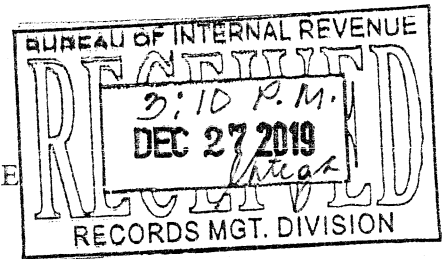




BUREAU OF INTERNAL REVENUE
COMMUNICATIONS DIVISION
BUREAU OF INTERNAL REVENUE
Quezon City



December 16, 2019

REVENUE MEMORANDUM CIRCULAR NO. 143-2019

SUBJECT : Clarifications on the Inclusion of Taxpayers as Top Withholding Agents Who Are Obligated to Remit the 1% and 2% Creditable Withholding Taxes Pursuant to the Criteria of Revenue Regulations No. 7-2019

TO : All Revenue Officials, Employees and Other Concerned

When the one percent (1%) creditable withholding tax (CWT) was imposed on the purchase of goods under Revenue Regulations (RR) No. 12-94, the taxpayer, as the withholding agent, should belong to the top five thousand (5,000) corporations, as determined by the Commissioner of Internal Revenue. When this number of taxpayers were increased to ten thousand (10,000) under RR No. 17-2003, minimum amounts of threshold according to the different selective criteria were prescribed for purposes of inclusion in the list of top 10,000 private corporations. Under the same revenue issuance, the withholding and remittance of the two percent (2%) CWT on the purchase of services, in addition to the 1% CWT on the purchase of goods, were imposed on these top 10,000 private corporations, as well as large taxpayers were mandated to withhold and remit these 1% and 2% CWTs. Subsequently under RR No. 14-2008, the number of top private corporations was increased to 20,000 and RR No. 6-2009 included the top 5,000 individual taxpayers.

It should be observed in the aforesaid revenue regulations that the obligation to withhold and remit these CWTs to this Bureau is mandated only to those taxpayers whose business operations have a significant level of economic impact contributory to the collection of revenues. Under this perspective, more potential revenues can be detected and collected by this Bureau through the other stakeholders and business partners of these taxpayers. Based on this rationale that RR No. 7-2019 was issued in order to simplify the criteria for the selection of Top Withholding Agents (TWAs), which were introduced by RR No. 11-2018.


Further, in implementing the said Regulations and consistent to the policy of ease of doing business by ensuring that the list of TWAs only reflect taxpayers who are compliant to the prescribed criteria of RR No. 7-2019, Operations Memorandum (OM) Order No. 20-2019 was issued by the Deputy Commissioner for Operations Group to all Regional Directors and Revenue District Officers. The OM excludes the following taxpayers in the identification of TWAs, although they have satisfied the prescribed criteria of the said RR:

- a. National government agencies, government-owned or controlled corporations, state universities and colleges, and local government units;
- b. Taxpayers who were included because of one-time transactions (i.e. estate and donor's tax);

- c. Individual taxpayers deriving income on commission basis such as but not limited to insurance agent, and real estate broker, subject to verification of their duly-filed 2018 Quarterly Income Tax Returns (BIR Form No. 1701Q) in order to determine the regularity of their transactions. Accordingly, if the P12M criteria has been satisfied only in one (1) taxable quarter, the taxpayer shall not be qualified as TWA; and
- d. Taxpayers who are tax exempt from payment of income taxes with no proprietary activities (i.e. foundations, non-stock, non-profit and tax exempt educational institutions, religious and charitable institutions, etc.).

On the basis of the above discussions and clarifications, in cases of publication of TWAs in the newspaper of general circulation wherein certain taxpayers are included or not deleted in the existing list of TWAs but do not satisfy the criteria of RR No. 7-2019, or if they may have satisfied the same but qualify as taxpayers enumerated in OM No. 20-2019 who should be excluded from the list of TWAs, these taxpayers cannot be compelled to withhold the 1% and 2% CWTs.

All internal revenue officials, employees and others concerned are hereby enjoined to give this Circular as wide publicity as possible.


CAESAR R. DULAY
Commissioner of Internal Revenue
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