

Tax Updates

September 23, 2024
Issue: RCC7- 24



Romero & Co. CPA's

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BIR RMO No. 37-2024

POLICIES AND GUIDELINES IN CLASSIFYING BUSINESS TAXPAYERS PURSUANT TO RR NO. 8-2024

RMO No. 37-2024 from the Bureau of Internal Revenue (BIR) introduces a structured process for initial classification and reclassification of business taxpayers based on their gross sales.

CRITERIA FOR CLASSIFYING TAXPAYERS:

Group	Gross Sales
Micro	Less than P3,000,000
Small	P3,000,000 to less than P20,000,000
Medium	P20,000,000 to less than P1,000,000,000
Large	P1,000,000,000 and above

Initial Classification:

HOW ARE YOU BEING CLASSIFIED?



- 1. Classification Criteria:** Taxpayers will be classified based on gross sales reported in their 2022 income tax returns.
 - **Unfiled returns will categorize non-VAT taxpayers as Micro and VAT-registered taxpayers as Small.**
- 2. Old Registrations:** Those who registered between 2023 and before April 27, 2024, will be classified as **Micro**, unless VAT-registered, in which shall be classified as **Small**.
- 3. New Registrations:** Those who registered after April 27, 2024, shall initially be classified based on the declaration in their registration forms (BIR Form 1901 or 1903).
- 4. Mixed-Income Earners:** Only business income will be considered for classification.
- 5. Branch Classification:** Businesses with multiple branches will be classified based on the gross sales of the **HEAD OFFICE**.

The initial classification remains in effect until reclassified

☎ Manila: (02) 7001-1397
Rombon: (042) 567-2120

✉ rccmanila@romero-cpas.com
rccromblon@romero-cpas.com
clientsupport@romero-cpas.com

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Under RMO No. 37-2024, the reclassification process for business taxpayers allows for adjustments based on changes in their gross sales. This ensures taxpayers are categorized accurately, aligning with their current financial performance. The reclassification procedures can be initiated in two ways:

TAXPAYER-INITIATED RECLASSIFICATION



Taxpayers may request a change in their classification, either from a lower to a higher category or the other way around, in accordance with the established criteria, except for SMALL to MICRO.

- Reclassification **with in 90 days** from April 27, 2024 – July 26, 2024, shall submit their ITR or Income statement or any proof showing gross sales for the taxable year 2022.
- Reclassification **beyond 90 days** after July 26, 2024, shall submit their ITR or Income statement or any proof showing gross sales for the last two (2) years.

Such request together with supporting documents can be submitted through:

- The BIR's **Online Registration and Update System (ORUS)**.
- **Manual submission** to the appropriate Revenue District Office (RDO).

BIR-INITIATED RECLASSIFICATION



The BIR can also initiate a reclassification based on the review of a taxpayer's updated financial information.

It can be initiated by the **National Office and Revenue Regions (RRs)/ Large Taxpayers Services (LTS)**.

Note: Taxpayers reclassified by the BIR cannot request reclassification during the same taxable year unless based on meritorious reasons supported by verified statements, declarations, or audit findings. Requests must be submitted to the Regional Director/ACIR-LTS, whose decision is final and unappealable.

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Romblon: (042) 567-2120

✉ rccmanila@romero-cpas.com
rccromblon@romero-cpas.com
clientsupport@romero-cpas.com

Scan the QR code to read
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