REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

July 2, 2004

REVENUE MEMORANDUM CIRCULAR NO. 39 - 2004

TO	:	All Internal Revenue Officers, Employees and Others Concerned
SUBJECT	:	Settlement of the Income and Franchise Tax Liabilities of Local Water Districts organized under then Presidential Decree 198 for taxable years 1996 to 2002

For the information and guidance of all revenue officials, employees and others concerned, the Commissioner of Internal Revenue, in the exercise of its authority to abate or cancel internal revenue taxes, penalties and/or interest pursuant to Section 204(B) in relation to Section 7(c) both of the Tax Reform Code (Code), have provided for a mechanism which will allow Local Water Districts (LWD) to pay and settle their income and franchise tax liabilities for tax years 1996 to 2002.

LWD who shall duly execute the Settlement Agreement and fully comply with the terms and conditions of the said Settlement Agreement, a copy of which is attached hereto as Annex "A" and made an integral part hereof, shall be allowed to settle in full their income and franchise tax liabilities for the years 1996 to 2002, by paying the equivalent of forty (40%) percent of its income and franchise tax liabilities due for the years 1996 to 2002 inclusive, provided that the payment and the requirement for tax years 2000 to 2002, inclusive, shall be due on or before July 30, 2004. Provided, further, that the payment and the requirement for tax years 1996 to 1999, inclusive, shall be due on or before December 15, 2004. However, the Commissioner may on a case to case basis allow the abatement or cancellation of the tax liabilities, penalties and/or interest lower than forty (40%) percent upon application by the LWD showing its financial incapacity to pay the aforesaid taxes, penalties and/or interest. The duly executed Settlement Agreement, and the payment due shall be made by the LWD availing thereof to the Revenue District Office (RDO) having jurisdiction of said LWD. Thereafter said Office shall forward a copy of the Settlement Agreement, together with copies of the requirement submitted by the LWD in compliance of said Settlement Agreement and proof of payment of the income and franchise taxes due shall be forwarded to the Office of the Commissioner. In addition, the RDO concerned is hereby ordered to verify the truth and correctness of the self assessment made by the LWD. They shall have one year from July 30, 2004 to verify the truth and correctness of the self assessment made by the LWD for the years 2000 to 2002 inclusive, and one year from December 15, 2004 to verify the truth and correctness of the self assessment made by the LWD for the years 1996 to 1999 inclusive. In the event, they shall determine the self assessment made by the LWD is not true or correct, they shall forthwith inform the Commissioner in writing of such fact.

After the date referred to in the foregoing paragraph, LWD shall no longer be allowed to settle their tax liabilities for the years referred to under the terms and conditions of the Settlement Agreement. After the dates referred to, all revenue officers are hereby instructed to apply the full force of the law on LWD who have not availed of the terms and conditions of the Settlement Agreement, and to collect the full amount of the tax due and the increments thereto.

In addition to the foregoing, all revenue officers are hereby instructed to ensure that all income and franchise tax liabilities due from LWD beginning January 1, 2003, including increments thereof, if any, are assessed and collected from the LWD under its jurisdiction.

This Circular is to be given a wide publicity as possible.

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue