REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

September 14, 2018

11h32pm

REVENUE REGULATIONS NO. 21-2018

SUBJECT : Regulations Implementing Section 249 (Interest) of the National Internal Revenue Code (NIRC) of 1997, as amended under Section 75 of the Republic Act (RA) No. 10963 or the "Tax Reform for Acceleration and Inclusion (TRAIN Law)"

TO : All Internal Revenue Officials, Employees and Others Concerned

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SECTION 1. SCOPE. – Pursuant to the provisions of Sections 244 and 245 of the National Internal Revenue Code of 1997 (Tax Code), as amended, and Section 84 of Republic Act (R.A) No. 10963 otherwise known as the "Tax Reform for Acceleration and Inclusion (TRAIN) Law, these Regulations are hereby promulgated to implement Section 249 (Interest) of the Tax Code, as amended by the TRAIN Law.

SECTION 2. RATE OF INTEREST. – There shall be assessed and collected on any unpaid amount of tax, interest at the rate of double the effective legal interest rate for loans or forbearance of any money in the absence of an express stipulation as set by the Bangko Sentral ng Pilipinas (BSP) from the date prescribed for payment until the amount is fully paid.

The rate of interest per BSP Memorandum No. 799 series of 2013 for loans or forbearance of any money in the absence of an express stipulation is six percent (6%). Thus, the rate of legal interest imposable under Section 249 of the Tax Code, as amended, shall be twelve percent (12%). A Circular shall be issued by the Commissioner in case BSP prescribes new rate of interest.

SECTION 3. DEFICIENCY INTEREST. – Interest imposed on any deficiency tax due, which interest shall be assessed and collected from the date prescribed for its payment until: (a) full payment thereof, or (2) upon issuance of a notice and demand by the Commissioner or his authorized representative, whichever comes first.

SECTION 4. DELINQUENCY INTEREST. – Interest imposed on the failure to pay:

(1) The amount of the tax due on any return to be filed; or

(2) The amount of the tax due for which no return is required; or

(3) A deficiency tax, or any surcharge or interest thereon on the due date appearing in the notice and demand of the Commissioner or his authorized representative until the amount is fully paid, which interest shall form part of the tax.

SECTION 5. NO DOUBLE IMPOSITION OF INTEREST. – Upon the effectivity of the TRAIN Law, in no case shall the deficiency and delinquency interest prescribed herein be imposed simultaneously.

Illustration 1: Mr. A has been assessed deficiency income tax of P1,000,000.00, exclusive of interest and surcharge, for taxable year 2018. The

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tax liability has remained unpaid despite the lapse of June 30, 2020, the deadline for payment stated in the notice and demand issued by the Commissioner. Payment was made by the taxpayer on February 10, 2021. The applicable interest shall be computed as follows:

Basic Tax Due - Income Tax			P 1,000,000.00
Add: 25% Surcharge for late payment	P 250,000.00		
12% Deficiency Interest from 04.16.2019 to 06.30.2020 (442 days)	145,315.07		395,315.07
Total Amount Due, June 30, 2020			**P 1,395,315.07**
Add: 12% Delinquency Interest from 07.01.2020 to 02.10.2021 (225 days; based on total amount due of P1,395,315.07 as of 06.30.2020)			103,215.09
Total Amount Due, February 10, 2021			**P 1,498,530.16**

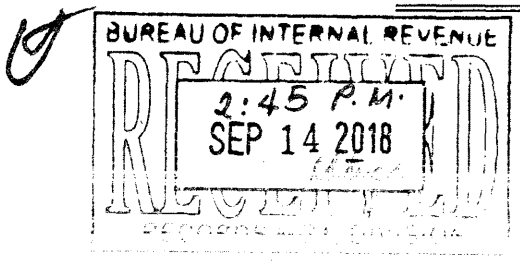
SECTION 6. TRANSITORY PROVISION. – In cases where the tax liability/ies or deficiency tax/es became due before the effectivity of the TRAIN Law on January 1, 2018, and where the full payment thereof will only be accomplished after the said effectivity date, the interest rates shall be applied as follows:

Period	*Applicable Interest Type and Rate*
For the period up to December 31, 2017	Deficiency and/or delinquency interest at 20%
For the period January 1, 2018 until full payment of the tax liability	Deficiency and/or delinquency interest at 12%

The double imposition of both deficiency and delinquency interest under Section 249 prior to its amendment will still apply in so far as the period between the date prescribed for payment until December 31, 2017.

Illustration 2: A Company has been assessed deficiency income tax of P1,000,000.00, exclusive of interest and surcharge, for taxable year 2015. The tax liability has remained unpaid despite the lapse of June 30, 2017, the deadline for payment stated in the notice and demand issued by the Commissioner. Payment was made by the taxpayer only on February 10, 2018. The civil penalties for late payment shall be computed as follows:

Basic Tax Due - Income Tax			P 1,000,000.00
Add: 25% Surcharge for late payment	P 250,000.00		
20% Deficiency Interest from April 16, 2016 to June 30, 2017 (441 days)	241,643.84		491,643.84
Total Amount Due, June 30, 2017			**P 1,491,643.84**
Add: 20% Deficiency Interest from July 1, 2017 to December 31, 2017 (184 days; based on basic tax of P1,000,000.00)	P 100,821.92		
20% Delinquency Interest from July 1, 2017 to December 31, 2017 (184 days; based on total amount due of P1,491,643.84 as of June 30, 2017)	150,390.39		
12% Delinquency Interest from January 1, 2018 to February 10, 2018 (41 days; based on total amount due of P1,491,643.84 as of June 30, 2017)	20,106.54		271,318.85
Total Amount Due on February 10, 2018			**P 1,762,962.69**



SECTION 7. REPEALING CLAUSE. — Any rules and regulations, issuances or parts thereof inconsistent with the provisions of these Regulations are hereby repealed, amended or modified accordingly.

SECTION 8. SEPARABILITY CLAUSE. — If any of the provisions of these regulations is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

SECTION 9. EFFECTIVITY. — These Regulations are effective beginning January 1, 2018, the effectivity of the TRAIN Law.

CARLOS G. DOMINGUEZ
Secretary of Finance

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Recommending Approval:

CAESAR R. DULAY
Commissioner of Internal Revenue

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