April 10, 2018

BIR RULING NO. 616-18

Revenue Regulations No. 2-98, as
amended by RR No. 14-02

StormPartners, Inc.
DZR 7F Electra House
115 Esteban Street, Legaspi Village
Makati City

Attention: *AAA*

Gentlemen :

This refers to your letter dated November 6, 2015 requesting confirmation that income payments to StormPartners, Inc., which is engaged in the sale of information technology (IT) services and other IT enabled services, by its local clients or customers are subject to the creditable withholding tax (CWT) of two percent (2%) in accordance with Section 2.57.2 (E) (4) (m) of the Revenue Regulations (RR) No. 2-98, as amended; and that StormPartners, Inc. is properly classified under ATC code WC120 (prime contractors/subcontractors).

In reply, please be informed that Section 2.57.2 (E) (4) (m) of RR No. 2-98, as amended by RR No. 14-02, provides for the applicable withholding tax rate to be imposed on gross payments made to certain contractors, whether individual or corporate:

> *Section 2.57.2. Income payment subject to creditable withholding tax and rates prescribed thereon. — Except as herein otherwise provided, there shall be withheld a creditable income tax at the rates herein specified for each class of payee from the following items of income payments to persons residing in the Philippines:*
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> xxx xxx xxx
>
> *(E) Income payments to certain contractors. — On gross payments to the following contractors, whether individual or corporate —* ***Two percent (2%)****.*
>
> *(4) Other contractors. —*
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> xxx xxx xxx

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(m) Persons engaged in the sale of computer services, computer programmers, software/program developer/designer, internet service providers, web page designing, computer data processing, conversion or base services and other computer related activities;

xxx xxx xxx

Accordingly, since StormPartners, Inc. is engaged in the sale of information technology (IT) services and other IT enabled services, this Office hereby confirms your opinion that the payments received by it from clients for rendering said services are subject to CWT of two percent (2%), pursuant to Section 2.57.2 (E) (4) (m) of RR No. 2-98, as amended by RR No. 14-02. We also confirm your opinion that StormPartners, Inc. is properly classified under ATC WC 120 [prime contractors/subcontractors (corporation)] subject to the 2% CWT under Revenue Memorandum Order (RMO) No. 29-98.

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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