REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

August 20, 2004

REVENUE MEMORANDUM CIRCULAR NO. 60 - 2004

SUBJECT : Clarification regarding the withholding of creditable value-added tax by government offices for purchases of P1,000.00 and below.

T O : All Internal Revenue Officers and Employees and Others Concerned.

This circular is issued to clarify the withholding of creditable value-added tax withheld by government offices (GVAT) on purchase of goods and services amounting to P1,000.00 and below due to numerous queries from Regional/District Offices and taxpayers.

For the information and guidance of all internal revenue officers and employees, quoted hereunder are pertinent provisions of Revenue Regulations No. 2-98 requiring government offices to withhold value-added tax on payments to VAT registered suppliers of goods or services, viz:

"Sec. 4.114 WITHHOLDING OF CREDITABLE VALUE-ADDED TAX

x x x

(A) Rates and basis of creditable value-added tax to be withheld. - The gross payments made by the government to the sellers of goods and services shall be subject to withholding tax at the rates herein prescribed:

(1) In general, payments by the government or any of its political subdivisions, instrumentalities or agencies including government-owned or controlled corporations (GOCCs) on account of its purchase of goods from sellers and services rendered by contractors who are subject tot he value-added tax -

On gross payment for the purchase of goods	- 3%
On gross payment for services rendered	- 6%

(2) Payments made to government public works contractors - 8.5%

(3) Payments for lease or use of property or property rights to non-resident owners - 10%

x x x"

The above provisions shall prevail since RR 2-98 was issued later and therefore **all payments made by government offices, regardless of amount, shall be subject to the appropriate rate of withholding tax on VAT**. Thus, the last sentence of Section 4.110-3 of RR 7-95 as amended by RR 6-97 exempting from withholding of value-added tax payment of P1,000.00 and below to VAT suppliers/payees shall no longer be applicable and are deemed revoked.

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

(Original Signed)
GUILLERMO L. PARAYNO, JR.
Commissioner of Internal Revenue

J-2
/mag/jnb
#1732