REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

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10:40 A.M.
DEC 26 2012
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December 21, 2012

REVENUE MEMORANDUM CIRCULAR NO. 84 - 2012

SUBJECT : Clarifying Tax Treatment of Interest Income Earnings on Loans that are Not Securitized, Assigned or Participated Out

TO : All Internal Revenue Officers and Other Concerned

For the information and guidance of all concerned, this Circular is being issued to clarify the proper tax treatment of interest income earnings on loans that are not securitized, assigned or participated out.

Interest income received by banks from payors belonging to the Top Twenty Thousand (20,000) Corporations strictly arising from individual loans obtained from banks that are not securitized, assigned or participated out remains to be subject to *Creditable Withholding Tax (CWT)* at the rate of two percent (2%). Corollarily, interest income paid by banks designated as Top Twenty Thousand (20,000) Corporations strictly arising from loans made to such banks that are not securitized or participated out remains to be subject to CWT at the rate of two percent (2%). (*Section 57[B] of the Tax Code, as amended, in relation to Section 2.57.2[M] of Revenue Regulations No. 2-98, as amended*)

The twenty percent (20%) *Final Withholding Tax (FWT)* and *Creditable Withholding Tax (CWT)* imposed under the Tax Code of 1997, as amended, and existing regulations cover interest arising from or paid out of debt securities. (*Sections 24[B][1], 25[A][2], 27[D][1], and 28[A][7][a] of the Tax Code, as amended, in relation to 2.57.1 of Revenue Regulations No. 2-98, as amended; Section 57[B] of the Tax Code, as amended, in relation to Section 2.57.2[Y] of Revenue Regulations No. 2-98, as amended*).

All other issuances including rulings inconsistent herewith are hereby revoked or modified accordingly.

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

This Circular takes effect immediately.

KIM S. JACINTO-HENARES
Commissioner of Internal Revenue

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