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WITHHOLDING TAX



Types of Withholding Taxes

- Expanded Withholding Tax
- Final Withholding Tax
- Withholding Tax on Compensation
- Withholding Tax on Government Money Payment



Concept of Withholding Tax-at-Source

“Withholding tax” is a method of collecting in advance the income tax and business tax of certain taxpayers who are liable to pay income tax or business tax in the Philippines.

In the operation of the withholding tax system, the **PAYEE** is the taxpayer, the person to whom the tax is imposed, while the **PAYOR**, acts no more than a withholding agent of the government for the collection of tax in order to ensure its payment.

The duty to withhold is different from the duty to pay tax. Thus, if the PAYOR who is duty bound to withhold the tax fails to withhold and remit the said tax to the government, the said expenses of the payor shall generally be disallowed as deduction from gross income.



Objective:

- ✓ Encourages voluntary compliance
- ✓ Reduces cost of collection effort
- ✓ Prevents delinquencies and revenue loss
- ✓ prevents dry spell in the fiscal conditions of the government by providing revenues throughout the taxable year.



Who are constituted as Withholding Agents?

- In general, any juridical person, whether engaged or not engaged in business;
- An individual with respect to payments made in connection with his trade or business
- All government offices including GOCCs as well as provincial, city and municipal governments and barangays
- Person or entity who is in control of payments subject to withholding tax thus required to deduct and remit withholding tax



Duties and Obligations of a Withholding Agent

- ✓ To register as withholding agent
- ✓ To register as withholding agent
- ✓ To remit the tax withheld
- ✓ To file withholding tax returns (including information returns)
- ✓ To issue withholding Tax Certificate



Time of Withholding

- Withholding tax shall be deducted and withheld by the withholding agent when the income payment is paid or payable or accrued or the income payment is accrued or recorded as an expense or asset whichever is **EARLIER**.

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WITHHOLDING TAX:

Expanded Withholding Tax



Expanded Withholding Tax

- **Expanded withholding tax** is a kind of creditable withholding tax, which is prescribed to be withheld by both the government and the private payors from the different items of income payments to Sellers/suppliers, residing only in the Philippines on their sale of goods and services, which is creditable against the income tax due of the said payees/sellers/suppliers for the taxable quarter/year.



Professional Fees, talent Fees, etc. for services rendered by Individuals

- 10% if gross income exceeds 3M
- 5% if otherwise (or does not exceed 3M)
- On the gross professional, promotional and talent fees or any other form of remuneration for the services rendered.
 1. Those individually engaged in the practice of profession
 2. Professional entertainers
 3. Professional Athletes
 4. Directors and producers of movies, radio, TV etc
 5. Insurance agents and adjusters
 6. Management and technical consultants
 7. Bookkeeping agents and agencies
 8. Other recipients of talent fees
 9. Fees of Directors who are not employees of the company
 10. Income payments to brokers and agents



Individual payees whose gross receipts/sales in a taxable year shall not exceed ₱3M
5% of gross receipts/sales

- required to submit a sworn declaration of his/her gross receipts/sales **Annex “B1”**
- In the case of individual payees with only one payor, the sworn declaration to be accomplished shall be **Annex “B-2”** and submitted, together with a copy of their COR, to the said lone income.



Individual payees whose gross receipts/sales in a taxable year shall not exceed ₱3M

When to file (Deadline):

- Together with a copy of Certificate of Registration (COR), to all the income payor/withholding agents **not later than January 15** of each year or at least prior to the initial payment of the professional fees/commissions/talent fees, etc. in order for them **to be subject to five percent (5%).**



The **ten percent (10%)** withholding tax rate shall be applied in the following cases:

1. the payee failed to provide the income payor/withholding agent of such declaration; or
2. the income payment exceeds ₱3M, despite receiving the sworn declaration from the income payee.

INCOME PAYEE'S SWORN DECLARATION OF GROSS RECEIPTS/SALES
(For Self-Employed and/or Engaged in the Practice of Profession with Several Income Payers)

I, _____, _____, of legal age, single/ married to
(Name) (Citizenship)
 _____ permanently residing at _____
(Name of Spouse) (Address)
 with
 Taxpayer Identification Number (TIN) _____, after having been duly sworn in accordance with law
 hereby depose and state:

- That I derived my _____ income from various income payors, and my registered business address is at
(business/professional)
 _____;
(Business Address)
- That for the current year _____, my gross receipts will not exceed Three Million Pesos (₱3,000,000) and that I
 VAT registered taxpayer. For this purpose, I opt to avail of either one of the income tax regime as follows:
 - Graduated Income Tax Rates under Section 24(A)(2)(a) of the Tax Code, as amended, based on the taxable
 income. With this selection, I acknowledge that I am subject to creditable withholding tax at the prescribed
 rate; subject to percentage tax and will file the required percentage tax returns or subject to withholding
 percentage tax, in case of government money payments.
 - Eight Percent (8%) income tax rate under Section 24(A)(2)(b) of the Tax Code, as amended, based on gross
 receipts/sales and other non-operating income - with this selection, I understand that this is in lieu of the
 graduated income tax rates and the Percentage Tax under Section 116 of the Tax Code, as amended; thus,
 only the creditable income withholding tax based on the prescribed rate shall be made;
- That based on my selection above, if my gross sales/receipts and other non-operating income exceeds ₱3,000,000, the
 payor /withholding agents shall automatically withhold the higher rate of withholding of ten percent (10%) in
 income items with two (2) prescribed creditable withholding tax rate depending on the total amount of income
 received:


Annex B-2

INCOME PAYEE'S SWORN DECLARATION OF GROSS RECEIPTS/SALES
(For Self-Employed and/or Engaged in the Practice of Profession with Lone Income Payor)

I, _____, _____, of legal age, single/ married to
(Name) (Citizenship)
 _____ permanently residing at _____
(Name of Spouse) (Address)
 with
 Taxpayer Identification Number (TIN) _____, after having been duly sworn in accordance with law
 hereby depose and state:

- That I derived my _____ income only from _____
(business/professional) (Name of Lone Payor)
 with Taxpayer Identification Number _____ and business address at _____;
- That for the current year _____, my gross receipts will not exceed Two Hundred Fifty Thousand Pesos (₱250,000.00) and
 that I am registered as a non-VAT taxpayer; that whatever is the amount of income received, I will comply with the requirement
 to file my Income Tax Return on the prescribed due date. For this purpose, I opt to avail of either one of the following:
 - Graduated Income Tax Rates under Section 24(A)(2)(a) of the Tax Code, as amended, based on the taxable
 income. With this selection, I acknowledge that I am subject to 0% income tax, thus, not subject to creditable
 withholding tax; subject to percentage tax, if applicable, and will file the required percentage tax returns or
 subject to withholding percentage tax, in case of government money payments.
 - Eight Percent (8%) income tax rate under Section 24(A)(2)(b) of the Tax Code, as amended, based on gross
 receipts/sales and other non-operating income - with this selection, I understand that this is in lieu of the
 graduated income tax rates and the Percentage Tax under Section 116 of the Tax Code, as amended; thus,
 no withholding tax shall be made;

Annex B-1



Professional Fees, talent Fees, etc. for services rendered by **taxable juridical persons**

- 15% if gross income exceeds 720,000
- 10% if otherwise (does not exceed 720K)

On the gross professional, promotional and talent fees or any other form of remuneration for the services rendered.



Gross income is estimated not to exceed
₱720,000 during the taxable year

- the authorized officer is required to provide all its income payors/withholding agents with a notarized sworn statement to that effect (**Annex “B-3”**),
- together with a copy of the COR, **not later than January 15** of each year or prior to the initial income payment so that the income payor/withholding agent shall only withhold ten percent (10%) payor.
- The sworn declaration shall be executed by the president/managing partner of the corporation/company/general professional partnerships.



The fifteen percent (15%) withholding tax rate shall be applied in the following cases:

1. the payee failed to provide the income payor/withholding agent of such declaration; or
2. the income payment exceeds ₱720,000, despite receiving the sworn declaration from the income payee.

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ANNEX "B-3"

INCOME PAYEE'S SWORN DECLARATION OF GROSS RECEIPTS/SALES
(For Non-Individual Taxpayer with Several Income Payors)

I, _____, _____, authorized officer of
(Name) *(Citizenship)*

_____ with registered address at
(Name of Non-Individual Income Payee)

_____ with
(Address)

Taxpayer Identification Number (TIN) _____, after having been duly sworn in
accordance with law hereby depose and state:

1. That for the current year _____, the gross receipts of the aforesaid non-individual payee will not exceed Seven Hundred Twenty Pesos (₱720,000);
2. That I duly execute this **SWORN DECLARATION** in compliance with the requirement prescribed under Section ____ of Revenue Regulations No. _____;
3. That I declare, under the penalties of perjury, that this declaration has been made in good faith, and to the best of my knowledge and belief to be true and correct.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____, 20__ at
_____, Philippines

Annex B-3



Duties of Withholding Agents on Professional Payees

- shall subsequently execute a sworn declaration (**Annex “C”**) stating the number of payees who have submitted the income payees’ sworn declarations (Annexes “B-1”, “B-2” and “B-3”) with the accompanying copies of their COR.
- Such declaration shall be submitted, together with the list of payees, to the concerned BIR office where registered **on or before January 31 of each year** or **fifteen (15) days following the month when a new income recipient has submitted the payee’s sworn declaration.**

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INCOME PAYOR/WITHHOLDING AGENT'S SWORN DECLARATION

I, _____, of legal age, single/
(Name of Proprietor/Authorized Officer) (Citizenship)
 married, the designated _____ of _____
(Designation/Position) (Name of Withholding Agent)
 with Taxpayer Identification Number (TIN) _____, after having been duly sworn in
 accordance with law hereby depose and state:

1. That there are _____ income payees (self-employed individuals) where no withholding is made, consisting of the following:

Type of withholding NOT withheld	Number of income payees
Expanded WT only	
WT on VAT/Percentage Tax only	
Both expanded and VAT/Percentage tax	
Total	

2. That the above payees where no withholding tax is deducted from their income payment/s have executed the required Income Payee's Sworn Declarations on the amount of gross receipts which they expect to receive for the year _____ and these sworn declarations are duly received together with copies of their Certificate of Registration (COR);
3. That there are _____ individual income payees withheld five percent (5%) withholding tax rate due to their submission of "Payee's Sworn Declaration of Gross Receipts/Sales" stating that their gross receipts/sales shall not exceed ₱3,000,000 (₱3M) for the current year, while _____ non-individual payees submitted "Income Payee's Sworn Declaration" stating that their gross receipts/sales shall not exceed P720,000 for the current year;
4. That I am attaching with this sworn declaration the list of individual payees subject of items 1 and 2 above consisting of _____ number of pages, the list of individual payees subject of item 3 above with _____ number of pages, and the list of non-individual payees subject also of item 3 above with _____ number of pages;
5. That the submission is in compliance with the requirements prescribed under Section _____ of Revenue Regulations No. _____.

Annex C



Rentals

- On real properties – 5%
- On personal properties – on gross rental or lease in excess on 10,000 pesos annually
- Poles, satellites and transmission facilities – 5%
- Billboards – 5%



Income payments to certain contractors

2% on gross payments

- General Engineering contractors
- General Building contractors
- Specialty contractors
- Other Contractors



Income payments to **partners of general professional partnerships**

On income payments made periodically or at the end of the taxable year by a GPP

- 15% if the gross income exceeds P 720,000
- 10% if otherwise



Income payments made by top withholding agents to its local/resident supplier of goods/services other than those covered by other EWT rates

1% of the excess of 300,000 within the same taxable year for purchases of agricultural products in their original state

Income payments on purchases of minerals, mineral products and quarry resources as defined and discussed in Sec 151 of the NIRC, as amended

5% of purchases



Income payments made by the **government** to its local/resident supplier of goods/services other than those covered by other EWT rates (including barangays, or their attached agencies)

- Supplier of Goods – 1%
- Supplier of Services – 2%



Sample Illustration No. 1: Supplier of Goods

Barangay 35-A purchased goods from XYZ company amounting to P11,200.00. Compute the expanded withholding tax to be withheld if XYZ is:

- a. VAT-Registered
- b. Non-VAT Registered



Sample Illustration No. 1: Supplier of Goods

a. Income Payment to XYZ Company (VAT-registered)

Goods Purchased` ` P11,200.00

Divide: 112%

Goods Purchased, net of VAT P10,000.00

Multiply: Withholding tax rate 1%

Amount to be remitted **P 100.00**



Sample Illustration No. 1: Supplier of Goods

b. Income Payment to XYZ Company (Non VAT-Registered)


Goods Purchased	P11,200.00
Multiply: Withholding tax rate	<u>1%</u>
Amount to be remitted	<u>P 112.00</u>



Sample Illustration No. 2: Supplier of Services

Supposed XYZ Company performed **services** to Brgy. 35-Z amounting to P11,200.00. Compute the tax to be withheld if XYZ company is:

- a. VAT-Registered
- b. Non VAT-Registered



Sample Illustration No. 1: Supplier of Services

a. Income Payment to XYZ Company (VAT-registered)

Goods Purchased	P11,200.00
Divide:	<u>112%</u>
Goods Purchased, net of VAT	P10,000.00
Multiply: Withholding tax rate	<u>2%</u>
Amount to be remitted	<u>P 200.00</u>



Sample Illustration No. 1: Supplier of Goods

b. Income Payment to XYZ Company (Non VAT-Registered)

Goods Purchased	P11,200.00
Multiply: Withholding tax rate	<u>2%</u>
Amount to be remitted	<u>P 224.00</u>



Exemption from Withholding

- National Government and its instrumentalities, including provincial, city and municipal governments and barangays except GOCCs
- Persons enjoying exemption from payment of income taxes



Tax Returns to be filed

Monthly Filing and Remittance

BIR Form 0619E

Deadline: On or before the 10th day of the following month

Quarterly Filing and Remittance

BIR Form 1601EQ

Deadline: Not later than the last day of the following month following the close of the taxable quarter

Quarterly Alphalist of Payees

via eSubmission

Must be submitted as an attachment to the 1601EQ

Annual Information Return

BIR Form 1604E (Alphalist of Payees)

via eFPS & eSubmission

Deadline: On or before March 1 of the year following the calendar year



Certificate of Creditable Tax Withheld At Source

- considered as **income tax prepayments** and being deductible from income tax due of the taxpayer during a quarterly or annual income tax return.
- **WHAT:** Issuance of BIR Form 2307 is an obligation of the payor and/or employer
- **WHEN:** Expanded Withholding Taxes (EWT) – Must be issued to payee upon request on or before the 20th day of the month following the taxable quarter. At once, payor must provide the statement to payee with the income payment

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For BIR Use Only: BCS/Item: Republic of the Philippines Department of Finance Bureau of Internal Revenue

BIR Form No. **1601-EQ** Quarterly Remittance Return of Creditable Income Taxes Withheld (Expanded) January 2018 Page 1

1 For the Year: 1st 2nd 3rd 4th Yes No

2 Quarter: 1st 2nd 3rd 4th Yes No

3 Amended Return? Yes No

4 Any Taxes Withheld? Yes No

5 No. of Sheets Attached: _____

Part I - Background Information

6 Taxpayer Identification Number (TIN): _____ / _____ / _____ 7 RDO Code: _____

8 Withholding Agent's Name (Last Name, First Name, Middle Name for Individual OR Registered Name for Non-Individual): _____

9 Registered Address (Indicate complete address. If branch, indicate the branch address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1902): _____

9A ZIP Code: _____

10 Contact Number: _____ 11 Category of Withholding Agent Private Government

12 Email Address: _____

Part II - Computation of Tax

	ATC	Tax Base (Consolidated for the Quarter)	Tax Rate	Tax Withheld (Consolidated for the Quarter)
13				
14				
15				

For BIR Use Only: BCS/Item: Republic of the Philippines Department of Finance Bureau of Internal Revenue

Annex "A"

BIR Form No. **0619-E** Monthly Remittance Form of Creditable Income Taxes Withheld (Expanded) January 2018 Page 1

Enter all required information in CAPITAL LETTERS using BLACK ink. Mark all applicable boxes with an "X". Two copies MUST be filed with the BIR and one held by the Taxpayer.

1 For the Month of (MM/YYYY): _____ 2 Due Date (MM/DD/YYYY): _____ 3 Amended Form? Yes No

4 Any Taxes Withheld? Yes No 5 ATC: **WME10** 6 Tax Type Code: **WE**

Part I - Background Information

7 Taxpayer Identification Number (TIN): _____ 8 RDO Code: _____

9 Withholding Agent's Name (Last Name, First Name, Middle Name for Individual OR Registered Name for Non-Individual): _____

10 Registered Address (Indicate complete address. If branch, indicate the branch address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1902): _____

10A ZIP Code: _____

11 Contact Number: _____ 12 Category of Withholding Agent Private Government

13 Email Address: _____

Part II - Tax Remittance

14 Amount of Remittance			
15 Less: Amount Remitted from Previously Filed Form, if this is an amended form			
16 Net Amount of Remittance (Item 14 Less Item 15)			
17 Add: Penalties			
17A Surcharge			
17B Interest			
17C Compromise			
17D Total Penalties (Sum of Items 17A to 17C)			
18 Total Amount of Remittance (Sum of Items 16 and 17D)			

I/We declare under the penalties of perjury that this remittance form has been made in good faith, verified by me/us, and to the best of my/our knowledge and belief, is true and correct, pursuant to the provisions of the Tax Code and other laws.

0619-E

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Withholding Tax:

Withholding on Government Payments



VAT Withholding

- Input taxes are considered as passed-on tax thus the purchaser pays the Value added Tax as portion of the total cost regardless if they are exempted from paying any taxes or not
- Purpose: To eliminate the notion that the Government is taxing himself



RMC 36-2021: Shifting from Final to Creditable Tax

Rate:

- VAT Withholding tax rate - 5%; or
- Percentage tax rate – 3% starting July 1, 2023



THANK YOU!