

Tax in a dot

RMO 37-2024: Guidelines in classifying taxpayers



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TAX 2024-29

Guidelines in classifying taxpayers

The Bureau of Internal Revenue (BIR) has issued the prescribed policies, guidelines, and procedures in classifying business taxpayers pursuant to Revenue Regulations (RR) No. 8-2024.

Classification of taxpayers

1. Micro – annual gross sales is less than Php3 million
2. Small – annual gross sales is Php3 million to less than Php20 million
3. Medium – annual gross sales is Php20 million to less than Php1 billion
4. Large – annual gross sales is Php1 billion and above

Initial Classification

1. Taxpayers registered in 2022 and prior years shall be classified on the basis of their gross sales as declared in their filed Income Tax Returns (ITRs) for the taxable year 2022, in accordance with the threshold values stated above.

For those who have not filed their 2022 ITR, they shall be initially classified as Micro, except for VAT-registered taxpayers, who shall be classified as Small.

2. Taxpayers registered in 2023 and 2024 before the effectivity of RR 8-2024 (i.e., 27 April 2024) shall be initially classified as Micro, except for VAT-registered taxpayers, who shall be classified as Small.
3. Taxpayers registered after the effectivity of RR 8-2024 shall be initially classified based on their declaration in their registration forms.
4. For mixed-income earners, only business income shall be considered for purposes of classifying taxpayers.
5. For taxpayers with branches, the classification shall follow the classification of the head office.

The initial classification shall remain effective until reclassified.

Reclassification

1. Reclassification can be initiated by the taxpayer or the BIR.
2. Taxpayer-initiated reclassification may be done via Online Registration and Update System (ORUS) or manually by submitting the applicable registration update form to their Revenue District Office (RDO), along with other supporting documents such as the ITR or Income Statement, as necessary.
3. BIR-initiated reclassification may be made (1) by the National Office every two years, unless otherwise required by the Commissioner, on the basis of taxpayer's gross sales from their latest filed ITRs or value-added tax returns, if the ITRs are not available, or (2) thru recommendation by the RDOs or Large Taxpayer Service (LTS) to the Regional Director or Assistant Commissioner (ACIR).
4. If the taxpayer was reclassified pursuant to the recommendation of RDOs/LTS Divisions, the new classification shall take effect upon receipt by the taxpayer of the notification thereof, subject to the final outcome of any pending assessment that may significantly affect such classification.
5. Taxpayers who are reclassified pursuant to BIR-initiated reclassification cannot request for reclassification during the same taxable year, unless it is founded on meritorious reasons. Request for reclassification should be filed before the Regional Director/ACIR-LTS, whose decision thereon is final and unappealable.

Please see attached Revenue Memorandum Order (RMO) No. 37-2024 for your reference.

Get in touch

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[Back to top](#)



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