REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

October 31, 2012

REVENUE MEMORANDUM CIRCULAR NO. 64-2012

SUBJECT : Business Taxes on Professionals

TO : All Revenue Officials, Employees and Others Concerned

This Circular is being issued to clarify the imposition of business taxes on services performed by persons engaged in the practice of profession or calling.

Professional, classified as self-employed, refers to an individual or a group, practicing his or their profession or calling, with or without license under a regulatory board or body. Apart from applicable income taxes and withholding taxes, he or they are subject to the following business taxes:

1. **VALUE-ADDED TAX (VAT)** - A professional is liable to VAT at the rate of twelve percent (12%) if his gross receipts/professional fees for the past twelve (12) months is more than P1,919,500.[1]

   A professional is likewise liable to register as a VAT-taxpayer if there are reasonable grounds to believe that his gross receipts/professional fees for the next twelve (12) months will exceed P1,919,500.[2]

   For purposes of the threshold amount of P1,919,500, the husband and the wife shall be considered separate taxpayers. However, the aggregation rule for each taxpayer shall apply. For instance, if a professional, aside from the practice of his profession, also derives revenue from other lines of business which are otherwise subject to VAT, the same shall be combined for purposes of determining whether the threshold has been exceeded.[3]

   A professional whose gross receipts/professional fees is more than the threshold amount of P1,919,500 shall be liable to VAT, regardless of whether or not he registers as a VAT person. He is mandatorily covered by the VAT system. If he fails to register, he shall be liable to pay the twelve percent (12%) output tax under Section 108 (*Value-Added Tax on Sale of Services and Use or Lease of Properties*) of the National Internal Revenue Code (NIRC) of 1997, as amended, as if he were a VAT-registered person, but without the benefit of input tax credits for the period in which he was not properly registered.[4]

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[1] Sections 108 and 236(G)(1) of the National Internal Revenue Code (NIRC) of 1997, as amended; Section 9.236-1[b] of Revenue Regulations (RR) No. 16-2005, as amended; RR 16-2011
[2] Section 236(G)(1) of the NIRC, as amended; Section 9.236-1(b) of RR 16-2005, as amended; RR 16-2011
[3] Section 4.109-1(B)(1)(x) of RR 16-2005, as amended
[4] Section 236(G)(2) of the NIRC, as amended; Section 9.236-1(b) of RR 16-2005, as amended

2. **PERCENTAGE TAX** - A professional is liable to percentage tax at the rate of three percent (3%) if his gross receipts/professional fees for the past twelve (12) months is equal to or is below P1,919,500 and he is not a VAT-registered person.[5]

If the professional registers as a VAT-person, he shall be liable to VAT upon registration as VAT taxpayer and not to percentage tax, irrespective of the amount of his gross receipts/professional fees.[6] A professional who is not required to register for VAT may elect to be VAT-registered but he shall not be allowed to cancel such registration for the next three (3) years counted from the quarter when the election was made.[7]

All other issuance inconsistent herewith are hereby repealed or modified accordingly.

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

This Circular takes effect immediately.

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

[5] Section 116 of the NIRC, as amended; RR 16-2011
[6] Sections 116 and 236(G)(2) of the NIRC, as amended; Section 9.236-1(b) of RR 16-2005, as amended
[7] Sections 109(2) and 236(H) of the NIRC, as amended; Sections 4.109-2 and 9.236-1 of RR 16-2005, as amended