

Tax Payment through Credit/Debit/Prepaid Cards

by Razzel Ann Vergara

Taxes are the *lifeblood of any nation*. Administrative feasibility, being one of the principles of a sound tax system, tax regulators consider alternative modes of tax payments to be necessary in the effective and efficient implementation of tax laws.

In order to ease the burden experienced by taxpayers in the payment of internal revenue taxes, including interest, penalties, surcharges and other applicable fees, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 3-2016 which prescribes the policies and guidelines on the adoption of credit/debit/prepaid card payments as additional modes of payment of internal revenue taxes and other applicable fees. The said regulation is effective starting April 12, 2016, after 15 days of being published in Manila Bulletin on March 28, 2016.

According to the said regulations, the payment of internal revenue taxes using the said Credit/Debit/Prepaid Card Payment System is voluntary or optional on the part of the taxpayer. As such, the taxpayer shall bear the convenience fee and other fees being charged by banks and/or credit card companies for the use of this payment facility and that such fees, including the "Merchant Discount Rate" (MDR) shall, in no case, be deducted from any amount of tax due to the BIR.

In the payment of taxes through credit/debit/prepaid card, the taxpayer has the option to choose from the available online payment facilities provided by the Electronic Payment Service Provider (EPSP) for the processing of his tax payments. The authority to accept tax payments through credit/debit/prepaid cards, and act as Acquirers shall be limited to Authorized Agent Banks (AAB) only. By "Acquirer" is meant an Authorized Agent Bank accepting payment

of taxes and other applicable fees through credit/debit/prepaid cards on behalf of the BIR, processes such tax payments and remits the same to the Bureau of Treasury (BTr).

For the said banks to be given the said authority, however, the AAB-Acquirer shall have its Card Payment Information Systems tested and approved first by the BIR and have entered into a Service Level Agreement (SLA) with the BIR. But before the execution of the SLA, the List of Card Issuers being enabled by the AAB-Acquirer shall also have to be submitted to the BIR. Any addition, deletion or amendment to the submitted List shall be reported in writing to the BIR within five (5) days after the changes or amendments thereto have been introduced.

The said regulations likewise emphasized that the BIR shall neither have any responsibility nor liability on any issue concerning the taxpayer-cardholder and card issuer, including but not limited to, "charge back", erroneous posting or charging, non-payment of the taxpayer-cardholder to the issuer, and other issues. In case the taxpayer-cardholder made erroneous tax payment transactions through this prescribed payment mode, it shall not give rise to automatic "charge back" to the taxpayer-cardholder's account. In meritorious cases, he shall apply for refund/tax credit with the BIR in accordance with existing revenue issuances.

It is important to note that only Philippine-issued credit/debit/prepaid cards under the name of the taxpayer-cardholder shall be used in the payment of his tax liabilities.

The AAB-Acquirer shall be responsible in ensuring that all payment transactions through credit/debit/prepaid cards are accurately and timely reported to the BIR and BTr and that the same are timely remitted to the BTr. Penalties for late transmission, procedural errors, late reporting and remittance shall be imposed pursuant to existing rules and regulations.

The payment of taxes through credit/debit/prepaid card shall be deemed made on the date and time appearing in the system-generated payment confirmation receipt issued to the

taxpayer-cardholder by the AAB-Acquirer, provided that the payment is actually received by the BIR pursuant to the said regulation. The taxpayer is not relieved of, and has a continuing liability for such taxes until the payment is actually received by the BIR. This continuing liability of the taxpayer is in addition to any liability of the AAB-Acquirer pursuant to the SLA entered into by the BIR and the AAB-Acquirer.

In the initial implementation of the said prescribed mode of tax payment, the taxpayer shall electronically file the corresponding tax returns. Thereafter, once the existing BIR systems have been enhanced, the filing of the corresponding tax returns by the taxpayer, through other channels or facilities shall be adopted.

The identity, security, authority, capability of the taxpayer-cardholder transacting with the BIR using his credit/debit/prepaid card in tax payments and transmission of data shall be secured through encryption and use of relevant industry-standard technologies.

This is very good news to those who may want to lessen the burden of paying their taxes. Using credit/debit/prepaid cards have become a way of life for many of us in this generation. However, this convenience comes with certain risks and there are some security issues we need to understand first. Overlooking some simple security risks could be a costly mistake leading to stolen personal information, fines and having your privileges revoked.



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This column accepts contributions from accountants, especially articles that are of interest to the accountancy profession, in particular, and to the business community, in general. These can be e-mailed to boa.secretariat@gmail.com