLTAD II), Regular LT Audit Division III (RLTAD III), Excise LT Audit Division I (ELTAD I), Excise LT Audit Division II (ELTAD II) and Excise LT Regulatory Division (ELTRD). The Excise LT Field Operations Division (ELTFOD) was transferred from the abolished ETS. The LT Assessment Division was renamed as Regular LT Audit Division I (RLTAD I). The LT Collection and Enforcement Division (LTCED) and LT Programs Division (LTPD) were renamed as LT Collection Enforcement Division (LTCED)

and LT Performance Monitoring and Programs Division (LTPMPD), respectively. The LT Assistance Division, LT Document Processing and Quality Assurance Division (LTDQPAD), LT Division-Makati (LTD-Makati) and LT Division-Cebu (LTD-Cebu) were retained.

Under Planning and Management Service, the Planning Division (PD) and Statistics Division (SD) were renamed to Planning and Programming Division (PPD) and Research and Statistics Division (RSD), respectively. The Management Division's (MD) function was strengthened to coordinate efforts towards improving systems and procedures, internal control and risk management processes in the BIR. The manpower planning function of Personnel Division was transferred to this division. The change management function of MD was transferred to PMIS. The Corporate Communications Division (CCD) renamed as Internal Communications Division (ICD) was transferred to Client Support Service (CSS) (formerly TAS).

Under the Project Management and Implementation Service, two (2) new divisions were created to absorb the functions of the abolished TRAG. These were the Project Development and Management Division (PDMD) and Project Monitoring and Evaluation Division (PMED).

The Internal Audit Division (IAD) which was formerly under the Inspection Service was renamed as Performance Evaluation Division (PED) and transferred directly under the OCIR to enable the Commissioner of Internal Revenue (CIR) to tackle sensitive audit and/or graft related matters which may involve high-ranking officials of the BIR.

❖ Operations Group (OG)

The Services comprising OG are the Assessment Service (AS), Collection Service (CS) and Client Support Service (CSS) (formerly the Taxpayer Assistance Service (TAS)).

Under the Assessment Service, two (2) divisions were created, namely, VAT Credit Audit Division (VCAD) and Tax Audit Review Division (TARD). The Asset Valuation Division (AVD) was renamed as Assessment Performance Monitoring Division (APMD). The Assessment Programs Division (APD) and Audit Information, Tax Exemption and Incentives Division (AITEID) were retained.

Under the Collection Service, a new division was created, the Collection Performance Monitoring Division (CPMD). The Collection Enforcement Division (CED) and Withholding Tax Division (WTD) were renamed as Accounts Receivables Monitoring Division (ARMD) and Miscellaneous Operations Monitoring Division (MOMD), respectively. The Collection Programs Division (CPD) and Revenue Accounting Division (RAD) were retained. Some of the functions of CPD were transferred to CPMD and MOMD.

Under the Client Support Service (formerly Taxpayer Assistance Service), the Taxpayer Information and Education Division (TIED) was renamed as Public Information and Education Division (PIED). The Corporate Communications Division (CCD) renamed as Internal Communications Division (ICD) was transferred to this Service from Policy and Planning Service. The Taxpayer Service Programs and Monitoring Division (TSPMD) was retained.

The BIR Contact Center (BIRCC) was institutionalized into a division under the Client Support Service and renamed as Customer Assistance Division (CAD).

❖ Legal Group (LG)

The Legal and Inspection Group (LIG) was renamed to Legal Group (LG) since legal functions are common to all three (3) Services under it. The Services comprising LG are the Legal Service, Enforcement & Advocacy Service (EAS) (formerly Enforcement Service) and Internal Affairs Service (IAS) (formerly Inspection Service).

Under the Legal Service, the Law Division was renamed as Legal and Legislative Division (LLD). The Appellate Division and International Tax Affairs Division (ITAD) were retained. The Litigation Division and Prosecution Division were transferred to Enforcement and Advocacy Service.

Under the Enforcement and Advocacy Service, the Tax Fraud Division was renamed to National Investigation Division (NID). Two (2) divisions namely, Litigation Division and Prosecution Division were transferred from Legal Service.

Under the Internal Affairs Service, two (2) divisions were renamed, the Internal Security Division (ISD) to Internal Investigation Division (IID) and Personnel Inquiry Division (PID) to Personnel Adjudication Division (PAD). The Internal Audit Division (IAD) was transferred to OCIR and renamed as Performance Evaluation Division (PED).

❖ Information Systems Group (ISG)

The Information Systems Group (ISG) was restructured to realign functions with outsourcing initiatives. The former three (3) Services namely, Information Systems Operations Service (ISOS), Information Systems Development Service (ISDS) and Information Planning and Quality Service (IPQS) were merged into two services (2) namely, Information Systems Development and Operations Service (ISDOS) and Information Systems Project Management Service (ISPMS).

The ISDOS comprises four (4) divisions namely, Data Warehousing and Systems Support Division (DWSSD), IT Planning and Standards Division (ITPSD), Network Management and Technical Support Division (NMTSD) and Systems Development Division (SDD).

On the other hand, five (5) divisions comprises ISPMS namely, Security Management Division (SMD), IT Contract Management Division (ITCMD), Taxpayer Service Systems Division (TSSD), Business Intelligence Division (BID) and Administrative Systems Division (ASD).

The Revenue Data Center (RDC) and the two (2) divisions namely, Computer Operations, Network and Engineering Division and Facilities Management Division were retained. The number of the RDCs were increased from four (4) to five (5).

❖ Resource Management Group (RMG)

The Resource Management Group (RMG) comprises the Human Resource Development Service (HRDS), Finance Service and Administrative Service from the formerly merged Financial and Administrative Service.

HRDS comprises the Personnel Division, Training Management Division (TMD) and Training Delivery Division (TDD). The Medical, Dental and Welfare Division (MDWD) was abolished. Medical/dental items positions were transferred to medical institutions. The abolition was required by DBM as the BIR is surrounded with various hospitals for the BIR personnel to access.

Under the Finance Service were the two (2) divisions namely, Budget Division and Accounting Division.

Under the Administrative Service, the General Services Division (GSD) was split into two (2) divisions namely, General Services Division and the new division, Property Division. Three (3) divisions were transferred from the former Financial and Administrative Service namely, Procurement Division, Accountable Forms Division (AFD) and Records Management Division (RMD) forming part of Administrative Service.

- The organization and functions of the Regional Offices, its Divisions and Sections and the Revenue District Offices were prescribed pursuant to RAO No. 3-2014 dated November 5, 2015. The Regional Office shall be under the direct supervision of the Deputy Commissioner for Operations Group. It shall be headed by a Regional Director and shall be composed of the Assessment Division, Collection Division, Legal Division, Finance Division, Administrative and Human Resource Management Division, Regional Investigation Division and the Revenue District Office.

❖ Regional Office

The Taxpayer Assistance Unit was renamed as Client Support Unit and the Human Resource

Management Unit was abolished and institutionalized as a section under Administrative and Human Resource Management Division. The Assessment Division and Collection Divisions were retained. The sections under the Legal Division were adjusted to align with the Legal Group of the National Office set-up. The Accounting Section under the Finance Division was renamed as Disbursement Accounting Section.

The Administrative Division was renamed as Administrative and Human Resource Management Division where Human Resource Management Unit functions were institutionalized as section under the division. The Special Investigation Division was renamed as Regional Investigation Division. The Data Processing Division was created to centralize and systematize processing of tax returns and other documents in the region.

❖ Revenue District Office (RDO)

The Assessment Section, Collection Section and Administrative Section were retained with no changes. The Taxpayer Service Section was renamed as Client Support Section. The Document Processing Section was abolished in the RDO and a Data Processing Division was created in the Regional Office. Compliance Section was also created in the RDOs.