

Tax Updates

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RMC 20-2025

CLARIFICATION ON TAX CLEARANCE CERTIFICATE FOR FINAL SETTLEMENT OF GOVERNMENT CONTRACTS (TCFG) REQUIREMENTS RMC NO. 20-2025 AMENDS RMO NO. 2-2025

In line with Section 3 of Executive Order No. 398, all entities entering into contracts with the government must submit a BIR Tax Clearance Certificate, not only as an eligibility requirement during the bidding stage, but also regularly throughout the contract implementation. Furthermore, Revenue Regulations (RR) No. 17-2024 requires contractors to secure and present an updated Tax Clearance Certificate for Final Settlement of Government Contracts (TCFG) before the final settlement of their obligations.

To align with these regulations and address ambiguities in existing guidelines, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 20-2025 on March 20, 2025, which amends and clarifies certain provisions under Revenue Memorandum Order (RMO) No. 2-2025.

Tax Clearance Certificate for Final Settlement of Government Contracts (TCFG) refers to the certificate to be secured by the contractor who have existing contracts with the government, its departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units which will be presented prior to the final settlement of the government contracts to ensure complete and timely payment and remittance of taxes.

AREA OF CONCERN	RMO NO. 2-2025	RMC NO. 20-2025
SCOPE OF CONTRACTS REQUIRING TCFG	All contractors with government agencies were presumed to be required to secure a TCFG.	The TCFG is required only for contracts awarded through public bidding pursuant to Republic Act No. 9184, as amended by RA No. 12009.
SMALL-VALUE PROCUREMENTS	Implied inclusion, no explicit exemption for small-value procurement; required to comply with TCFG	Explicitly excluded, contracts via small-value procurement are not required to secure a TCFG for final settlement.

Note: Only the final settlement (not partial payments) requires the TCFG.

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