

**AMENDED RULES AND REGULATIONS
TO IMPLEMENT REPUBLIC ACT NO. 9335,
OTHERWISE KNOWN AS THE "ATTRITION ACT OF 2005"**

Pursuant to the provisions of Section 11 of Republic Act No. 9335, "An Act to Improve the Revenue Collection Performance of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) Through the Creation of a Rewards and Incentives Fund and a Revenue Performance Evaluation Board and For Other Purposes," otherwise known as the "Attrition Act of 2005" (the Act), approved on January 25, 2005, and which took effect on February 11, 2005, and Section 32, Rule X of its Implementing Rules and Regulations ("IRR") authorizing its amendment, the Department of Finance (DOF), the Department of Budget and Management (DBM), the National Economic and Development Authority (NEDA), the BIR, the BOC, and the Civil Service Commission (CSC), hereby issue the following amended IRR to implement the provisions of the Act.

RULE I. GENERAL PROVISIONS

SEC 1. Title. These rules and regulations shall be referred to as the "Amended Implementing Rules and Regulations of Republic Act No. 9335, otherwise known as the 'Attrition Act of 2005'."

SEC 2. Interpretation. These Rules shall be interpreted in the light of the Declaration of Policy found in Section 2 of the Act:

"It is the policy of the State to optimize the revenue-generation capability and collection of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) by providing for a system of rewards and sanctions through the creation of a Rewards and Incentives Fund and a Revenue Performance Evaluation Board in the above agencies for the purpose of encouraging their officials and employees to exceed their revenue targets."

SEC 3. Coverage. These Rules shall cover all Officials and Employees in the BIR and the BOC, regardless of employment status, with at least six (6) months of service.

SEC 4. Definition of Terms. For purposes of the Rules, the following definition of terms is hereby adopted:

(a) *Act* - refers to Republic Act No. 9335, otherwise known as the Attrition Act of 2005.

(b) *Board* - refers to the Revenue Performance Evaluation Board created under Section 6 of the Act.

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(c) *Bureau* - refers to the BIR or the BOC, as the case may be.

(d) *District* -

In the case of the BIR, the "District" refers to a revenue region: *Provided, however,* "That the Large Taxpayer shall be deemed a District for purposes of the Act and these Rules.

In the case of the BOC, "District" refers to a collection district.

(e) *District Incentives* - are the rewards given to Districts that exceed targets under circumstances described in Section 5 of the Act.

(f) *Employee* - refers to a rank-and-file employee, regardless of employment status, who was appointed to and is occupying a first or second level position in the Bureau pursuant to Section 8(a) and (b), Chapter 2, Subtitle A, Title I, Book V, Administrative Code of 1987, Executive Order No. 292, hereinafter cited as the "Administrative Code."

(g) *Employment Status* - refers to BIR and BOC personnel in the civil service which are either on a permanent, temporary, substitute, coterminous, fixed term, contractual or casual basis, consistent with CSC Memorandum No. 24, s. 2017.

(h) *Fund* - refers to the Rewards and Incentives Fund created under Section 4 of the Act.

(i) *Official* - refers to an official, regardless of employment status, appointed to and occupying a third level position in the Bureau pursuant to Section 8(c), Chapter 2, Subtitle A, Title I, Book V, Administrative Code. This term is herein used interchangeably with "Officer."

(j) *Revenue Collection* - means the total revenues collected by a Bureau as reflected in the final version of the Cash Operations Report of the Bureau of Treasury, including Tax Remittance Advice and Tax Subsidy, and net of Tax Refunds.

Additional revenues collected due to a new law enacted by Congress shall not be included in the computation of a Bureau's Revenue Collection if the additional revenues from such new law were not included in the original estimated Revenue Collection expected of the Bureau for a given fiscal year as stated in the Budget of Expenditures and Sources of Financing (BESF), including Tax Remittance Advice and Tax Subsidies, and net of Tax Refunds, submitted by the President to Congress.

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Moreover, increase or decrease in revenues collected due to macroeconomic indicators exceeding or falling short of the DBCC-approved macroeconomic assumptions as stated in the BESF shall not automatically be considered in the computation of the Bureau's Revenue Collection. Such increase or decrease in revenues and the resulting excess or shortfall in the collections shall be determined based on a post-analysis of the impact of macroeconomic performance on revenues to be conducted by the DOF and the NEDA and approved by the Development Budget Coordination Committee (DBCC), which should reflect the effort exerted by the Bureau.

(A) Additional revenues shall be determined by the ratio of the estimated revenues from the new law to the total estimated revenues inclusive of estimated revenues from the new law, multiplied by actual collection inclusive of revenues from the new law plus/minus the increase or decrease in revenues collected due to macroeconomic indicators exceeding or falling short of the DBCC-approved macroeconomic assumptions as stated in the BESF.

(B) Revenue Collection shall be computed as actual collections less additional revenues plus/minus adjustments for the increase or decrease in revenues collected due to macroeconomic indicators.

Thus, additional revenues shall be computed as follows:

(A) Additional Revenue =

$$\frac{\text{Estimated Revenue from the new measure}}{\text{BESF} + \text{Estimated Revenue from the new measure}} \times \left[\begin{array}{l} \text{Actual} \\ \text{Collection} \end{array} \pm \begin{array}{l} \text{Adjustments for the increase or} \\ \text{decrease in revenues collected due} \\ \text{to macroeconomic indicators} \end{array} \right]$$

(B) Revenue Collection = Actual Collection - Additional Revenue +/- Adjustments for the increase or decrease in revenues collected due to macroeconomic indicators

(Example: In 2005, the Executive Department submitted to Congress a BESF stating that the BIR should collect P500 Billion for 2006. In 2006, a new revenue was passed and because of this, the BIR's 2006 targets were adjusted to P600 Billion. Since the new revenue measure was not considered in the BESF, this latter adjustment was not reflected in the BESF submitted in 2005. Increase in revenues collected due to macroeconomic indicators

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exceeding the DBCC-approved macroeconomic assumptions is determined to be at P20 Billion. In 2006, the BIR collected P700 Billion. For purposes of determining rewards and incentives, how much did the BIR collect? P566.67 Billion out of the revenue target of P500 Billion based on the following:

$$\begin{array}{r}
 \text{Actual} \\
 \text{Collection} \\
 (700\text{B})
 \end{array}
 \left[\begin{array}{c}
 \text{Estimated Revenue from the new} \\
 \text{measure (100B)} \\
 \hline
 \text{BESF (500B) + Estimated} \\
 \text{Revenue from the new measure} \\
 (100\text{B})
 \end{array} \right]
 \times
 \left[\begin{array}{c}
 \text{Actual} \\
 \text{Collection} \\
 (700\text{B})
 \end{array} \right]
 -
 \left[\begin{array}{c}
 \text{Adjustments for the} \\
 \text{increase in revenues} \\
 \text{collected due to} \\
 \text{macroeconomic} \\
 \text{indicators (20B)}
 \end{array} \right]
 -
 \left[\begin{array}{c}
 \text{Adjustments for the} \\
 \text{increase in revenues} \\
 \text{collected due to} \\
 \text{macroeconomic} \\
 \text{indicators (20B)}
 \end{array} \right]$$

= P566.67 Billion

(k) *Support Units* - are units, offices, divisions and sections in the Bureau that provide support services to revenue collection but do not have assessment, audit or collection functions.

(l) *Tax Credit Certificate* - means a certification, duly issued to the taxpayer named therein, by the Commissioner or his duly authorized representative, reduced in a BIR Accountable Form in accordance with the prescribed formalities, acknowledging that the grantee-taxpayer named therein is legally entitled to a tax credit, the money value of which may be used in payment or in satisfaction of any of his internal revenue tax liability (except those excluded), or may be converted as a cash refund, or may otherwise be disposed of in the manner and in accordance with the limitations, if any, as may be prescribed by the provisions of these regulations.

(m) *Tax Remittance Advice* - refers to the accountable document to be issued by the concerned DBM office which shall be the basis for the national government agencies to record the remittance of all taxes withheld to the BIR. The same document shall be the basis for the BIR and the Bureau of Treasury to record the collection and deposit in their respective books of account.

(n) *Tax Subsidy* - subsidy given to the national government agencies, government corporations and local government units in lieu of payments of taxes and customs duties.

(o) *Unit* - For purposes of determining rewards and incentives under Section 4 of the Act, a Unit may refer to a Service, Revenue, Region,

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District, Division, and Section, in the case of the BIR, and to a Collection District, Port, in the case of the BOC.

SEC 5. *Revenue Targets.* Pursuant to Section 4 of the Act, revenue targets for the following year shall be based on the original estimated Revenue Collection expected of each Bureau for a given fiscal year, approved by the Development Budget Coordination Committee (DBCC) and stated in the BESF submitted by the President to Congress. After approval, the DBCC shall formally communicate to the Board the revenue targets for each Bureau by June 30 of each year and these targets shall serve as the basis for implementing the Act: *Provided*, That, revenue targets shall exclude estimated yields from new revenue measures which, although included in the BESF, were not enacted into law: *Provided further*, That estimated yields from the new revenue measures that were enacted and implemented later than the original target dates in the BESF shall be pro-rated accordingly.

SEC 6. *Allocation of Revenue Targets.* Each Bureau shall establish a system for rationally allocating revenue targets among its Districts, Officials and Employees.

(a) Revenue target setting for specific Districts shall consider, among others, the following factors: (1) the number of business establishments within the District and their historical sales and taxes paid; (2) the number of firms within the District that are engaged in the production and/or distribution of excisable products and their historical sales and taxes paid; (3) the number of registered employers within the district, their total number of employees and the historical data on the withholding taxes paid. These factors should be the major determinants in setting the target revenue along with the District's historical record of revenue collection: *Provided, however*, That target setting shall likewise consider fluctuations in prior years' collections due to non-recurring transactions. Non-recurring transactions shall refer to one-time transactions that are substantial in amount (i.e., the amount of ten percent [10%] or more of a District's collections for a particular month), including the following: (i) capital gains taxes from the sales of real property or shares of stocks (on a per transaction basis), (ii) documentary stamp taxes, (iii) estate and donor's taxes, and (iv) special projects (e.g., the BIR's voluntary assessment program). Transfer of taxpayers from one District to another, when such taxpayers substantially account for such District's collection for the previous years, shall be taken into consideration in the allocation of targets among the Districts.

(b) Similarly, target setting for individual Officials and Employees shall consider, among others, their historical record of revenue targets and of Revenue Collection or that of the previous incumbent of the position in the case of new appointees or newly-assigned Officials and Employees. The system for allocating revenue targets at the level of Officials and Employees shall strive towards the ability to ascribe changes in taxpayer behavior to specific actions of Bureau Officials and Employees. Such system shall

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therefore evolve from, and be based on, a better understanding of taxpayer behavior that enables the Bureau to predict and assess such behavior, which is necessary if the allocation of revenue targets among Bureau Officials and Employees is to have reasonable basis.

SEC 7. *Reporting of Revenue Targets Distribution.* The distribution of revenue targets shall be reported according to the following rules:

- (a) Pursuant to Section 4 of the Act, each Bureau shall submit to the DBCC the distribution of the agencies' revenue targets as allocated among its revenue Districts in the case of the BIR, and the collection Districts in the case of the BOC on or before March 31 of the current year.
- (b) For purposes of determining accomplishment of individual Revenue Collection targets, each Bureau shall likewise submit to their respective Boards the distribution of revenue targets as allocated among Officials and Employees who have revenue collection functions and as reflected in their individual performance contracts.

RULE III. REWARDS AND INCENTIVES FUND

SEC 8. *Creation and Source.* The Rewards and Incentives Fund, created under Section 4 of the Act, shall be sourced from the Revenue Collection of the BIR and the BOC in excess of their respective revenue targets of the year, net of Tax Credit Certificates, as determined by the DBCC. The Fund shall be calculated according to the following percentages:

<u>Excess of Revenue Collection Over the Revenue Targets</u>	-	<u>Percent (%) of the Excess Collection to Accrue to the Fund</u>
30% or below	-	15%
More than 30%	-	15% of the first 30% plus 20% of the remaining excess

The determination of whether or not a Bureau has exceeded its revenue target shall be made through a comparison of such Bureau's Revenue Collection with its revenue targets.

SEC 9. *Rewards and Incentive Fund.* The payment of revenue incentives authorized under Section 4 of the Act and Section 8 hereof, shall be deemed automatically appropriated and based on the DBCC-validated excess revenue collections targets of the BIR and BOC for a given fiscal year. Said amount shall be appropriated in the following year's budget, following the budget preparation procedure and policies of the DBM, for the payment of the

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revenue incentives to qualified offices and employees. It shall then be allocated, distributed and released in accordance with the provisions of this IRR.

SEC 10. *Submission of Expenditure Plans.* Immediately following the fiscal year when the revenue collection target was exceeded, each Bureau shall submit to its Board an expenditure plan that shall govern the utilization of the Fund. After its review, the Board shall endorse the expenditure plans to the DBCC and DBM to serve as basis for the appropriation and release of the Fund to the Bureaus. The expenditure plan shall be aligned with the Medium-Term Fiscal Strategy and in accordance with the Fiscal Responsibility Principle.

SEC 11. *Distribution of Rewards and Incentives.* Rewards and incentives from the Fund shall be distributed among the various Units, Officials and Employees of each Bureau, in proportion to their relative contribution to the aggregate amount of the excess collection over the targeted amount of the tax revenue to be collected by each Bureau. The Commissioner shall submit to the Board for review and endorsement to the DBCC and DBM, the proposed distribution of rewards and incentives from the Fund which shall be in accordance with the following framework and such other regulations as may be issued by the Board:

(a) Unit rewards and incentives -

(i) Unit rewards and incentives shall be determined based on a particular Unit's proportionate contribution to the aggregate amount of excess revenue collection of the Bureau: *Provided however*, That a Unit shall not be entitled to rewards and incentives even if the Bureau as a whole meets its revenue target if such Unit fails to meet its own Revenue Collection Target. For purposes of these Rules, a Unit's relative contribution to the aggregate amount of the Bureau's excess shall be a function of the percentage of such Unit's excess collection over its target.

(ii) A minimum of twenty five percent (25%) of the Fund shall be allocated by the Board as a Unit reward and incentive.

(iii) Unit rewards and incentives shall be used for purposes of enhancing personnel development within the unit, implementing measures to improve collection efficiency, promoting training and personnel development and improving the environment within the unit.

(iv) Unit rewards and incentives shall not be distributed as additional salaries, allowances, or any other additional emoluments or remuneration to such Unit's Officials and Employees;

(b) Individual rewards and incentives -

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(i) Individual rewards and incentives shall be calculated in accordance with an Official's or Employee's relative contribution to the aggregate amount of the excess revenue collection of the Bureau: *Provided*, That such relative contribution shall be reflected in each Official's or Employee's performance evaluation rating, which rating, in the case of Officials and Employees who have revenue collection functions, shall take account the performance rating of their respective units: *Provided, further*, That higher rewards and incentives shall accrue to Officials and Employees who exercise greater responsibilities; hence, those who occupy higher positions shall correspondingly be entitled to greater rewards and incentives; *Provided, furthermore*, That individuals holding positions subject to attrition, as provided for in Section 15, Rule V of these Rules, shall be entitled to additional premium in view of the risk of attrition inherent in such positions: *Provided, finally*, That an Official or Employee who is transferred in the middle of the period shall be entitled to a pro-rata share in the rewards.

(ii) An Official or Employee who is assigned and exceeds his or her revenue collection target shall receive rewards and incentives, which shall accordingly be increased or decreased based on other performance factors as provided by civil service laws, rules and regulations.

(iii) For purposes of rewards and incentives for Officials and Employees who provide support services to revenue collection but do not have direct revenue collection functions, the same shall be determined through the Performance Management System to be adopted by each Bureau in accordance with the provisions of Section 7 of the Act.

(iv) The immediately preceding Section shall apply equally to Officials and Employees in Support Units as well as to those providing support services in Districts.

(c) Non-monetary rewards and incentives

Rewards and incentives may take the form of non-monetary benefits such as, but not limited to, the following:

- a. Official recognition in the form of plaques, citations, and commendations; and

- b. Added perks and privileges, such as local and foreign trainings or scholarships related to the improvement of revenue generation and collection.

Provided that the grant of the foregoing rewards and incentives shall be consistent with the applicable laws, rules and regulations.

RULE IV. DISTRICT INCENTIVES

SEC 12. *Creation and Source of District Incentive.* (a) In the event that a Bureau fails to meet its revenue target by less than ten percent (10%), Districts, which exceed their respective allocations of the revenue target (allocated target), shall be entitled to rewards and incentives (District Incentive) amounting to ten percent (10%) of the excess over its allocated target; *Provided, however,* That any District which deliberately foregoes any revenue collection in any given year as part of a scheme to avoid a higher allocated target for the subsequent year shall not be entitled to a District Incentive in such subsequent year notwithstanding its having exceeded its allocated target: *Provided, further,* That the allocated target of any such District shall have been reported to and validated by the DBCC as required in Section 4 of the Act.

(b) A District shall be deemed to have deliberately foregone Revenue Collection when, after it has reached or exceeded its annual target before the end of the year, its collection for the remaining period decreases significantly as compared to its collection for the same period in the previous year: *Provided,* That the remaining period shall at least be one (1) month. A decrease in collection of at least a twenty (20%) shall be deemed significant unless extenuating circumstances similar to those enumerated in Section 18, Rule V are determined by the Board to be present.

Sec. 13. *Automatic Appropriation of District Incentive.* - As authorized under Section 5 of the Act, the district reward shall be deemed automatically appropriated the year immediately following the year when the Revenue Collection target was exceeded. Said amount shall be appropriated in the following year's budget, following the budget preparation procedure and policies of the DBM, for the payment of the district incentives to qualified offices and employees. It shall then be allocated, distributed and released in accordance with the provisions of this IRR.

Sec. 14. *Submission of Expenditure Plans.* - Each District shall submit to the Commissioner an expenditure plan that shall govern the utilization of the District Incentive to be released by the DBM in the event the District becomes entitled to said incentive.

RULE V. ATTRITION AND OTHER PENALTIES

Sec. 15. *Personnel Subject to Attrition.* - For purposes of paragraph (b), Section 7 of the Act, personnel subject to attrition shall be Officials and Employees, including District heads and assistant heads, who have revenue collection targets.

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These collection targets shall be reflected in their performance contracts that they shall enter into pursuant to Section 7(b) of the Act and Civil Service laws, rules and regulations. They shall also include revenue district officers and their assistants, supervisors and revenue officers who are assigned revenue collection targets, in the case of the BIR; and district/port collectors and their deputies, as well as customs officers assigned in services, divisions or units with collection targets, in the case of the BOC; and all other personnel of both Bureaus directly performing assessment, audit, and collection functions. The Commissioner shall submit to the Board, no later than the end of the first quarter of the fiscal year, a list of positions in the Bureau personnel that are subject to attrition.

Sec. 16. *Ground for Termination.* - An Official or Employee of the Bureau may be separated or removed from the service by the final decision of the Board, upon the recommendation of the Commissioner, when the revenue collection performance of such Official or Employee falls short of the target by at least seven and a half percent (7.5%) with due consideration of all relevant factors affecting the level of collection as provided in these Rules, subject to civil service laws, rules and regulations and compliance with substantive and procedural due process: *Provided, however,* that only final decisions of the Board after notice and hearings of affected personnel, shall be immediately executory; *Provided, further,* That the determination of the revenue collection performance of an Official or Employee shall include payments using tax credit certificates: *Provided, furthermore,* That termination under this Section shall not apply:

(a) Where the District or area of responsibility is newly-created, not exceeding two years in operation, and has no historical record of collection performance that can be used as basis for evaluation. A District or area of responsibility shall be deemed newly-created when it is established that no District or area of responsibility previously existed, or is carved out of the jurisdiction of an existing District or Districts or of an area or areas of responsibility; or

(b) Where the Official or Employee is a recent transferee in the middle of the period under consideration unless the transfer was due to nonperformance of revenue targets or potential nonperformance of revenue targets: *Provided, however,* That when the District or area or responsibility covered by Officials or Employees has suffered from economic difficulties brought about by natural calamities or *force majeure* or economic causes as may be determined by the Board, the termination shall be considered only after careful and proper review by the Board. Moreover, the evaluation of the performance of the Official or Employee shall likewise consider their accomplishments on other key performance indicators such as, taxpayer compliance and satisfaction, process improvement, timely payment of VAT and other refund, and outcomes and outputs in accordance with the DBCC approval, their signed Office Performance Commitment Review Form and Individual Performance Commitment and Review Form under the Agency's Strategic Performance Management System.

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Sec. 17. *Relevant Factors Affecting Collection.* - For purposes of Section 7(a) of the Act and Section 16 of these Rules, the Board shall consider the following, among others, as relevant factors affecting the level of collection: *Provided*, That these factors were not taken into account in setting BESF targets:

- (a) Enactment of a law that repeals revenue measures, reduces tax and tariff rates, grants tax exemptions, or otherwise results in the diminution of the tax base or of taxable transactions and activities, including the entry into force of a treaty or an international agreement that the Philippines entered into resulting in preferential treatment for certain taxpayers or transactions: *Provided*, That the Board shall have the final authority to determine the affected District or Districts, as well as the amount of revenues deemed foregone due to such enactment or entry into force;
- (b) Reduction by the President of tariff rates under Section 1608 of the CMTA; and
- (c) Exercise by the President of the power to open or close any port of entry under Section 208 of the CMTA.

Sec. 18. *Right to Appeal.* - An official or employee whose employment is terminated by virtue of the decision of the Board may appeal to the CSC or the Office of the President (OP), as the case may be, within fifteen (15) days from receipt of a copy of the decision of the Board.

For officials who are Presidential appointees, appeal may be filed with the OP. On the other hand, employees may appeal with the CSC. Pending appeal, however, the decision of the Board shall be immediately executory.

Decisions of the Board shall be final and executory after the lapse of the reglementary period of filing an appeal and no appeal has been filed.

Sec. 19. *Non-Disciplinary Nature of Separation.* - Employees and Officials of the Bureau who are separated from the service by virtue of Section 7(b) of the Act shall be deemed dropped from the rolls in accordance with Civil Service laws, rules, and regulations, without prejudice to the receipt of whatever benefits due the officials or employee concerned, including the re-employment to other government agencies, at the discretion of the appointing authority concerned.

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Sec. 20. *Application of Other Laws on Accountability.* - The application of the criteria for separation of an Official or Employee from the service under the Act shall be without prejudice to the application of other relevant laws on accountability of public officers and employees, such as Republic Act No. 6713 (Code of Conduct and Ethical Standards of Public Officers and Employees) and Republic Act No. 3019 (Anti-Graft and Corrupt Practices Act), as amended.

Sec. 21. *Penalties Other Than Termination.* - The power of the Board to remove personnel pursuant to Section 7 of the Act shall be without prejudice to the power of the Commissioner to discipline Bureau personnel in accordance with the provisions of Rule IX of the Omnibus

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Rules Implementing Book V of Executive Order No. 292 (series of 1987), as amended, and other Civil Service laws, rules and regulations.

RULE VI. REVENUE PERFORMANCE EVALUATION BOARD

Sec. 22. *Composition.* - Pursuant to Section 6 of the Act, the BIR and the BOC shall each have a Revenue Performance Evaluation Board, which shall be composed of the Secretary of the DOF or his/her Undersecretary as the Chairman, the Secretary of the DBM or his/her Undersecretary, the Director General of the NEDA or his/her Deputy Director General. It shall also include, as nonvoting members, the Commissioners of the BIR and the BOC, or their Deputy Commissioners, two representatives from the rank-and-file Employees, all of whom shall be duly nominated by their respective recognized organizations; and a representative from the Officials.

Sec. 23. *Powers and Functions.* - The Board in each agency shall have the following functions:

(a) To prescribe the rules and guidelines for the allocation, distribution and release of the Fund due to the Bureau as provided for in Section 4 of the Act and for the allocation, distribution and release of the District Incentive due to a District as provided for in Section 5 of the Act. *Provided,* That the rewards under the Act may also take the form of nonmonetary benefits as provided in Section 11 of these Rules.

(b) To set criteria and procedures for removing from the service Officials and Employees whose revenue collection falls short of the target in accordance with Section 7 of the Act;

(c) To terminate personnel in accordance with the criteria adopted in the preceding paragraph;

(d) To prescribe a system for performance evaluation that shall be administered in such manner as to continually foster the improvement of individual efficiency and organizational effectiveness through the use of performance measures that include, but are not limited to, the following indicators: revenue target, taxpayer compliance and satisfaction, process improvement, and organizational wellness. For this purpose, the Bureau shall submit to the Board a system of performance evaluation for the Board's consideration.

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(e) To perform such other functions as are necessary or incidental to its mandated functions, including the issuance of rules and regulations, circulars, memoranda, interpretations and rulings and coordinate with each other and provide support, whenever necessary, for the proper conduct of its functions; and

(f) To submit an annual report to the Congress.

Sec. 24. *Secretariat Support to and Budget of the Board.* - There is hereby created a Secretariat to support the operations of the Boards to be composed of personnel from the DOF, as well as those detailed or seconded from other government agencies. The budget to cover the expenses of the Boards and the Secretariat shall be included in the annual appropriations of the DOF, while the funds for the BIR and the BOC Boards shall be included in their respective budgets.

The Boards and Secretariat shall be under the DOF for purposes of administrative supervision.

RULE VII. LIABILITY OF OFFICIALS, EXAMINERS AND EMPLOYEES OF THE BIR AND BOC

Sec. 25. The officials, examiners, and employees of the Bureau who violate the Act or who are guilty of negligence, abuses or acts of malfeasance or misfeasance or fail to exercise extraordinary diligence in the performance of their duties shall be held liable for any loss or injury suffered by any business establishment or taxpayer as a result of such violation, negligence, abuse, malfeasance, misfeasance or failure to exercise extraordinary diligence.

RULE VIII. PERFORMANCE REPORT

Sec. 26. *Report on Bureau Performance.* - The Commissioners of each Bureau shall regularly file a quarterly report with the Board and the DBCC stating therein the status of collection in their respective agencies, and in the event of shortfall or surplus, the source of the shortfall or surplus, the personnel in-charge of the Unit, the explanation for the shortfall or surplus and recommendation as to the remedial course of action in cases of shortfall, and in the case of the year-end report, the names of the Officers and Employees who are recommended for termination or reward.

The report shall be submitted to Congress semi-annually with the last report to be annualized. A copy of the report shall be submitted within two months after the period ends.

Sec. 27. *Report on Commissioner's Performance.* - In the event of a significant shortfall in the national target, a separate yearend report shall be submitted by the voting members of the Board to the OP, containing its evaluation of the performance of the Commissioner concerned, on the basis of which, the President may pursue a course of action consistent with the national interest. Said reports shall likewise be furnished to Congress.

RULE IX. ADMINISTRATIVE PROCEEDINGS

Sec. 28. *Required regular submissions.* - As specified in the Act or these Rules, the following submissions shall be made:

- (a) *To the DBCC -*

The distribution of revenue targets for the current year among the Districts, as provided in Section 4 of the Act and Section 7(a) of these Rules, shall be submitted by each Bureau on or before March 31 of every year, unless otherwise required by the DBCC.

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(b) *To the Board -*

(i) The revenue targets for each Bureau for the coming year, as provided in Section 4 of the Act and Section 5 of these Rules, shall be formally communicated by the DBCC by June 30 of each year after its approval.

(ii) The distribution of revenue targets among Officials and Employees, as provided in Section 6 of these Rules, shall be submitted by each Bureau on or before March 31 of every year, unless otherwise required by the DBCC.

(iii) The expenditure plan governing the utilization of the Fund, as provided in Section 10 of these Rules, shall be submitted by each Bureau at the beginning of the fiscal year immediately following the year when the excess revenues were collected.

(iv) The proposed distribution of rewards and incentives among various Units, Officials and Employees of each Bureau, as provided in Section 11 of these Rules, shall be submitted by the Commissioner on or before September 30 of every year, unless otherwise prescribed by the Board.

(v) The list of positions in the Bureau subject to attrition, as provided in Section 16 of these Rules, shall be submitted by the Commissioner not later than the end of the first quarter of the fiscal year.

(vi) The report on the Bureau's performance, as provided in Section 26 of these Rules, shall be filed semi-annually by the Commissioner.

(c) *To the Commissioner --*

The expenditure plan that shall govern the utilization of the District Incentive, as provided in Section 14 of these Rules, shall be submitted by each District at the beginning of the fiscal year immediately following the year when the excess revenues were collected.

(d) *To Congress --*

(i) The semi-annual report on the Bureau's performance, as provided in Section 26 of these Rules, shall be submitted by the Board, within two months after each period covered by the report.

(ii) The annual report on the implementation of the Act, as provided in Section 26 of these Rules, shall be submitted by the Board.

(iii) In the event of a significant shortfall in the national target, the yearend report submitted to the President evaluating the performance

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of the Commissioners, as provided in Section 27 of these Rules, shall be furnished by the voting members of the Board at the end of the first quarter after the fiscal year.

(e) *To the President --*

The above report evaluating the performance of the concerned Commissioners in the event of a significant revenue shortfall, as provided in Section 27 of these Rules, shall be submitted by the voting members of the Board at the end of the first quarter after the fiscal year.

Sec. 29. *Other submissions to the Board.* - For the effective implementation of the Act, the Bureau shall also submit to the Board by March 31 for its approval the following:

- (a) The system for rationally allocating revenue targets among the Districts, Officials and Employees, as provided in Section 6 of the Rules;
- (b) The system for performance evaluation, as provided in Section 25(d) of the Rules, within a year from the effectivity of the Rules;

RULE X. FINAL PROVISIONS

Sec. 30. *Eligibility for the Grant of Performance-Based Bonus (PBB) under Executive Order (EO) No. 80, s. 2012 and EO No. 201, s. 2016.* - In order to prevent double grant of performance incentives to personnel concerned, the BOC and the BIR, or any of its units, may only qualify for the grant of PBB pursuant to EO No. 80, s. 2012 and EO No. 201, s. 2016 if said agency and/or units failed to qualify for entitlement of rewards and incentives under RA No. 9335, subject to the determination of their eligibility for PBB by the Administrative Order No. 25 Inter-Agency Task Force on the Harmonization of National Government Monitoring, Information and Reporting Systems.

Sec. 31. *Agency Lateral Attrition Appeals Board.* - The BIR and the BOC shall organize their respective Lateral Attrition Appeals Boards to address issues and concerns that may be raised by agency personnel who may be affected by the law and the IRR. The BIR and BOC shall likewise devise their own internal rules and regulations including appropriate forms to facilitate submission of issues and concerns consistent with civil service laws, rules and regulations.

Sec. 32. *Issues for Resolution.* - The interpretation of the provisions of these Rules, including cases not covered herein, shall be submitted to the Board for resolution.

Sec. 33. *Amendments to the Rules.* - The DOF, DBM, NEDA, BIR, BOC and CSC may jointly amend these Rules, upon recommendation of the Board.

Sec. 34. *Transitory Provisions.* - For purposes of attrition under Section 16 of these Rules, the basis for evaluating the performance of revenue-collecting personnel shall be their individual performance contracts, that they shall enter into pursuant to Section 11(b) of the Act and Civil Service laws, rules and regulations, pending the Board's approval of a system that rationally allocates revenue targets at the level of Officials and Employees as provided for in Section 6(b)

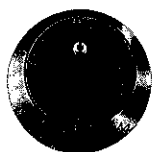
of these Rules, the Board shall, upon the recommendation of the Commissioner, approve a system for performance evaluation that takes into account the system of rationally allocating revenue targets at the level of individual personnel.

Sec. 35. *Separability Clause.* - Should any provision herein be subsequently declared invalid or unconstitutional, the same shall not affect the validity or legality of the other provisions.


Sec. 36. *Repealing Clause.* - Pursuant to Section 14 of the Act, all laws, presidential decrees, executive orders, other executive issuances, rules and regulations or parts thereof, including the provisions of Section 285 of Republic Act No. 8424, which are inconsistent with the Act are thereby repealed, amended or modified accordingly.

Sec. 37. *Effectivity.* - These Rules shall take effect on the fifteenth (15th) day from the date of their publication on the *Official Gazette* or in at least one (1) newspaper of general circulation.

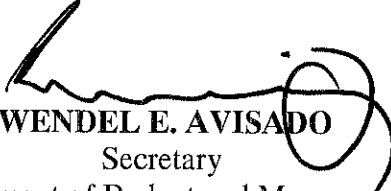
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