

QAU Bulletin

No. 1

Series of 2016

In this issue:

Faithful COMPLIANCE to rules and regulations is a MUST to avoid PENALTIES. Hence, entities are highly encouraged to UPDATE themselves on the various issuances from their respective regulators. This bulletin summarizes the relevant updates for the first quarter of 2016.

Some of the controversial topics are included here such as the *implementation of the 2015 Revised Rules and Regulations* and the *submission of certificate of compilation services for the preparation of financial statements and notes*.

Other interesting topics include SEC opinions on various cases, BSP guidelines on outsourcing and operational risk management, BIR guidelines on the use of credit/debit/prepaid card, CDA guidelines on payment of registration fees.

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SEC UPDATES

SEC Memorandum Circular No. 3, Series of 2016: Enforcement of Republic Act No. 9510 Over Financing Companies

To	Financing Companies
Date issued	April 5, 2016
Effectivity	This shall take effect immediately.

Financing companies are required to submit to the Credit Information Corporation their basic credit data namely:

- (1) their 5-year historical data; and
- (2) their current data on or before August 31, 2016.

SEC Advisory: SEC Accredited Corporate Governance Training Providers

To	All Publicly Listed Companies
Date issued	March 17, 2016

The updated list of corporate governance training providers accredited by the SEC is as follows:

NAME OF COMPANY	DATE OF ACCREDITATION	ADDRESS	CONTACT NUMBER(S)
I-nstitute of Corporate Directors	October 1, 2013	14 th Floor, Trident Tower, 312 Sen. Gil Puyat Avenue, Makati City	884-1494/884-1489
Ateneo de Manila Center for Continuing Education	October 1, 2013	130 H. V. Dela Costa St., Salcedo Village, Makati City	894-4868/840-1247
Risks, Opportunities Assessment and Management (ROAM) Inc.	October 10, 2013	1707 Prestige Tower, F. Ortigas Jr. Road, Ortigas Center, Pasig City	635-9919/635-9920
SGV & Co.	November 12, 2013	6760 Ayala Avenue, 1226 Makati City	891-0307/819-0872
Philippine Corporate Enhancement and Governance, Inc. (formerly: Philippine Securities Consultancy Corporation)	March 10, 2014	6 th Floor Angelus Plaza, 104 V.A. Rufino St., Legaspi Village, Makati City	957-9990
Management Association of the Philippines	May 22, 2014	Ramon V. del Rosario Sr. Center for Management Excellence, Unit 608,	751-1149 to 52

		Ayala Tower One, Ayala Triangle, Ayala Avenue, Makati City	
Center for Global Best Practices Foundation, Inc.	May 27, 2014	905 Richville Corporate Tower Madrigal Business Park, 1107 Alabang Zapote Road, Muntinlupa city	842-7148/842-7159
Center for Training and Development, Inc.	June 26, 2014	Unit 2207 Cityland Condominium 10 Tower 1, 6815 Ayala Avenue cor. H.V. Dela Costa Extension, Makati City	812-1718/813-8791
Asian Institute of Management	April 16, 2015	Eugenio Lopez Foundation Bldg., Joseph R. McMicking Campus, 123 Paseo de Roxas, Makati City	892-4011/817-9240
Legisforum, Inc.	April 23, 2015	8 th Floor Chatham House, 116 Valero St. cor V.A. Rufino St., Makati City	844-3906
Institute of Administration of Justice, UP Law Center	May 5, 2015	3 rd Floor, Bacobo Hall, UP Campus, Diliman, Quezon City	929-7137/920-5514 loc.229/209
Center for Professional Development in Business of De La Salle University	September 3, 2015	Ground Floor, Faculty Center, De La Salle University, Taft Avenue, Manila	524-4611 loc 396
Philippine Chamber of Commerce and Industry, Inc.	December 10, 2015	3/F CIP Building, 1030 Campus Avenue cor. Park Avenue, McKinley Town Center, Fort Bonifacio, Taguig City	846-8196

SEC Advisory: Submission of the Annual Corporate Governance Report (ACGR) together with the Annual Report

To	All Publicly-Listed Companies
Date issued	March 16, 2016

All publicly-listed companies (PLCs) are directed to submit their 2015 ACGR together with their Annual Report (SEC Form 17-A) to the SEC and to the Philippine Stock Exchange (PSE). The ACGR is intended to take the place of the Corporate Governance section of the Annual Report.

The ACGR is to be attached to the Annual Report with the proper reference, i.e., “Please refer to attached ACGR”, in Item 13. Part IV – Corporate Governance portion of the Annual Report.

Without the ACGR, the company’s Annual Report shall be deemed an incomplete filing.

SEC Opinion 16-01: Teleconferencing for Stockholders’ Meeting

Date issued	January 19, 2016
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The SEC was requested to provide opinion on whether or not appearance and voting via teleconferencing and videoconferencing are allowed in stockholders’ meetings.

Teleconferencing means an interactive group communication (three or more people in in two or more locations) an electronic medium. It presupposes that the participants to such mode of communication are *in different places*. The following are the three basic types of teleconferencing:

- (1) Video conferencing – television-like communication augmented with sound;
- (2) Computer conferencing – printed communication through keyboard terminals; and
- (3) Audio-conferencing – verbal communication via the telephone with optional capacity for telewriting or telecopying.

The Corporation Code provides that **stockholders’/members’ meetings** be held in the city or municipality where the principal office of the corporation is located, and if practicable in the principal office of the corporation. This presupposes that attendees of stockholders’ or members’ meetings are in the same place which is in contrast with that presumed in a teleconferencing. Thus, the Corporation Code requires **“actual presence”** in this kind of meeting as contrasted to “virtual or electronic presence” which is made possible through teleconferencing.

On the other hand, the Code allows **board of directors’/trustees’ meetings** to be held anywhere in or outside the Philippines. SEC is in the opinion that attendees are not confined to be actually present in the same place during such meetings and, therefore, **communication facilitated through electronic medium is allowed for board meetings.**

SEC Opinion 16-02: Anti-Dummy Law

Date issued	February 12, 2016
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Issue

Can a foreign national assume the position of President/ Chairman of the Board and increase his shareholdings from 25% to 40% without violating the Anti-Dummy Law?

Background

The foreign national is a holder of Special Resident Retiree Visa ('SRRV'). And the Company is engaged in developing of real estate projects and developing of subdivision and condominium properties.

SEC Opinion

Anti-Dummy Law

The Company is engaged in a partly nationalized activity or business undertaking; hence the Anti-Dummy Law applies to the foreign national. Consequently, he cannot act as a President/ Chairman of the Board, nor can he increase his shareholdings to 40% if there are other foreign stockholders in the Corporation. On the other hand, if there are no other foreign stockholders in the Corporation then he can increase his shareholdings from 25% to 40%, but cannot act as President/ Chairman of the Board.

Sec 8 of Foreign Investment Act and List B of the FINL-10

If the Company is a domestic market enterprise that only has a paid-in equity of less than US\$200,000.00, or a domestic market enterprise which involve advance technology or employ at least fifty (50) direct employees with paid-in equity capital of less than the equivalent of US\$100,000.00, it can be considered as engaged in a nationalized activity. Hence, it will be covered by the Anti-Dummy Law which would restrict the officer positions of the Company only to Filipinos, as well as the foreign ownership thereof to 40%.

SEC Opinion 16-05: Indivisibility of Subscription Contract; Payment of Balance of Unpaid Subscriptions; Delinquent Shares; Delinquency Sale

Date issued	March 31, 2016
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Issues

- I. Whether or not calls for the balance of subscriptions may be made by installments?
- II. Whether or not stock certificates may be issued for the equivalent of the shares partially paid in a subscription, even if the whole subscription has yet to be fully paid or cannot be fully paid by the subscriber?
- III. Whether or not cash or stock dividends may be used to pay the balance of unpaid subscriptions?
- IV. Whether or not the whole subscription becomes delinquent upon a stockholder's failure to pay an installment pursuant to a call for payment of the balance of subscription by installment?

- V. Whether the procedure for the delinquency sale prescribed in Sec. 68 of the Corporation Code (the Code) is mandatory in such a manner that the Board of Directors of a corporation is precluded from adopting a different procedure?

Background and Opinion

- I. Whether or not calls for the balance of subscriptions may be made by installments?

*Section 67 of the Corporation Code allows the contract of subscription or the call by Board of Directors for payment of unpaid subscription, as the case may be, to be paid in its entirety or **only a certain percentage** thereof on the date specified for payment. Thus, the Commission answers the first query in the affirmative.*

- II. Whether or not stock certificates may be issued for the equivalent of the shares partially paid in a subscription, even if the whole subscription has yet to be fully paid or cannot be fully paid by the subscriber?

Sub-queries:

1. Whether stock certificates may be issued representing the amount equivalent to subscriptions partially paid despite the balance being unpaid and/or cannot be fully paid by a subscriber?

*The Commission opined, pursuant to the **doctrine of indivisibility of subscription**, that a stockholder shall only be entitled to the issuance of his certificate of stock upon payment of the full amount of his subscription plus interest and expenses in case of delinquent shares.*

2. Whether a stockholder may assign the balance of the subscription to a third person in such a manner that the stock certificates will be issued to the stockholder for the paid portion and the balance to the third person who assumes the payment of the balance of the subscription?

*The Commission opined, pursuant to the **doctrine of indivisibility of subscription**, that the unpaid subscription cannot be transferred in parts. It is only upon full payment of the whole subscription contract that the stockholder can transfer the same to several transferees. However, the entire subscription, although not fully paid, may be transferred to a single transferee upon securing the consent of the corporation since the transfer contemplates a novation of contract.*

- III. Whether or not cash or stock dividends may be used to pay the balance of unpaid subscriptions.

Sub-queries:

1. Whether cash dividends may be applied to the balance of a non-delinquent subscription?

The Commission provided that cash dividends cannot be withheld from the subscribers who have not fully paid their subscriptions unless they are delinquent on their unpaid subscriptions. This may be allowed if the subscribers concerned give their consent thereto.

2. Whether stock dividends may be used to pay the balance of the unpaid subscriptions?

Stock dividends shall be withheld from the delinquent stockholder until his unpaid subscription is fully paid. A stockholder's indebtedness to a corporation under a subscription contract cannot be compensated with the amount of his shares in the same corporation, there being no creditor and debtor relationship with regard to such shares.

IV. Whether or not the whole subscription becomes delinquent upon a stockholder's failure to pay an installment pursuant to a call for payment of the balance of subscription by installment?

Sub-queries:

1. Does the subscription become automatically delinquent within 30 days from the date stated in the call should the stockholder fails to pay?

The subscription becomes automatically delinquent upon the lapse of the 30 day period.

2. What is the meaning of the phrase "unless the board of directors orders otherwise"? Does it authorize the board of directors of a corporation to remove the delinquency status of a particular subscription while not lifting the status of subscriptions similarly situated?

The phrase means that the board of directors may order the removal of the delinquent status of unpaid subscription. As to whether the removal of the delinquency status could be applied only to a particular subscription, the Commission answers in the negative. The reason is because the removal of the delinquency status of a particular subscription might be of a character where directors may practice favoritism and may act oppressively against the other stockholders with respect to their subscriptions.

3. Should a stockholder fail to pay an installment within 30 days from the date stated in the call made by the board of directors, does that render the whole subscription delinquent or just the portion/percentage of the subscription which becomes due and payable?

Failure to pay on the date fixed by the board of directors on call of subscription shall render the entire balance due and payable and make all the stocks covered by the said subscription delinquent and subject to sale at public auction.

V. Whether the procedure for the delinquency sale prescribed in Sec. 68 of the Code is mandatory in such a manner that the board of directors of a corporation is precluded from adopting a different procedure?

The Commission answers in the affirmative. Strict compliance with the formalities of sale under Section 68 is necessary. The sale of delinquent shares not in accordance with Section 68 preserves the stockholder's ownership of such shares.

SEC Notice: Confirmation of Company Name Reservation

Where corporate and partnership names are reserved online, the Commission requires, in addition to Reservation Notice, a **Reservation Payment Confirmation** before accepting any application for registration, or change of name of corporation or partnership.

Company names reserved online shall be confirmed at the Name Reservation Unit, 2nd Floor SEC Building, EDSA-Greenhills, Mandaluyong City or at any of the SEC Satellite Offices within four (4) calendar days from date of online reservation. Non-confirmation of reservation within the specified period will forfeit the online reservation.

The reservation fee must be paid at the cashier, SEC Main office or at any of the designated Landbank branches.

SEC Notice: Implementation of the 2015 Revised Rules and Regulations of the Securities Regulation Code

The temporary restraining order on the implementation of the 2015 Revised Rules and Regulations of the Securities Regulation Code has already lapsed on March 10, 2016, hence regulated persons/ entities are expected to comply. *(see Revised Implementing Rules and Regulations on the Securities Regulation Code)*



BSP UPDATES

Circular No. 897, Series of 2016: Amendment to Regulations on Clean Note and Coin Policy

Date issued	January 6, 2016
Effectivity	This shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation

Pursuant to Monetary Board Resolution No. 2112, dated December 18, 2015, the following provisions of the MORB were amended:

Subsection X950.5 Clean note and coin policy. A paragraph that discusses the duties of the banks to accept unfit Philippine currency notes and coins was added.

Subsection X950.8 Enforcement Actions. In addition to the penalty of imprisonment, the amended provision provided the BSP with the power to issue directives and impose sanctions for the violation of the provisions of X950.

Circular No. 898, Series of 2016: Amendments to the cooling-off provisions of the Bangko Sentral ng Pilipinas Regulations on Financial Consumer Protection

Date issued	January 14, 2016
Effectivity	The effectivity of the cooling-off provisions shall be deferred to January 16, 2016.

As part of the fair treatment standards of the BSP Financial Consumer Protection Regulations, the right to cooling-off is given to the public. This is the right of a BSP-supervised financial institution (BSFI) to cancel long-term investments decision without penalty. It seeks to empower customers by giving them the opportunity to reconsider decisions.

Circular No. 899, Series of 2016: Amendments to the Guidelines on Outsourcing

Date issued	January 18, 2016
Effectivity	This shall take effect fifteen (15) calendar days after its publication either in the official Gazette or in a newspaper of general circulation

Pursuant to Monetary Board Resolution No. 2115 dated December 18, 2015, Sections X162 and all its subsections in the MORB are amended.

- The Bank's board of directors and senior management are specifically designated as responsible for the outsourced activities (X162).
- Outsourcing costs is added as one of the factors to be considered in performing risk assessment of a business activity (X162.4a).
- Add requirement to establish policies and criteria to select the best service provider for the outsourced activities and to get the services at reasonable price (X162.4b).
- Add requirement to establish, maintain and regularly test business continuity and contingency plans wherein the service provider cannot deliver the required services (X162.4c).
- Add requirement to ensure that the Bank has adequate resources to manage and monitor outsourcing relationships on a continuing basis (X162.4d).

- Add requirement to ensure that personnel with oversight and management responsibilities for service providers have the appropriate level of expertise and stature to manage the outsourcing arrangement (X162.4e).

Circular No. 900, Series of 2016: Guidelines on Operational Risk Management

Date issued	January 18, 2016
Effectivity	This shall take effect fifteen (15) calendar days after its publication either in the official Gazette or in a newspaper of general circulation

Guidelines on operational risk management for BSP supervised financial institutions and amendments in the MORB and MORNBFi were approved by the Monetary Board on its Resolution No. 2115 dated December 18, 2015. Being aware that operational risk is inherent in all activities, products and services, BSP expects its BSFIs to adopt an operational risk management framework.

The operating risk management framework shall be in place to ensure that operational risks are properly identified, assessed, controlled and monitored. An operational risk management function shall also be created to assist management in meeting its responsibility with regard to operational risks.

Circular No. 901, Series of 2016: Amendment to Sec. X151 of the MORB on the Activities and Services Allowable for Micro-Banking Offices

Date issued	January 29, 2016
Effectivity	This shall take effect fifteen (15) calendar days after its publication either in the official Gazette or in a newspaper of general circulation

The Monetary Board in its Resolution No. 2113 dated December 18, 2015, approved the amendments to the MORB that aims to expand the range of services that can be performed in Micro-Banking Offices. The approval and opening of micro-deposits including initial deposit and service withdrawals were included as limited transactional banking activities and services. BSP provides greater access to a wide range of financial services especially to underserved markets.

Circular No. 903, Series of 2016: Amendments to the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions as of End-October 2015

Date issued	February 29, 2016
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The Monetary Board in its Resolution No. 113 dated January 21, 2016, approved various amendments to MORB and MORNBFi. Some of these are:

- Appendix A of Circular No. 871 dated March 5, 2015 (Internal Control and Internal Audit) is added to Subsection X185.3/4185Q.3 of MORB/MORNBFi.
- CL-2015-050 dated August 18, 2015 (Consolidation Program for Rural Banks) are codified in the MORB.
- Circular No. 884 dated July 22, 2015 (Guidelines on the Establishment and Operation of Trust Corporation) is codified in the MORNBFi.

- References to the guidelines on risk management for derivatives under Appendix 25 in Section X175 and X176 of the MORB are deleted.

Circular No. 904, Series of 2016: Guidelines on Recovery Plan of a Domestic Systemically Important Bank (DSIB)

Date issued	March 10, 2016
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The Monetary Board in its Resolution No. 254, dated February 12, 2016, approved the guidelines on recovery plan which is required to be submitted by DSIB. DSIBs are banks whose failure would cause significant disruptions to the financial system and economy. The BSP noted that it will update the list of DSIBs every year. The recovery plan is an Integral Capital Adequacy Assessment Process document to be submitted every March 31 of each year.

Circular No. 905, Series of 2016: Implementation of Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio and Disclosure Standards

Date issued	March 10, 2016
Effectivity	This shall take effect fifteen (15) calendar days after its publication either in the official Gazette or in a newspaper of general circulation

Pursuant to Monetary Board Resolution No. 310, dated February 18, 2016, the following provisions of the MORB were added:

Subsection 1176.1, Liquidity Coverage Ratio (LCR). The bank shall maintain at a minimum, a stock of liquid assets that will enable it to withstand significant liquidity shocks that last thirty (30) calendar days, which would give time for corrective actions to be taken by the bank management and/or BSP.

Subsection 1176.2 LCR Disclosure Requirements. Banks are required to publicly disclose information related to LCR.

Subsection 1176.3 Sanctions. The accuracy of LCR calculations and the integrity of the related monitoring and reporting system rest with Senior Management. For non-submission, non-reporting or willful making of false or misleading statements, banks shall be subject to the penalties applicable to serious offenses and for delayed submission of Sworn Certification and/or LCR report, banks are subject to penalties in accordance with the provisions of Subsection X192.2 of MORB.

Circular No. 906, Series of 2016: Amendment to Regulations on Reserves against TOFA-Others

Date issued	March 10, 2016
Effectivity	This shall take effect immediately.

Pursuant to Monetary Board Resolution No. 358 dated 24 February 2016 Subsections X405.5b and 4405Q.5b of the MORB and MORNBF1, respectively were amended. Personal equity and retirement account (PERA) and legislated and quasi-judicial trust are classified as additional exception on maintaining required reserves on TOFA – Others.

Circular Letter No. 11, Series of 2016: Anti-Money Laundering Council (AMLC) Resolution No. 05, Series of 2016

To	All BSP-Supervised Financial Institutions
Date issued	February 18, 2016

The AMLC, in its Resolution No. 05 dated January 20, 2016, reduced the number of reportable bulk suspicious transactions from fifty (50) or more to at least five (5) and demanded the use of Format B1 as the standard reporting format for the aforementioned transactions. For fraud-related transactions the AMLC required Format B2.

Memorandum Circular No. 1, Series of 2016: Collection of the Annual Supervisory Fees (ASF) for the Year 2016

To	All Banks and Non-Banks with Quasi-Banking (NBQBs) Functions
Date issued	February 24, 2016
Effectivity	This shall take effect immediately.

The ASF is based on the Average Assessable Assets (AAA) of the preceding year multiplied by the applicable assessment rates approved by the Monetary Board. The BSP Supervisory Data Center shall send a billing notice and upon receipt of the said notice, banks and NBQBs are encouraged to check the accuracy of the billings and submit the noted exceptions to the BSP.

Memorandum Circular No. 2, Series of 2016: Guidelines on the Electronic Submission of the Credit Card Business Activity Reports (CCBAR) using the Updated Template

To	All BSP-Supervised Financial Institutions (BSFIs) with Credit Card Operations and their Subsidiary/Affiliate Credit Card Companies
Date issued	March 10, 2016

Pursuant to BSP Circular No. 812 dated 23 September 2013, BSFIs with credit card operations and their subsidiary/affiliate credit card companies were required to submit a quarterly CCBAR containing monthly data. The updated Data Entry Templates (DET) can be downloaded from http://www.bsp.gov.ph/SES/reporting_templates. The submission of the CCBAR with the corresponding scanned affidavit in PDF will be scheduled as follows:

Report	Deadline of Submission
1st Quarter 2016	April 15, 2016
2nd Quarter 2016	July 21, 2016
3rd Quarter 2016	October 21, 2016
4th Quarter 2016	January 20, 2017

Memorandum Circular No. 3, Series of 2016: Authority to Open/Extend Banking Operations

To	All Bureau of Internal Revenue Authorized Agent Banks
Date issued	March 17, 2016

BIR Authorized Agent Banks were authorized to render banking services from 9:00 am to 5:00 pm on two Saturdays and to extend banking operations up to 5:00 pm for the period 01 to 15 April 2016 in order to assist BIR in receiving tax payments covering the calendar year 2015.



BOA UPDATES

BOA Resolution 2-2016 Requiring the Submission of Engagement Reports by Individual Certified Public Accountant, Firms and Partnerships of Certified Public Accountants Engaged in the Practice of Public Accountancy

Date issued	January 13, 2016
Effectivity	Fifteen (15) days after publication to official gazette or newspaper of general circulation

The information prescribed in the Engagement Report shall pertain to the engagements involving the services listed in the Central Product Classification of the United Nations which classifies accounting, auditing and services under Code 8621 to include:

- (1) Financial Auditing Services,
- (2) Accounting Review Services, and
- (3) Compilation of Financial Statement Services.

This report shall be submitted to the Professional Regulatory Commission thru the Standards and Inspection Division twice a year, not later than the end of the month following the end of such semester. The first Engagement Report shall cover the engagements for year 2015, which shall be submitted not later than March 31, 2016.

As of this date, this resolution is not yet effective.

BOA Resolution 3-2016 – The Requirement for the Submission of Certificate by the Responsible, Certified Public Accountants on the Compilation Services for the Preparation of Financial Statements and Notes thereto

Date issued	January 19, 2016
Effectivity	Fifteen (15) days after publication to official gazette or newspaper of general circulation

The rules on preparation of Financial Statements (FS) and the requirement for the Certificate of Compilation Services (the “Certificate”) were provided as follows:

1. Requirement of the attachment to the annual FS of a Certificate on the compilation services rendered in the preparation of FS and notes to the FS;
2. The Certificate shall be prepared only for issuers which/who have gross sales or revenues exceeding ten million pesos (Php10,000,000) for a particular accounting year;
3. The preparation of the FS and disclosure notes is a practice of accountancy in commerce and industry and shall be done only by Certified Public Accountants (“CPAs”);
4. The reiteration of the rule that CPAs in public practice are prohibited from preparing or assisting in the preparation of FS and disclosure note of their clients which engaged them to render attest services for the same documents;
5. The CPAs in public practice who violate this prohibition rule shall be subject to stern sanctions by the Board of Accountancy which includes a fine of Fifty Thousand Pesos (Php50,000) or by imprisonment for a period not exceeding two (2) years or both;
6. The CPAs rendering the compilation services for the preparation of the FS and signing the Certificate shall first be accredited with the Professional Regulatory Board of Accountancy after submitting the necessary application and complying with the Continuing Professional Development (CPD) requirements;
7. These CPAs should apply for accreditation not later than February 29, 2016 and comply with the CPD requirements not later than June 30, 2016 after signing an affidavit of undertaking to that effect; and
8. The rules shall apply for the FS pertaining to year 2015.

As of this date, this resolution is under temporary restraining order.

BOA Resolution 5-2016 Prescribing Additional Requirements for the Initial Applications for and Renewal of Registration or Accreditation of Individual Certified Public Accountant, Firms and Partnerships of Certified Public Accountant Engaged in the Practice of Public Accountancy, Amending for the Purpose “Annex B” of Resolution No. 71 Series of 2004 or the Rules and Regulations Implementing Republic Act 9298 otherwise known as the Accountancy Act Of 2004 and for Other Purposes

Date issued	January 28, 2016
Effectivity	Fifteen (15) days after publication to official gazette or newspaper of general circulation

The BOA prescribes the following additional requirements for the initial application for and renewal of registration or accreditation:

1. Conduct of visitation of the principal office where the CPAs are employed or practicing. For this purpose, the corresponding inspection fee shall be paid by the applicant;
2. Completion of the Quality Accreditation Checklist;
3. Presentation of the Certificate of Membership in Good Standing (COMGS) issued by the current Accredited Integrated Professional Organization (AIPO) of accountants; and
4. Presentation of the Professional Tax Receipt (PTR) of the CPAs, in lieu of the business or mayors permit that was previously required.

Those who have been previously granted registration or accreditation prior to the effectivity of this Resolution may be subjected to the aforementioned additional requirements, as may be reasonably determined by the Board.

Furthermore, those CPAs who were unable to complete the CPD requirements at the time of the filing of application shall execute an Affidavit of Undertaking to complete the same until June 30, 2016. Failure to comply with the undertaking is considered to cause the automatic revocation or withdrawal of the grant of accreditation by the Board and Commission.

As of this date, this resolution is not yet effective.

BOA Resolution 68-2016 Amending Resolution No. 03 Series Of 2016 Entitled “The Requirement for the Submission of Certificate by the Responsible, Certified Public Accountants on the Compilation Services for the Preparation of Financial Statements and Notes thereto”

Date issued	March 21, 2016
Effectivity	Fifteen (15) days after publication to official gazette or newspaper of general circulation

The following are the amendments and clarifications made on the said Regulation:

1. The deadline for filing of the application for accreditation by CPAs in Commerce and Industry shall be extended to April 30, 2016. *(This was further extended until December 31, 2016 as discussed in QAU Memo 21-2016)*
2. CPAs who are hired after the April 30, 2016 deadline by the organizations /persons as defined in Section 3 of the said Resolution shall apply within one (1) month after the date of hiring.
3. Applicants for accreditation who fail to comply with the Continuing Professional Development (CPD) credit units mandated under Board Resolution 2012-59 and PRC Resolution 2013-774 shall execute an Affidavit of Undertaking in the form and manner as prescribed in Board Resolution 3-2016. Applicants with valid accreditation in public practice or as accounting teachers may apply the CPD credit units earned within the last three (3) years for purposes of their applications for accreditation in commerce and industry practice.
4. Certificates of Accreditation of applicants will undertake to comply with the CPD requirement until June 30, 2016 shall not be released until proof of compliance has been submitted.
5. For initial applications to be filed in year 2016, the Board shall issue a supplemental Resolution streamlining the accreditation requirements for CPAs in commerce and industry practice.
6. If a CPA in commerce and industry practice shall retire, resign or be dismissed or separated from current employment, the CPA shall notify the Standards and Inspection Division (SID) of the Professional Regulation Commission (PRC) of this matter within one (1) month from the severance of employment. The SID shall then duly note this in the database. If subsequently employed by another organization/person, the CPA shall apply for accreditation in commerce and industry under the new employer within one (1) month from the date of hiring.
7. Only financial statements of organizations/persons ending June 30, 2016 and subsequent period are mandatorily covered by Resolution No. 3-2016 on the submission of certificate on Compilation Services for the preparation of FS. For those ending December 31, 2015 and subsequent periods ending May 31, 2016, the submission of the certificate will be optional but is encouraged. FS which end prior to December 31, 2015 are not covered by this requirement.
8. CPAs in commerce and industry employed by organization /persons which/who also concurrently perform compilation services for the preparation of the FS of other related companies /persons shall file only an application for accreditation as a CPA in commerce and industry for the employer organization /person. In such case, the CPA shall indicated in the Detailed Description of Work the names of other companies in which the CPA is rendering Compilation Services and that the preparation of the FS of such companies are also the responsibility and duty of the CPA.

9. If an organization/person has more than one (1) CPA authorized to prepare only for organizations/persons with gross sales or revenue of more than Ten Million Pesos (Php 10,000,000.00).
10. The Certificate of Compilation shall be prepared only for organizations/persons with gross sales or revenue of more than Ten Million Pesos (Php10,000,000.00). The preparation of FS for all organizations/persons required to submit annual reports to regulatory offices shall be done only by CPAs with appropriate accreditation from the Board and the Commission.
11. In case the FS has been completed for filing in the appropriate regulatory offices, but the CPA Certificate of Accreditation is yet to be released, the CPA shall be allowed to sign the Certificate that will be attached to the audited FS. The certificate shall bear the inscription “CPA accreditation filed on _____ still in process” on the space allotted for the accreditation No. in the Certificate.
12. CPAs shall complete the preparation of the FS and notes thereto for presentation to the external auditor/s not later than two (2) months after the end of the accounting period or year of the organization/person. This deadline is required to give ample time for the completion of the subsequent audit work of the external auditor and the submission of the statutory report before the set deadlines.
13. The external auditors of all organizations/persons shall bring to the attention of the management of their audit clients any instance of omission or non-compliance with the provisions of the Resolution, including failure of the audit client to engage a duly accredited CPA who is responsible for preparing the FS, non-attachment of the Certificate in the annual statutory FS. The external auditor shall notify the Board these matters within one (1) month from the conclusion of the audit engagement.
14. Violations or non-compliance such as failure to comply with the accreditation requirements despite notice without justifiable reason after the FS has been issued and requiring and/or allowing an external auditor to do the compilation services for the preparation of the FS and notes thereto and to audit the same, failure of the external auditor to comply with Section 13 of the Resolution and commission of any other violations or breach of the aforementioned Resolutions shall be meted with the appropriate sanctions as provided or such other applicable laws/regulations.
15. Subject to due process, the Commission and the Board may impose such sanctions which shall include but not be limited to the following:
 - a. Reprimand, suspension or revocation of CPA License; and/or
 - b. Filing of appropriate legal action/s against organizations/persons as may be warranted by pertinent laws and regulations.

As of this date, this resolution is under temporary restraining order.



BIR UPDATES

Revenue Memorandum Circular No 9-2016 Clarification on Taxability of Non-Stock Savings and Loan Associations for Purposes of Tax

Date issued	January 12, 2016
Effectivity	This shall take effect immediately.

Below is the summary of the key points:

- Any disposition made by NSSLAs of its properties (real or personal) is subject to the applicable income tax depending on the classification of its properties either capital or ordinary asset.
- NSSLA is generally subject to GRT on income derived from its operations, unless otherwise exempted under special rules.
- NSSLA is subject DST, particularly on loan agreements, pledges, foreclosures and sales among others. In addition, whenever a NSSLA is one of the parties to a taxable transaction, the NSSLA shall be responsible for the remittance of the DST due regardless of who will bear the burden of paying the DST.

Revenue Regulation No. 3-2016 Prescribes the Policies and Guidelines on the Adoption of Credit/Debit/Prepaid Card Payments as Additional Modes of Payment of Internal Revenue Taxes

Date issued	January 12, 2016
Effectivity	Fifteen (15) days after publication in leading newspaper of general circulation

Payment of taxes by credit card/debit/prepaid card shall be voluntary or optional on the part of the taxpayer. In addition to, the taxpayer shall bear the convenience fee and other fees to be charged by banks and credit card companies for the use of payment facility. “Merchant Discount Rate’ (MDR) should not be deducted from any amount of tax due to BIR.

The taxpayer has also the option to choose from available online payment facilities provided by the Electronic Payment Service Provider (EPSP) for the processing of the tax payments. The authority to accept payments thru credit/debit/prepaid cards, and act as Acquirers shall be limited to Authorized Agent Bank (AABs) only. However, certain conditions shall be satisfied before such AABs can accept the tax payments.

Any erroneous tax payment made by the taxpayer shall not give rise to any automatic “charge back” to the taxpayer-cardholder account. In meritorious cases, the taxpayer shall apply for refund/tax credit with the BIR.

Moreover, only Philippine-issued credit/debit/prepaid cards under the name of the taxpayer shall be used for the tax payments. Payment shall be deemed made on the date and time appearing on the system-generated payment confirmation receipt issued to the taxpayer/cardholder by the AAB-Acquirer. The taxpayer shall not be considered relieved of, and has a continuing liability for such taxes until the payment is actually received by the BIR.

Any rules and regulations, issuances or parts that are inconsistent with the provisions of this regulation are repealed, amended or modified accordingly.

Revenue Memorandum Circular No. 15-2016 Announces the Entry into Force, Effectivity and Applicability of the Renegotiated Philippines-Germany Tax Treaty

Date issued	February 16, 2016
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The agreement between the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with respect to taxes on income capital has entered into force on December 18, 2015. This treaty shall have effect in respect of taxes covered including taxes withheld at source for any taxable period beginning on or after the first day of January 2016.

The Tax Treaty Relief Applications invoking the Philippines-Germany tax treaty should be filed with and addressed to the International Tax Affairs Division of BIR. The concerned German resident income earner or his/her authorized representative should file a duly accomplished BIR Form 0901 together with the required documents specified at the back of the Form, pursuant to Revenue Memorandum Order No. 72-2010.

Revenue Memorandum Circular No. 31-2016 Announces the Entry into Force, Effectivity and Applicability of the Philippines-Turkey Double Taxation Agreement

Date issued	February 16, 2016
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The agreement between the Republic of the Philippines and the Republic of Turkey for the Avoidance of Double Taxation and the prevention of Fiscal Evasion with respect to taxes on income capital has entered into force on January 11, 2016. This treaty shall have effect in respect of taxes covered including taxes withheld at source on income paid to non-residents on or after the first day of January in the next calendar year following in which the agreement enters into force and in respect of other taxes on income in any taxable year beginning on or after the first day of January in the next calendar year following in which the agreement enters into force.

The Tax Treaty Relief Applications invoking the Philippines-Turkey tax treaty should be filed with and addressed to the International Tax Affairs Division of BIR. The concerned Turkish resident income earner or his/her authorized representative should file a duly accomplished BIR Form 0901 together with the required documents specified at the back of the Form, pursuant to Revenue Memorandum Order No. 72-2010.

Revenue Memorandum Circular No. 32-2016 Announces the Entry Force, Effectivity and Applicability of the Protocol Amending the Philippines-New Zealand Tax Treaty

Date issued	March 17, 2016
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The protocol amending the convention between the Republic of the Philippines and the Government of New Zealand for the Avoidance of Double Taxation and the prevention of Fiscal Evasion with respect to taxes on income capital has entered into force on January 11, 2016. This treaty shall have effect in respect of taxes covered including taxes withheld at source for any taxable period beginning on or after the first day of January 2009.

The Tax Treaty Relief Applications invoking the Philippines-New Zealand tax treaty should be filed with and addressed to the International Tax Affairs Division of BIR. The concerned New Zealand resident income earner or his/her authorized representative should file a duly accomplished BIR Form 0901 together with the required documents specified at the back of the Form, pursuant to Revenue Memorandum Order No. 72-2010.

Revenue Memorandum Circular No. 35-2016 Announces the Availability of eBIR Forms Package Version 6.0 and Other Concerns

Date issued	March 21, 2016
Effectivity	Fifteen (15) days after publication to official gazette or newspaper of general circulation

The e-BIR forms package version 6.0 which includes one-Click submission of Tax Returns and has reduced package size for easier downloading is now available for download.

Electronic Filing and Payment System (eFPS) taxpayers filling Annual Income Tax Returns and Excise Tax Returns shall use the offline package while other returns are to be filed using the online package. Payments shall be made online thru the eFPS facility by clicking the Proceed to Payment button. Non-eFPS taxpayers using eBIR forms shall print the tax returns and pay the tax dues through AABs, RCOs or RDOs.

The accompanying schedules and manual attachments shall be manually filed within fifteen (15) days after the electronic filing of the return to the concerned Large Taxpayer Office/Revenue District Office where they are registered. Together with the said schedules and attachments, taxpayers shall also submit the duly signed printed e-filed return and printed system generated confirmation receipt. The Summary Alphalist of Withholding Tax shall be emailed to esubmission@bir.gov.ph.

Penalties provided in RR No. 5-2015 shall be imposed on taxpayers who fail to file and/or pay taxes using the mandated/prescribed mode/ venue under existing revenue issuances.

Revenue Memorandum Circular No 37-2016 Updated List of Documentary Requirements

Date issued	March 22, 2016
Effectivity	This Circular revokes all other circulars or issuances inconsistent herewith and shall take effect immediately.

This memorandum circular updates the list of requirements for the registration of each type of application under Annex A of RR No. 7-2012 as amended by RMC No. 70-2013.

The following are the additions/clarifications on the said requirements:

SELF-EMPLOYED INDIVIDUALS, ESTATES AND TRUSTS AND THEIR BRANCHES

- I. Self-employed, Professionals, Mixed Income Earners
 1. The NSO Birth Certificate of the applicant must be original or Certified True Copy.
 2. Additional documents if applicable:
 - a. Proof of Ownership/Legal Possession (Original copy for presentation only)
 - i. If place of business is owned- Photocopy of Official Receipt of Real Property Tax (Current Year); or Transfer/Original Certificate of Title (TCT/OCT)
 - ii. If place of business is rented- photocopy of Contract of Lease and Lessor's permit.
 - iii. If place of business is no rental or free of use- consent from the owner with ID and proof of ownership.
 - b. Contract of Service
 - c. Two (2) valid Government-issued IDs (for professionals not registered with PRC or other Regulatory Body such as consultants, insurance agents and similarly situated) or Barangay Clearance.
 - d. Original NSO Birth Certificate of declared dependents or Certified True Copy of Birth Certificate with Civil Registry Number (for dependents newly born from July to December of the current year) may be accepted if any.
- II. Registration of Branch /Facility Types
 3. Proof of Ownership/Legal Possession (Same requirements with Self-employed Individuals)
- III. Documentary Requirements for New Application for Authority to Print
 4. Job order
 5. Final and clear sample of Principal and Supplementary Receipts/Invoices
- IV. Documentary Requirements for New Registration of Books of Accounts
 6. Manual Books of Accounts
 - a. New sets of permanently bound books of accounts

- b. Official Appointment Book (for Professionals only)
 - c. Current year proof of payment- Annual Registration Fee (BIR Form No. 0605)
- 7. Manual Loose-Leaf Books of Accounts and/or Official Receipts or Sales Invoices
 - a. Permit to use Loose-Leaf Book of Accounts and/or Official Receipts or Sales Invoices
 - b. Permanently bound Loose Leaf Book of Accounts and/or Official Receipts or Sales Invoices
 - c. Affidavit attesting the completeness, accuracy, and correctness of entries in Books of Accounts and/or Official Receipts or Sales Invoices and the number of Loose Leaf used for the period covered.
 - d. Current year proof of payment- Annual Registration Fee (BIR Form No. 0605)
- 8. Computerized Books of Accounts
 - a. Computerized Accounting System (CAS)/ Computerized Books of Accounts (CBA) and/or its Components Permit
 - b. DVDs containing Electronic Books of Accounts and Records. The DVDs should be properly authenticated and its labels duly signed by the responsible official(s) of the company who are required to sign the tax returns under the Tax Code, using a permanent marker.
 - c. Affidavit attesting the completeness, accuracy and appropriateness of the computerized accounting books/records in accordance with the keeping of books of accounts and records for internal revenue tax purposes.
 - d. Current year proof of payment- Annual Registration Fee (BIR Form No. 0605)
- 9. Documentary Requirements for Securing Permit to use the following:
 - a. Manual Loose Leaf Books of Accounts/Receipts and Invoices
 - i. Letter of request to use Manual Loose Leaf Books of Accounts/ Computerized Books of Accounts/Official Receipts or Sales Invoices
 - ii. Application for Permit to use manual Loose Leaf/Computerized Books of Accounts/Official Receipts or Sales Invoices
 - iii. Sample format and print out to be used
 - b. Computerized Accounting System (CAS)/Computerized Books of Accounts (CBA) and/or its components
 - i. Duly accomplished BIR Form No. 1900
 - ii. Photocopy of previously issued permit to use CAS/CBA and/or its components if applicable ;
 - iii. Location map of the place of business.

- iv. List of branches that will use CAS/CBA and/or its components, if any
- v. Certification that the branch(es) use the same CAS/CBA and/or its components with that of the Head Office, if applicable
- vi. Additional requirements in case of affiliated companies /sister companies, franchisees and branches
 - Photocopy of previously issued permit of mother/sister company, another branch using the same system, if applicable
 - Certification from the NAB which previously evaluated the previous system.

FOR EMPLOYEES

I. Local Employees

1. The NSO Birth Certificate of the applicant must be original or Certified True Copy.
2. Original NSO Birth Certificate of declared dependents or Certified True Copy of Birth Certificate with Civil Registry Number (for dependents newly born from July to December of the current year) may be accepted if any.

II. Alien Employees

1. Passport
2. Working Permit

CORPORATIONS, PARTNERSHIPS, COOPERATIVES, ASSOCIATIONS (WHETHER TAXABLE OR NON-TAXABLE) AND ITS BRANCHES AND FACILITIES

I. Corporations/Partnerships

1. Certificate of Recording may also be submitted in lieu of a copy of SEC Certificate of Incorporation and Articles of Incorporation/Partnership. 2. Additional documents if applicable:
 - a. Proof of Ownership/Legal Possession (Original copy for presentation only) (Same with Self-employed and Employees)

II. Registration of Branch/Facility type

1. Proof of Ownership/Legal Possession (Original copy for presentation only) (Same with Self-employed and Employees)

UPDATES/TRANSFER OF RECORDS/TRANSFER OF REGISTRATION TO ANOTHER RDO

I. Update of Books of Accounts

1. New sets of permanently bound books of accounts. 2. Current year proof of payment
2. Annual Registration Fee (BIR Form No. 0605)

II. Change in Accounting Period

1. Letter request addressed to the Revenue District Officer having jurisdiction over the place of business of the taxpayer indicating:
 - a. The original accounting period and the proposed new accounting period to be adopted
 - b. The reasons for desiring to change accounting period.
2. Duly filled-up BIR Form No. 1905
3. Certified True Copy of the SEC Certificate of filing of Amended by-laws showing the change in accounting period
4. Sworn certification of “non-forum shopping” stating that such request has not been filed or previously acted upon by the BIR National Office, signed by the taxpayer or duly authorized representative
5. A Sworn undertaking by a responsible officer of the taxpayer, such as partner, president, general manager, branch manager, treasurer or officer in charge to file a separate final or adjustment return for the period between the close of the original accounting period and the designated date as the close of the new accounting period on or before the 15th day of the fourth month following the end of the period covered by the final adjustment return. The undertaking shall include a clause stating that failure to comply with such undertaking will result to invalidation of the approval of the change in accounting period and will subject the taxpayer to criminal offense for failure to file a return, supply correct and accurate information punishable under Section 255 of the NIRC of 1997 as amended.



CDA UPDATE

Memorandum Circular 2016-01 Amendment to MC No. 2010-03 on the Guidelines of the Payment of Registration Fees

Date issued	February 15, 2016
Effectivity	This shall be effective upon its approval by the Board of Administrators and fifteen (15) days after registration with the Office of the National Administrative Register (ONAR)

This memorandum circular amended the following sections of MC No. 2010-03:

Section 2 Definition of Terms

- a. Registration Fee – refers to the assessed amount required to be paid on the registration or amendment of Articles of Cooperation and By-Laws of cooperatives as prescribed by the Authority.

Section 4 Amount and Schedule of Payment

Assessed Amount	Term of Payment
100,000.00 and below	Full Payment upon registration
Above 100,000.01 to 200,000.00	Payable within three (3) months
Above 200,000.01 to 300,000.00	Payable within six (6) months
Above 300,000.01 to 400,000.00	Payable within nine (9) months
Above 400,000.01 to 1,000,000.00	Payable within twelve (12) months
Above 1,000,000.00	Payable within Twenty Four (24) months

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