April 5, 2018

BIR RULING NO. 612-18

Section 32 (B) (6) (f) of the Tax Code of 1997, as amended; BIR Ruling No. 363-12

Lung Center of the Philippines
Quezon Avenue Extension
Quezon City

Attention: *AAA*

Gentlemen :

This refers to your letter dated July 14, 2017 requesting for clarification on Revenue Regulations No. 2-98 concerning the withholding tax on retirement gratuity of **Lung Center of the Philippines (LCP)** employees, specifically those who avail of early, optional or voluntary retirement.

In reply thereto, please be informed that Section 32 (B) (6) (f) of the Tax Code of 1997, as amended, provides that benefits from the Government Service Insurance System (GSIS) under Republic Act (RA) No. 8291, including retirement gratuity received by government officials and employees shall not be included in their gross income and shall be exempt from income tax. Accordingly, the gratuity pay of retiring employees of LCP, who are qualified [1] to avail of the retirement benefits under RA No. 8291, shall be excluded from their gross income and shall not be subject to the withholding tax on compensation. However, for officials and employees who are not yet qualified to avail of the retirement benefits under said law, the benefits that they will receive shall be considered as part of their compensation income which are subject to income tax and consequently to the withholding tax on wages under Section 79, Chapter XIII, Title II of the Tax Code of 1997. (*BIR Ruling No. 363-2012* dated May 31, 2012)

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,

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

Footnotes

1. To qualify for this retirement mode under Section 13-A of RA No. 8291:
   a) The retiree must have rendered at least 15 years of service and must be at least 60 years of age upon retirement.
   b) He/she must not be a permanent total disability pensioner.

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