



R.G. Manabat & Co.

Welcome to the club!

Nherwin B. Hernandez

Top of Mind
December 11 2018

It is important to note that income payments to casual suppliers for single purchase exceeding PhP10,000.00 are subject to the 1% or 2% withholding tax rate.

Looking back during our school days, we are usually excited to see our names included in the list of top class performers. Seeing our name in the list brings a certain sense of accomplishment and pride because our efforts have paid off. However, being on the list also carries with it additional pressure to do well next time. We have this strange feeling that people are expecting us to do better than the rest going forward. In the same way, taxpayers who were included in the list of top withholding agents (TWAs) recently circulated by the Bureau of Internal Revenue (BIR) have an additional responsibility to withhold on certain kind of income payments. Further, more taxes are expected to be remitted from them for being notified as part of this group of taxpayers.

To give a background, Revenue Regulations (RR) No. 11-2018 provides that TWAs shall include Large Taxpayers under RR No. 01-1998, Top 20,000 corporations under RR No. 06-2009, Top 5,000 individual taxpayers under RR No. 06-2009, taxpayers newly identified and included as Medium Taxpayers, and those under the Taxpayer Account Management Program (TAMP).

On 08 October 2018, the BIR has identified the TWAs who are required to deduct and remit 1% and 2% Creditable Withholding Tax (CWT) for the purchase of goods and services, respectively, pursuant to the provisions of RR No. 11-2018. The list of individual and non-individual taxpayers published in the BIR website includes the list of existing withholding agents, additional withholding agents and withholding agents for deletion from existing list.

What are the implications of having been identified as being included in this group of withholding agents? What does a newly identified TWA need to know and do? Prudence dictates that taxpayers should check the BIR's website to find out whether he or she has been classified as part of the said group of taxpayers. The publication in the website is considered sufficient notice to the TWA. However, the BIR may still send individual written notices to the identified TWAs.

As mentioned above, TWAs are obliged to withhold CWT equivalent to 1% on purchase of goods and 2% on purchase of services from their local or resident suppliers, including non-resident aliens engaged in trade or business in the Philippines. As discussed in RR No. 11-2018, a local resident supplier of goods/services pertains to a supplier from whom the TWA regularly makes its purchases of goods/services. To clarify further, a regular supplier refers a supplier to whom the taxpayer has transacted at least six times, regardless of the amount per transaction, either in the previous year or current year. However, it is important to note that income payments to casual suppliers for single purchase exceeding PhP10,000.00 are subject to the 1% or 2% withholding tax rate.

Thus, TWAs should initially check if an income payment is subject to any of the withholding tax rates prescribed by RR No. 2-98, as amended. Otherwise, it will have to apply the 1% or 2% withholding tax rate, whichever is applicable. Further, the obligation to withhold shall start on 01 November 2018. The remittance of which to the BIR shall be on 10 December 2018 for taxpayers who are not using the electronic and filing payment system (eFPS) facility and 17 December 2018 (since December 15 falls on a Saturday) for taxpayers who are using the said facility.

Aside from the above requirement to withhold on purchase of goods and services, are medium taxpayers mandated to file returns and pay taxes using the eFPS facility of the BIR? One view is that in the absence of an express stipulation or regulation requiring medium taxpayers to use the eFPS facility in the filing of their returns and the payment of their taxes, it may be argued that such taxpayers are not required to enroll in the eFPS facility. However, another view argues that medium taxpayers may be considered as taxpayers similarly situated with Large Taxpayers, Top 20,000 corporations, Top 5,000 individual taxpayers and those under the Taxpayer Account Management Program (TAMP) who are mandated to use the eFPS facility under different existing regulations. Perhaps, the BIR may clarify this issue by providing specific guidance to medium taxpayers.

Although the inclusion in the list may appear to be more burdensome to the newly identified TWAs as it entails additional responsibility on their part, it may also be considered worthwhile to them as this provides an avenue for the said taxpayers to help the government in the collection of taxes which will be used in improving the services that the government provides the community.

Nherwin B. Hernandez is an Assistant Manager from the Tax Group of KPMG R.G. Manabat & Co. (KPMG RGM&Co.), the Philippine member firm of KPMG International. KPMG RGM&Co. has been recognized as a Tier 1 tax practice, Tier 1 transfer pricing practice, Tier 1 leading tax transactional firm and the 2016 National Transfer Pricing Firm of the Year in the Philippines by the International Tax Review.

This article is for general information purposes only and should not be considered as professional advice to a specific issue or entity.

The views and opinions expressed herein are those of the author and do not necessarily represent the views and opinions of KPMG International or KPMG RGM&Co. For comments or inquiries, please email ph-inquiry@kpmg.com or rgmanabat@kpmg.com.