REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

03 MAY 2023

REVENUE MEMORANDUM CIRCULAR NO. 47-2023

SUBJECT	::	Reiterating the Proper Time of Remittance of Withholding Taxes by National Government Agencies and Instrumentalities, Local Government Units, and Government Owned and Controlled Corporations
TO	::	All Internal Revenue Officers and Others Concerned

This Circular is hereby issued to reiterate the proper time of remittance of withholding taxes by National Government Agencies (NGAs) and instrumentalities, Local Government Units (LGUs), and Government Owned and Controlled Corporations (GOCCs).

There are reports that certain NGAs, LGUs, GOCCs, and other government entities, continue the practice of deduction and subsequent remittance of corresponding withholding taxes due from expenditures when it was actually paid, despite such expenditures were earlier recognized as accruals and recorded in their books of accounts.

Please be informed that, since 2001, the proper time of withholding and remittance of the tax was already required under Revenue Regulations (RR) No. 12-2001, amending Section 2.57.4 of RR No. 2-98, which provides the following:

> *"Section 4. Time of Withholding – Section 2.57.4 of RR 2-98, is hereby amended to read as follows:*
>
> *Sec. 2.57.4. Time of withholding. – The obligation of the payor to deduct and withhold the tax under Section 2.57 of these Regulations arises at the time an income payment is paid or payable, or the income payment is accrued or recorded as an expense or asset, whichever is applicable, in the payor's books, whichever comes first. The term "payable" refers to the date the obligation becomes due, demandable or legally enforceable.*
>
> *Provided, however, that where income is not yet paid or payable but the same has been recorded as an expense or asset, whichever is applicable, in the payor's books, the obligation to withhold shall arise in the last month of the return period in which the same is claimed as an expense or amortized for tax purposes. x x x" (Underscoring supplied)*

On the other hand, the accrual basis of accounting was already prescribed by the Commission on Audit in the Government Accounting Manuals for NGAs and LGUs since 2002, pursuant to the Philippine Public Sector Accounting Standards that are harmonized with the International Public Sector Accounting Standards. Hence, a long period of departure from

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the cash basis of accounting which is, apparently, still being adopted by these concerned government entities where their duty to deduct and withhold the tax is erroneously grounded.

Accordingly, all concerned NGAs, LGUs, and GOCCs and other government entities are hereby requested to strictly comply with the proper time of remittance of the withholding tax obligations to avoid payment of the corresponding penalties.

All internal revenue officers and employees are hereby enjoined to give this Circular a wide publicity as possible.

ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue
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