REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
**BUREAU OF INTERNAL REVENUE**

March 1, 2004

**REVENUE REGULATIONS NO. 3-2004**

**SUBJECT : Suspending the implementation of withholding tax on income payments made to suppliers of agricultural products under Section 2.57.2(S) of Revenue Regulations 2-98, as amended by RR 17-2003, further amended by RR 30-2003 and 1-2004.**

**TO : All Withholding Agents, Internal Revenue Officers and Employees and Others Concerned**

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**SECTION 1. SCOPE. -** Pursuant to the provisions of Section 244, in relation to Section 57(B) of the Tax Code of 1997, these regulations are hereby promulgated to suspend the implementation of Section 2.57.2 (S) of Revenue Regulations No. 2-98, as amended by Revenue Regulations Nos. 17-2003, 30-2003, and 1-2004, which provides as follow:

> **"(S) Income payments made to suppliers of agricultural products.** - Income payments made to agricultural suppliers such as those, but not limited to, payments made by hotels, restaurants, resorts, caterers, food processors, canneries, supermarkets, livestock, poultry, fish and marine products dealers, hardwares, factories, furniture shops and all other establishments, except for income payments to marginal income earners which, as defined in Revenue Regulations 11-2000 dated December 12, 2000, refer to individuals not otherwise deriving compensation as an employee under an employee-employer relationship, but who are self-employed and deriving gross sales/receipts not exceeding P100,000.00 during any 12-month period. One percent (1%).
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> The term "agricultural suppliers" refers to suppliers/sellers of agricultural, forest and marine food and non-food products, livestock and poultry of a kind generally used as, or yielding or producing foods for human consumption; and breeding stock and genetic materials therefore. "Livestock" shall include cows, bulls and calves, pigs, sheep, goats and other animals similar thereto. "Poultry" shall include fowls, ducks, geese, turkey and others similar thereto. "Marine products" shall include fish and crustaceans, such as but not limited to, eels, trout, lobsters, shrimps, prawns, oysters, mussels and clams, shells and other aquatic products.

Meat, fruits, fish, vegetables and other agricultural and marine food products, even if they have undergone the simple processes of preparation or preservation for the market, such as freezing, drying, salting, smoking or stripping, including those using advanced technological means of packaging, such as shrink wrapping in plastics, vacuum packing, tetra-pak and other similar packaging method, shall still be covered by this subsection.

Polished and/or husked rice, corn grits, locally produced raw cane sugar and ordinary salt shall be considered as agricultural food products."

**SEC. 2. RATIONALE.** – In relation to the proper implementation of above-quoted Section 2.57.2 (S) of Revenue Regulations Nos. 2-98, as amended, the Bureau recognizes that there is a need:

1. to conduct a comprehensive and extensive public education and information campaign to ensure its uniform implementation in all regions all over the country, and

2. to establish and maintain the necessary systems and control measures in order to ensure that the withholding tax agents properly report and remit the amount of taxes actually withheld.

**SEC. 3. SUSPENSION. -** In view of the foregoing, the implementation of the above-quoted Section 2.57.2 (S) of Revenue Regulations Nos. 2-98, as amended, is hereby suspended until further notice.

**SEC. 4. ACTION PROGRAMS.** - Pending the lifting of the suspension of the implementation of the above-quoted Section 2.57.2(S) of Revenue Regulations Nos. 2-98, as amended, the following action programs shall be undertaken immediately:

1. Education and information program for Taxpayers and Revenue Officials.

2. Development and implementation of an information and control system to ensure the proper reporting and remittance of the amounts withheld by the withholding agents.

3. Audit of withholding agents on their purchases of agricultural products from June 1, 2003 to February 29, 2004; Regional Directors and Revenue District Officers shall obtain from agricultural suppliers in their respective jurisdictions information on transactions entered into by said suppliers for which taxes were withheld and determine if these have been properly reported and remitted, otherwise they shall take the necessary measures to collect said taxes.

**SEC. 5. TRANSITORY PROVISION.** – All withholding made on income payments in relation to Section 2.57.2 (S) of Revenue Regulations Nos. 2-98, prior to the effectivity of this Regulations shall be reported and remitted by the withholding agent to the Bureau on or before the tenth of the following month for which the amount was withheld, provided, however, that the deadline for electronic filing shall be in accordance with the rules and regulations governing EFPS. Provided, further, that in order for any income payments made prior to the effectivity of this Regulations to be deductible against the withholdings agent's income, the amount required under the above quoted Sec. 2.57.2 (S) of Revenue Regulations No. 2-98, as amended, must have been properly withheld, reported and remitted.

**SEC. 6. EFFECTIVITY.** - This Regulations shall take effect beginning March 1, 2004. Provisions of existing rules and regulations not otherwise inconsistent with this regulations shall continue to be in force.

(Original Signed)
**JUANITA D. AMATONG**
Secretary of Finance

Recommending Approval:

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