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REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

January 4, 2018

REVENUE MEMORANDUM CIRCULAR NO. 1-2018

SUBJECT : Prescribes the Procedures on the use of Withholding Tax Table on Compensation Income and Advises on the Change of Creditable Withholding Tax Rate on Certain Income Payments to Individuals

TO : All Internal Revenue Officials, Employees and Others Concerned

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This Revenue Memorandum Circular (RMC) is issued pursuant to the amendments to the National Internal Revenue Code introduced under Republic Act No. 10963, effective January 1, 2018, with the following objectives:

(A) To supplement RMC No. 105-2017 dated December 28, 2017 by providing the steps on how to use the revised Withholding Tax Table on Compensation; and

(B) To advise on the change in the Creditable Withholding Tax Rate on Income Payments to Self-employed Individuals or Professionals.

A. Steps in the Use of the Withholding Tax Table

In general, every employer paying compensation to its employee/s shall deduct and withhold from such compensation a tax determined in accordance with the prescribed Revised Withholding Tax Tables, version 2 (Annex "A").

Step 1. Determine the total amount of monetary and non-monetary compensation paid to an employee for the payroll period: monthly, semi-monthly, weekly or daily, as the case may be, segregating non-taxable benefits and mandatory contributions.

Step 2. Use the appropriate table in Annex "A" for the applicable payroll period.

Step 3. Determine the compensation range of the employee and apply the applicable tax rates prescribed thereon.

Step 4. Compute the withholding tax due by adding the tax predetermined in the compensation range indicated on the column used and the tax on the excess of the total compensation over the minimum of the compensation range.

Sample Computations Using the Withholding Tax Tables

The following are sample computations of withholding tax on compensation using the prescribed withholding tax tables:

Example 1: An employee receiving daily compensation in the amount of ₱2,500.00, net of mandatory contributions.

Computation:

By using the daily withholding tax table, the withholding tax beginning January 2018 is computed by referring to compensation range under column 4 which shows a predetermined tax of ₱356.16 on ₱2,192.00 plus 30% of the excess of Compensation Range (Minimum) amounting to ₱308.00 (₱2,500.00 – ₱2,192.00) which is ₱92.40. As such, the withholding tax to be withheld by the employer shall be ₱448.56.

Total taxable compensation	₱	2,500.00
Less: Compensation Range (Minimum)		2,192.00
Excess	₱	308.00

Withholding tax shall be computed as follows:

Predetermined Tax on ₱2,192.00	₱	356.16
Add: Tax on the excess (₱308.00 x 30%)		92.40
Total daily withholding tax	₱	**448.56**

Example 2: An employee receiving weekly compensation in the amount of ₱9,500.00, net of mandatory contributions.

Computation:

By using the weekly withholding tax table, the withholding tax beginning January 2018 is computed by referring to compensation range under column 3 which shows a predetermined tax of ₱576.92 on ₱7,692.00 plus 25% of the excess of Compensation Range (Minimum) amounting to ₱1,808.00 (₱9,500.00 – ₱7,692.00) which is ₱452.00. As such, the withholding tax to be withheld by the employer shall be ₱1,028.92.

Total taxable compensation	₱	9,500.00
Less: Compensation Range (Minimum)		7,692.00
Excess	₱	1,808.00

Withholding tax shall be computed as follows:

Tax on ₱7,692.00	₱	576.92
Tax on the excess (₱1,808.00 x 25%)		452.00
Total weekly withholding tax	₱	**1,028.92**

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Example 3: An employee receiving semi-monthly compensation in the amount of ₱15,500.00, net of mandatory contributions.

Computation:

By using the semi- monthly withholding tax table, the withholding tax beginning January 2018 is computed by referring to compensation range under column 2 which shows a predetermined tax of ₱0.00 on ₱10,417.00 plus 20% of the excess of Compensation Range (Minimum) amounting to ₱5,083.00 (₱15,500.00 – ₱10,417.00) which is ₱1,016.60. As such, the withholding tax to be withheld by the employer shall be ₱1,016.60.

Total taxable compensation	₱	15,500.00
Less: Compensation Range (Minimum)		10,417.00
Excess	₱	5,083.00

Withholding tax shall be computed as follows:

Tax on ₱10,417.00	₱	0.00
Tax on the excess (₱5,083.00 x 20%)		1,016.60
Total semi-monthly withholding tax	₱	**1,016.60**

Example 4: An employee receiving monthly compensation in the amount of ₱170,500.00 with supplemental compensation in the amount of ₱5,000.00, net of mandatory contributions.

Computation:

By using the monthly withholding tax table, the withholding tax beginning January 2018 is computed by referring to compensation range under column 2 which shows a predetermined tax of ₱40,833.33 on ₱166,667.00 plus 32% of the excess of Compensation Range (Minimum) amounting to ₱8,833.00 (₱170,500.00 + ₱5,000 – ₱166,667.00) which is ₱2,826.56. As such, the withholding tax to be withheld by the employer shall be ₱43,659.89.

Total taxable compensation	₱	170,500.00
Less: Compensation Range (Minimum)		166,667.00
Excess	₱	3,833.00
Add: Supplemental Compensation		5,000.00
Total Taxable compensation for the month	₱	8,833.00

Withholding tax shall be computed as follows:

Tax on ₱166,667.00	₱	40,833.33
Tax on the excess including supplemental compensation (₱8,833.00 x 32%)		2,826.56
Total monthly withholding tax	₱	**43,659.89**

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B. Change in the Creditable Withholding Tax Rate on Income Payments to Self-employed Individuals or Professionals

The following Income Payments to Self-employed Individuals or Professionals shall be subject to Eight Percent (8%):

1. Professional fees, talent fees, commissions, etc. for services rendered by individuals;
2. Income distribution to beneficiaries of Estates and Trusts;
3. Income Payment to certain brokers and agents;
4. Income Payments to partners of general professional partnership;
5. Professional fees paid to medical practitioners; and
6. Commission of independent and/or exclusive sales representatives, and marketing agents of companies.

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

CAESAR R. DULAY
Commissioner of Internal Revenue

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