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

July 6, 2007

REVENUE MEMORANDUM CIRCULAR NO. 45-2007

SUBJECT : **Reiteration of the Mandated Duty of the Top 10,000 Private Corporations and of the Government to Withhold Not Only on Their Purchase of Goods But Also on their Purchase of Services Pursuant to Revenue Regulations No. 2-98, as Amended.**

TO : **All Internal Revenue Officials, Employees and Others Concerned.**

The following provisions under Revenue Regulations No. 2-98, as amended by Revenue Regulations No. 17-2003, clearly enunciate the withholding tax obligations that must be observed by top 10,000 private corporations and by the government on their respective income payments, as follows:

(1) Sec. 2.57.2(M) which imposes withholding tax at rates of 1% (for goods) and 2% (for services) on income payments made by the top ten thousand (10,000) private corporations to their local/resident suppliers of goods and local/resident supplier of services other than those covered by other rates of withholding tax; and

(2) Sec. 2.57.2(N) *(as subsequently amended by RR 30-2003)* which imposes withholding tax at rates of 1% (for goods) and 2% (for services) on income payments made by the government to its local/resident supplier of goods and local/resident supplier of services other than those covered by other rates of withholding tax

Notwithstanding the above, however, top 10,000 private corporations and the government have apparently been remiss in complying with their duty to withhold on income payments pertinent to certain types of services purchased/procured.

This Circular, therefore, serves as a reiteration for the top 10,000 private corporations and the government agencies [i.e National Government Agencies (NGAs), Local Government Units (LGUs), Government Owned & Controlled Corporations (GOCCs), Government Financial Institutions (FGIs) and other instrumentalities] to comply with their obligation to withhold two percent (2%) expanded withholding tax on purchases/payments of services (other than those covered by other rates of withholding tax) such as those incurred on interest on loans, service fees and other charges extended by banks, quasi-banks and other financial institutions; insurance premiums (life & non-life); telecommunications; electricity and other utilities; and other income payment on services.

All concerned are hereby enjoined to be guided accordingly and to give this Circular as wide a publicity as possible.

(Original Signed)
LILIAN B. HEFTI
OIC-Commissioner of Internal Revenue