

**[BIR REVENUE MEMORANDUM ORDER NO. 32-92,
August 07, 1992]**

**PRESCRIBING THE GUIDELINES AND PROCEDURES IN THE
PROCESSING OF TAX CREDIT/REFUND OF EXCESS
WITHHOLDING TAX/OVERPAYMENT OF INDIVIDUAL INCOME
TAX FOR 1991 (COVERING BIR FORM NOS. 1701 - FOR
INDIVIDUALS WITH INCOME FROM BUSINESS/PROFESSION
AND COMPENSATION; 1701A - FOR INDIVIDUALS WITH
COMPENSATION INCOME ONLY)**

I

Scope and Objectives

This Revenue Memorandum Order is issued to govern tax credit/refund covering 1701 and 1701A returns for 1991 (exempt, refundable, taxable break-even and taxable) and to:

- A. Facilitate the processing of tax credit/refund of excess withholding/overpayment of tax for 1991;
- B. Further improve BIR-Taxpayer relation through more expeditious action on said tax credit/refund.

II

Policies

- A. Any excess income tax payments made by employees in 1701A returns for 1991 shall be refunded/credited through their employers.
- B. The pre-audit of 1701A returns as provided for under RMO No. 25-92 shall be suspended for 1991 returns only.
- C. All triplicate copies of refundable, taxable break-even, and taxable 1701 returns for 1991 shall be pre-audited to consider the increased personal and additional exemptions as provided for under R.A. 7167.
- D. Exempt 1701 returns shall not be pre-audited.
- E. The Revenue Information Systems Services, Incorporated (RISSI) shall prepare the corresponding Tax Refund Notice (TRN) in accordance with existing procedures for *1701 returns* which remained/became refundable after pre-audit.
- F. Employees who derived purely compensation income but who failed to file income tax return (ITR) for 1991 are required to file 1701A income tax returns with their respective RDOs using the increased personal and additional exemptions prescribed

under R.A. 7167.

G. Employees separated from the service of their employees and have filed their 1991 income tax returns, using the old personal and additional exemption rates, shall submit their written claim for refund of any excess withholding tax, together with the certified true copy of the ITR and withholding tax statement to the Tax Credit/Refund Division.

H. In case of multiple employment, the main employer (employer paying the higher/highest wage) shall recompute any excess income tax payments made by employees on their 1701A returns.

III Guidelines and Procedures

Hereunder are the guidelines and procedures on the processing of 1701A and 1701 returns for 1991 only.

A. Employers (hereinafter referred to as Withholding Agents)

1. Require employees who used the old personal exemptions (P6,000 for single persons, 7,500 for HF and 12,000 for married persons) and additional exemption of P3,000 for each qualified dependent child, to present duplicate file copies of their 1991 1701A ITR, duly stamped received by the Bureau of Internal Revenue.
2. Recompute the tax due for each return presented adopting the increased basic personal and additional exemptions under Section 29(1) of the NIRC, as amended by R.A. 7167, viz:

(a) Basic Personal Exemption -

For single individual or married individual judicially decreed as legally separated with no qualified dependents	P9,000
---	--------

For head of family	P12,000
--------------------	---------

For married individual	P18,000
------------------------	---------

Husband and wife electing to compute their income tax separately shall be entitled to a personal exemption of P9,000 each.

(b) Additional Exemption - Taxpayers with dependents - A married individual or a head of family shall be allowed an additional exemption of Five thousand pesos (P5,000) for each qualified dependent child, provided that the total number of dependents for which additional exemptions may be claimed shall not exceed four (4) dependents:

The additional exemption for dependents shall be claimed by only one of the spouses in the case of married individuals electing to compute their income tax liabilities separately.

A **dependent** means 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 - If the gross compensation income of a single, married or legally separated individual, or head of family does not exceed the aggregate (combined compensation income of husband and wife) amount of Twenty Thousand Pesos (P20,000), he is further entitled to a special additional personal exemption of Four Thousand Pesos (P4,000).

3. Prepare an Amended Alpha List of all Employees whose 1991 income tax were recomputed indicating the name, TIN of employees, adjusted refundable/collectible amount as computed hereunder and other information shown in accordance with the attached format (Annex "A"*).

a. Recomputation of 1991 Income Tax

Gross compensation income (1991)
Less: Personal and additional exemptions (use updated exemptions under RA 7167)
Taxable Income
Adjusted Tax due
Less: tax withheld (1991)
Excess Tax Withheld/collectible amount
Add/Deduct Tax Paid per 1991 ITR, if any
Adjusted, refundable/collectible amount

b. IN THE CASE OF HUSBAND AND WIFE WHO FILED CONSOLIDATED INCOME TAX RETURNS FOR PURELY COMPENSATION INCOME, THE "**ADJUSTED TAX DUE**" REFERS TO THE TAX DUE OF EACH ON THEIR RESPECTIVE TAXABLE COMPENSATION INCOMES PER CONSOLIDATED RETURN; AND THE "TAX PAID PER 1991 ITR IF ANY," SHALL BE ADDED TO THE EXCESS TAX WITHHELD OR DEDUCTED FROM THE COLLECTIBLE AMOUNT DUE TO/FROM EACH OF THEIR RESPECTIVE TAXABLE COMPENSATION INCOMES. (See Sample Computation, Annex "B"**))

4. *Adjusted Refundable Cases*

a. Allow Credit for adjusted refundable amount (excess of taxes withheld over the adjusted tax due and tax paid in 1991) against the tax required to be withheld from the compensation of the employee beginning September, 1992 and the succeeding months.

b. If employee has no tax due to be withheld for 1992 (employee