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

February 21, 2006

REVENUE MEMORANDUM CIRCULAR NO. 16-2006

SUBJECT: **Application and computation of the 32% and 35% Income tax rates for taxable year 2005 in the light of the effectivity of RA 9337.**

To: **All Revenue Officials, Employees and Others Concerned**

This Revenue Memorandum Circular is issued to clarify the effectivity date for the application and computation of the 32% and 35% Income tax rates for the year 2005 to effect the amendments made under RA 9337.

Q1. When is the effectivity of the 35% income tax rate as provided by RA 9337?

A1. The effectivity date is on November 1, 2005.

Q2. How shall the income tax due for taxable year 2005 be computed if the taxpayer is under the calendar year accounting period?

A2. In the computation of the taxable income, there should be no regard to the dates of the transactions within the calendar year. The income and expenses for the year shall be considered earned and spent **equally** for each month or period.

Formula: $\frac{\text{Taxable Income x No. of months covered by 32\%}}{12} \times 32\% = P\ xx$

$\frac{\text{Taxable Income x No. of months covered by 35\%}}{12} \times 35\% = \quad xx$

TOTAL TAX DUE PER ITR P xxx
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Q3.. A corporation has an income for calendar year 2005 of P200,000.00. How shall the Income tax due for 2005 be computed?

A3. The Income tax due for the year shall be computed as follows:

P200,000.00 x 10 / 12	x	32% =	P53,333.33
P200,000.00 x 2 / 12	x	35% =	11,666.67
Tax Due for 2005 Before any claim For tax credits			P65,000.00

Q4. If a corporation is under the fiscal year accounting period (April, 2005 to March 2006), how shall the Income tax due for fiscal year 2005 be computed if the taxable income for the year is P100,000.00?

A4. The Income tax due for the year shall be computed as follows:

P100,000.00 x 7 / 12	x	32% =	P 18,666.67
P100,000.00 x 5 / 12	x	35% =	14,583.33
Tax Due for fiscal year 2005 before claim of available Tax credits			P 33,250.00

All internal revenue officials and others concerned are hereby enjoined to give this Revenue Memorandum Circular the widest publicity possible.

(Original Signed)
JOSE MARIO C. BUNAG
Commissioner of Internal Revenue