October 1, 2018

BIR RULING NO. 1216-18

Revenue Regulations (RR) No. 2-98, as amended

BIBO Global Opportunity, Inc.
11th Level, JY Square Mall,
1 Salinas Dr. Cor. Gorordo St.,
Lahug, Cebu City

Attention: *AAA*

Gentlemen :

This refers to your letter dated July 03, 2017, requesting on behalf of **BIBO GLOBAL OPPORTUNITY, INC. ("BIBO" for brevity)**, for a ruling on the applicable withholding tax rate covering the income of individuals rendering online-based tutorial services to its student-clients.

Background:

BIBO is a corporation duly organized and existing under the laws of the Philippines, and is duly registered with the Securities and Exchange Commission (SEC) under Company Registration No. CS201220390. It is engaged in the business of providing informal English tutorial services to foreign students abroad by means of video chat communication thru the internet. For this purpose, BIBO hires the services of independent contractors who are Filipino residents as tutors. The tutors conduct tutorial classes for BIBO's student-clients either in its office or at any other place mutually agreed upon by BIBO and the tutors.

The only minimum qualification required of the independent contractors serving as tutors is proficiency in English language. BIBO does not require that the independent contractors be licensed teachers or professors and it even accepts the services of college students to serve as its tutors.

In view of the foregoing, you now seek a categorical ruling as to the applicable withholding tax rate on the income of BIBO's tutors who are independent contractors and are not licensed teachers or professors.

In reply, please be informed that after careful evaluation of the enumerated

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individuals subject to withholding tax under the provisions of Revenue Regulations (RR) No. 2-98, as amended, specifically Section 2.57.2 thereof, there is no instance found to be applicable for non-professionals that are hired under a contract of service by private corporations. Thus, BIBO's independent contractors who are non-professionals hired under a contract of service shall not be subject to creditable withholding tax. However, such independent contractors must report such income payments in their income tax returns.

Moreover, BIBO's independent contractors who are non-professionals hired under a contract of service are required to register with the Bureau of Internal Revenue (BIR) following the procedures and guidelines stated in Revenue Regulations (RR) No. 07-2012 dated April 2, 2012, in relation to Revenue Memorandum Circular (RMC) Nos. 70-2013 dated November 12, 2013, 37-2016 dated March 22, 2016, 93-2016 dated September 2, 2016, and 137-2016 dated December 28, 2016.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation it will be disclosed that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

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