

JOINT POSITION PAPER ON THE MANDATORY SUBMISSION OF SUPPLEMENTAL INFORMATION RETURN

We, the Philippine Chamber of Commerce and Industry (PCCI) together with the Employers Confederation of the Philippines (ECOP), Financial Executives Institute of the Philippines (FINEX), the Management Association of the Philippines (MAP), Philippine Exporters Confederation, Inc. (PHILEXPORT), Philippine Institute of Certified Public Accountants (PICPA), and the Tax Management Association of the Philippines (TMAP), respectfully submit this position paper to convey our concern on the mandatory submission of Supplemental Information Return (SIR) as part of the annual income tax returns of individual taxpayers required to file BIR Forms 1700 (For Individuals Earning Purely Compensation Income, Including Non-Business/Non-Professional Income) and 1701 (For Self-Employed Individuals, Estates and Trusts) as prescribed in Revenue Regulations (RR) No. 2-2014 dated 3 February 2014 and reiterated in Revenue Memorandum Circular No. 9-2014 dated 11 February 2014.

Among the income items required to be reported in the SIR are passive income items/receipts which are tax exempt, or have been subjected to final withholding taxes, as well as the final taxes withheld for each type of income. The amounts to be reported as income or receipts are the actual amount received, fair market value or net capital gains, as the case may be.

Examples of tax exempt income to be declared are proceeds of life insurance policy, return of premium retirement benefits, pensions and gratuities, and personal/real properties received thru gifts, bequests and devises.

On the other hand, the reportable income items/receipts subjected to final withholding taxes include Interests, royalties, dividends, prizes and winnings, fringe benefits, compensation subject to 15% preferential tax rate, and sale or exchange of properties. For sale or exchange of real properties, it is required that the specific property, TCT/ tax declaration number and certificate authorizing registration (CAR) number have to be reported, while for shares of stock, the information required are kinds of stock, stock certificate no., CAR no., number of shares and date of issue.

We respectfully oppose the mandatory SIR requirement for reasons explained below:

- a. It will be recalled that this reporting requirement was made optional on the part of the taxpayer for income tax return covering and starting with calendar year 2013 due for filing

on or before April 15, 2014 pursuant to RMC No. 9-2014. The said SIR mirrors practically the disclosure requirement in the Annual Information Return under RR 2 – 2011. Said RR was subsequently withdrawn (by virtue of RR 6 – 2011) in view of the serious criticisms raised by various sectors including several legislators. The main opposition put forward was that the disclosure requirement was a violation of the individual’s right to privacy and the Bank Secrecy Deposit Law. Another argument against said requirement is that the needed information is already available in the BIR and/or can be culled from the reports submitted by the income payors or from the tax returns already filed by the taxpayers themselves with the BIR, e.g., capital gains tax returns.

In short, the SIR is a redundant requirement which imposes additional burden to taxpayers but which will not necessarily add to the tax collections of the BIR. Moreover, erroneous declarations in the SIR could expose the taxpayer to penalties of perjury as in any tax return submission to the BIR.

- b. Lastly, while on surface, the reporting requirement seems easy to comply with, in reality, it is difficult to implement, considering the nature and details of information required to be reported. For instance, getting such detailed information from the banks will take time given the number of bank customers and the volume of transactions involved. Gathering and summarizing all the required details on the other passive income items is also a tedious process.

It is to be noted that one of the attractions for choosing investments with tax free or net of tax yields is the exemption from the hassle of accounting for and reporting of income received from said investments in the case of individual taxpayers. The requirement to account for and report such income negates that advantage. In view of all the foregoing grounds, we respectfully request that compliance with the SIR requirement be made optional again on the part of the taxpayer for income tax returns starting calendar year 2014.

Thank you and more power to the DOF and the BIR.



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Industry (PCCI)**

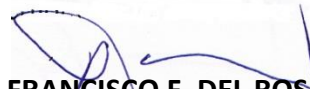


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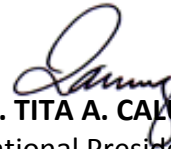
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