REVENUE MEMORANDUM CIRCULAR NO. 22-2022 issued on February 21, 2022 provides Tax Compliance Reminders for the May 9, 2022 National and Local Elections.

All candidates, political parties/party list groups and campaign contributors are required to register with the BIR, issue official receipts and withhold taxes pursuant to Revenue Regulations (RR) No. 8-2009, as amended by RR No. 7-2011 and other related revenue issuances. The registration of political parties or party list groups shall be made with the Revenue District Office (RDO) having jurisdiction over their Head Office or principal office.

It shall be the duty of every individual candidate and political parties/party list groups, upon the filing of the certificate of candidacy, whether for local or national position, to register or to update their registration with the BIR for those who have previously registered as Withholding Agents pursuant to RR No. 8-2009. The registration shall be made with the RDO having jurisdiction over the political subdivision where the candidate is seeking election, and, if this is not applicable, registration shall be made at the RDO having jurisdiction over their principal residence or registered head/principal office address, as the case may be.

Individual candidates shall be registered as "Professional – In General" and shall be tagged as "Politician" under the special code in the BIR registration system, and they shall be required to submit the following:

a. Duly accomplished BIR Form No. 1901 [for individual candidates not yet registered or registered as business taxpayer, individual candidates registered as local employees, registered under Executive Order No. (EO) 98 and/or One-Time Transaction (ONETT)];
b. Any identification issued by an authorized government body (e.g. Philsys ID, Birth Certificate, passport, driver's license) that shows the name, address and birthdate of the applicant;
c. Certificate of Candidacy (COC) from the Commission on Election (COMELEC).

Political parties/party list groups shall be tagged as "Political Party" under the special code in the BIR registration system, and they shall be required to submit the following:

a. Duly accomplished BIR Form No. 1903; and
b. COC from the COMELEC.

Individual campaign contributors shall be registered under Executive Order (EO) No. 98 as taxpayer type with the RDO having jurisdiction over his place of residence using BIR Form No. 1904. Non-individual campaign contributors shall be registered with the RDO having jurisdiction over its principal place of business/head office using BIR Form No. 1903. The RDO shall maintain the list of all registered candidates and political parties/party list groups for monitoring and updating of its registration record after election.

All candidates and political parties/party list groups shall pay an Annual Registration Fee (ARF) in the amount of five hundred pesos (₱ 500) and be issued a Certificate of Registration (COR). Individual candidates who are not engaged in business are no longer required to be issued COR.

All candidates and political parties/party list groups shall keep books and other accounting records, such as Cash Receipts Journal (basis for Statement of Contributions for submission to COMELEC), Cash Disbursement Book (basis for Statement of Expenditures for submission to COMELEC) or their equivalent and register the same with the concerned RDO. Individual candidates may opt to use a simplified set of bookkeeping records, as long as it can provide accurate information.

All candidates and political parties/party list groups shall also register Non-VAT Official Receipts (ORs) to be issued for every contribution received, whether in cash or in kind valued at Fair Market Value. The original copies of such ORs shall be issued to the contributor/donor while the duplicate shall be retained by the issuing candidate/ political

party/party list. Candidates may opt to buy BIR Printed Receipts or apply for an Authority to Print using BIR Form No. 1906 with the concerned RDO.

As a general rule, campaign contributions are not included in the taxable income of the candidate to whom they were given, the reason being that such contributions were given not for the personal expenditure/enrichment of the concerned candidate, but for the purpose of utilizing such contributions for his/her campaign. Thus, to be considered as exempt from the Income Tax, these campaign contributions must have been utilized to cover a candidate's expenditures for his/her electoral campaign during the campaign period.

Unutilized/excess campaign funds, as well as donations utilized before the campaign period, net of the candidate's or political party's/party list's campaign expenditures, shall be considered as subject to Income Tax and as such, must be included in their/his taxable income as stated in their/his Income Tax Return (ITR) pursuant to RR No. 7-2011, to wit:

a. Individual Candidates
    i. In case of those registered as professional or those previously registered as self-employed individual who branched-out for the purpose of election period following the guidelines above, unutilized/excess campaign funds shall be declared for the quarter ending June 30 using BIR Form No. 1701Q and shall be filed on or before August 15 of the same taxable year.
    ii. In case of a candidate who is purely compensation income earner within the taxable year, he/she shall file BIR Form No. 1700 to include such unutilized/excess funds on or before April 15 of the following taxable year.
    iii. In case of a candidate who is neither a self-employed nor a compensation income earner as of the date of election, he/she shall declare such unutilized/excess campaign funds by filing a short-period return for the period-covering January 1 up to the date of election (2nd Monday of May) using BIR Form No. 1700 on or before August 15 of the same taxable year.
b. Political Parties/Party List Groups

    The unutilized/excess campaign funds shall be reported in the manner by which domestic corporations are required to file their returns and pay taxes.

It should be noted that no further deduction, either itemized or optional, shall be made against the said taxable income. Further, any candidate or political party/party list group, whether winning or losing, who fails to file with COMELEC the Statement of Contributions and Expenditures required under the Omnibus Election Code shall be automatically precluded from claiming such expenditures as deductions from the campaign contributions making the entire amount directly subject to Income Tax.

Both Section 94 (a) of Batas Pambansa Bilang 881 (Omnibus Election Code of the Philippines), and the final paragraph of Section 13 of Republic Act No. 7166 provide that contributions in cash or in kind to any candidates, political parties or party list groups, duly reported to COMELEC, are exempt from the imposition of Donor's Tax. It is hereby emphasized that only those donations/contributions that have been utilized/spent during the campaign period as set by the COMELEC are exempt from Donor's Tax. Donations made by corporations in violation of Section 36(9) of the Corporation Code of the Philippines are subject to Donor's Tax and may not be deducted as political contribution on the part of the Donor/corporation.

Income payments made by political candidates and political parties/party-list groups on their purchases of goods and services as campaign expenditures, and income payments made by individuals or juridical persons for their purchases of goods and services intended to be given as campaign contribution to political parties and candidates shall be subject to five percent (5%) Creditable Withholding Tax (CWT) pursuant to RR No. 11-2018. The following are considered among those covered by Expanded Withholding Tax, but not limited to

payments for: (a) media services, (b) printing jobs, (c) talent/entertainment fees, (d) rentals of both real and personal property/ies. Likewise, BIR Form No. 2307 (Certificate of Creditable Tax Withheld at Source) shall be issued upon demand.

Expenses incurred by the candidates which were given free of charge, such as use, rental or hire of land, water or aircraft, equipment, facilities, apparatus and paraphernalia used in the campaign shall be assessed by the candidate and declare the amount commensurate with the expenses for the use thereof, based on the prevailing rate in the locality and shall be included in the total campaign contributions received and expenses incurred by the candidate.

The five (5%) percent Creditable Withholding Tax (CWT) shall be filed and remitted not later than the last day of the month following the close of the quarter during which the withholding was made, using BIR Form No. 1601-EQ through Electronic Filing and Payment System (eFPS)/eBIRForms Package or Authorized Agent Banks or Revenue Collection Officers under the jurisdiction of the BIR office where the withholding agent is registered. As withholding agents, they are also required to submit the Quarterly Alphalist of Payees (QAP) (available for download in the "downloadable" section in the BIR Website) through the eSubmission facility of the BIR.

The payor/withholding agent, who may be an individual candidate, a political party/party list group, or any juridical entity, is further required to file the Annual Information Return of Creditable Taxes Withheld (Expanded)/Income Payments Exempt from Withholding Tax (BIR Form No. 1604-E) as well as the Statement of Contributions and Expenditures duly stamped "Received" by the COMELEC on or before March 1 following the year of election.

Expenses that were not subjected to the 5% CWT as required in the Circular are not considered utilized campaign funds, and the candidates, political parties/party-list groups are precluded from claiming such expenditures as deductions from his/her/its campaign contributions. As such, the full amount corresponding to said expense shall be reported as unutilized campaign funds subject to Income Tax.

All political parties/party list groups and candidates shall be responsible for the preservation of records and contributions and expenditures, together with all pertinent documents, which shall be retained in accordance with the rules on preservation of books of accounts and other accounting records provided in Section 235 in relation to Sections 203 and 222 of the National Internal Revenue Code (NIRC) of 1997.

Every candidate and Treasurer of the political parties/party list groups shall submit the Statement of Contributions and Expenditures to the COMELEC and RDO where the candidates/political parties/party list groups are registered within thirty (30) days after the election.

The registration of individuals in their capacity as candidates shall automatically end ten (10) days after the deadline of filing of the Quarterly Remittance Return of Creditable Income Taxes Withheld (BIR Form 1601 EQ) following the day of the election.

The Client Support Section Chiefs of the concerned RDOs shall cancel the Branch code of those that were registered as Branch and end-date the Form Types 0619-E, 1601EQ and Tax Type WE of individual candidates, for purposes of election, that were registered and/or updated. Those candidates who are not engaged in business shall be reverted to its previous taxpayer type, e.g. EO 98 or Local Employee. However, the political parties, including party list groups, shall subsist unless they opt to update their registration.

All candidates, political parties and party list groups who failed to register and comply with the requirements of the BIR will be subjected to penalties under the Revised Consolidated Schedule of Compromise Penalties for Violations of the NIRC of 1997, as amended (RMO No. 7-2015).