

Tax Updates

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RR No. 17-2024

NO TAX CLEARANCE, NO PAYMENT: FINAL SETTLEMENT OF GOVERNMENT CONTRACTS

Revenue Regulations (RR) No. 17-2024 mandates that contractors working on government projects must present a tax clearance from the Bureau of Internal Revenue (BIR) before receiving their final payment.

❖ WHO ARE REQUIRED?

This **applies to all individuals and entities—both local and foreign**—that hold contracts with any government agency. These include:

- Departments
- Bureaus
- Offices
- State universities and colleges
- Government-owned or controlled corporations
- Government financial institutions
- Local government units

❖ PRESENTATION OF UPDATED TAX CLEARANCE

All persons who have existing contracts with the government shall *SECURE* from the BIR an **UPDATED TAX CLEARANCE** and *PRESENT* such to the concerned government body *PRIOR* to the final settlement of the contract.

The **Updated Tax Clearance** certifies that the contractor has:

1. No outstanding tax liabilities; and
2. That they have duly filed the **LATEST** income and business tax returns and paid the corresponding taxes due thereon.

❖ CONSEQUENCES OF NON-COMPLIANCE

Failure to secure & present the prescribed BIR tax clearance shall entitle the government to **suspend** the amount final settlement on the contract for any goods or services & infrastructure projects.

The retention money shall be subject to tax lien as may be warranted in favor of the government to satisfy the contractor's outstanding tax liabilities. The existing guidelines governing distraint and garnishment shall be applied accordingly.

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