



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

July 08, 2008

**REVENUE REGULATIONS NO. 10 - 2008**

**SUBJECT: Implementing Pertinent Provisions of Republic Act No. 9504, “An Act Amending Sections 22, 24, 34, 35, 51, and 79 of Republic Act No. 8424, as Amended, Otherwise Known as The National Internal Revenue Code” Relative to the Withholding of Income Tax on Compensation and Other Concerns.**

**TO : All Internal Revenue Officers and Others Concerned**

Pursuant to Secs. 244 and 245 of the National Internal Revenue Code of 1997, as amended, in relation to the implementation of Republic Act No. 9504, amending Secs. 22, 24, 34, 35, 51 and 79 of Republic Act No. 8424, as amended, these Regulations are hereby promulgated to amend Sections 2.78.1(A), 2.78.1(B), 2.79 (A), (B), (F), (I), 2.79.1 and 2.79.2, 2.80, and 2.83 of Revenue Regulations No. 2-98 (RR 2-98), as amended, with respect to the withholding tax on compensation income, increase of personal and additional exemptions, compensation received by minimum wage earners (MWEs) and other concerns.

**SECTION 1.** Section 2.78.1 of RR 2-98, as amended, is hereby further amended to read as follows:

***“Sec. 2.78.1. Withholding of Income Tax on Compensation Income.-***

***(A) Compensation Income Defined. – xxx xxx***

xxx xxx xxx

(3) *Facilities and privileges of relatively small value.* — Ordinarily, facilities and privileges (such as entertainment, medical services, or so-called "courtesy" discounts on purchases), otherwise known as "*de minimis benefits*," furnished or offered by an employer to his employees, are not considered as compensation subject to income tax and consequently to withholding tax, if such facilities or privileges are of relatively small value and are offered or furnished by the employer merely as means of promoting the health, goodwill, contentment, or efficiency of his employees.

The following shall be considered as "*de minimis*" benefits not subject to income tax hence, not subject to withholding tax on compensation income of both managerial and rank and file employees:

(a) Monetized unused vacation leave credits of employees not exceeding ten (10) days during the year and the monetized value of leave credits paid to government officials and employees;

(b) Medical cash allowance to dependents of employees not exceeding P750.00 per employee per semester or P125 per month;

(c) Rice subsidy of P1,500.00 or one (1) sack of 50-kg. rice per month amounting to not more than P1,500.00;

(d) Uniforms and clothing allowance not exceeding P4,000.00 per annum;

(e) Actual yearly medical benefits not exceeding P10,000.00 per annum;

(f) Laundry allowance not exceeding P300.00 per month;

(g) Employees achievement awards, e.g., for length of service or safety achievement, which must be in the form of a tangible personal property other than cash or gift certificate, with an annual monetary value not exceeding P10,000.00 received by the employee under an established written plan which does not discriminate in favor of highly paid employees;

(h) Gifts given during Christmas and major anniversary celebrations not exceeding P5,000.00 per employee per annum;

(i) Flowers, fruits, books, or similar items given to employees under special circumstances, e.g., on account of illness, marriage, birth of a baby, etc.; and

(j) Daily meal allowance for overtime work not exceeding twenty five percent (25%) of the basic minimum wage.

The amount of '*de minimis*' benefits conforming to the ceiling herein prescribed shall not be considered in determining the P30,000.00 ceiling of 'other benefits' excluded from gross income under Section 32(b)(7)(e) of the Code. Provided that, the excess of the '*de minimis*' benefits over their respective ceilings prescribed by these regulations shall be considered as part of 'other benefits' and the employee receiving it will be subject to tax only on the excess over the P30,000.00 ceiling. Provided, further, that MWEs receiving 'other benefits' exceeding the P30,000.00 limit shall be taxable on the excess benefits, as well as on his salaries, wages and allowances, just like an employee receiving compensation income beyond the SMW.

Any amount given by the employer as benefits to its employees, whether classified as "*de minimis*" benefits or fringe benefits, shall constitute as deductible expense upon such employer.

Where compensation is paid in property other than money, the employer shall make necessary arrangements to ensure that the amount of the tax required to be withheld is available for payment to the Bureau of Internal Revenue.

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***(B) Exemptions from Withholding Tax on Compensation.-*** The following income payments are exempted from the requirements of withholding tax on compensation:

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(13) Compensation income of MWEs who work in the private sector and being paid the Statutory Minimum Wage (SMW), as fixed by Regional Tripartite Wage and Productivity Board (RTWPB)/National Wages and Productivity Commission (NWPC), applicable to the place where he/she is assigned.

The aforesaid income shall likewise be exempted from income tax.

'Statutory Minimum Wage' (SMW) shall refer to the rate fixed by the Regional Tripartite Wage and Productivity Board (RTWPB), as defined by the Bureau of Labor and Employment Statistics (BLES) of the Department of Labor and Employment (DOLE). The RTWPB of each region shall determine the wage rates in the different regions based on established criteria and shall be the basis of exemption from income tax for this purpose.

Holiday pay, overtime pay, night shift differential pay and hazard pay earned by the aforementioned MWE shall likewise be covered by the above exemption. Provided, however, that an employee who receives/earns additional compensation such as commissions, honoraria, fringe benefits, benefits in excess of the allowable statutory amount of P30,000.00, taxable allowances and other taxable income other than the SMW, holiday pay, overtime pay, hazard pay and night shift differential pay shall not enjoy the privilege of being a MWE and, therefore, his/her entire earnings are not exempt from income tax and, consequently, from withholding tax.

MWEs receiving other income, such as income from the conduct of trade, business, or practice of profession, except income subject to final tax, in addition to compensation income are not exempted from income tax on their entire income earned during the taxable year. This rule, notwithstanding, the SMW, Holiday pay, overtime pay, night shift differential pay and hazard pay shall still be exempt from withholding tax.

For purposes of these regulations, hazard pay shall mean the amount paid by the employer to MWEs who were actually assigned to danger or strife-torn areas, disease-infested places, or in distressed or isolated stations and camps, which expose them to great danger of contagion or peril to life. Any hazard pay paid to MWEs which does not satisfy the above criteria is deemed subject to income tax and consequently, to withholding tax.

In case of hazardous employment, the employer shall attach to the Monthly Remittance Return of Withholding Tax on Compensation (BIR Form No. 1601C) for return periods March, June, September and December a copy of the list submitted to the nearest DOLE Regional/Provincial Offices – Operations Division/Unit showing the names of MWEs who received the hazard pay, period of employment, amount of hazard pay per month, and justification for payment of hazard pay as certified by said DOLE/allied agency that the hazard pay is justifiable.

The NWPC shall officially submit a Matrix of Wage Order by region (Annex “A”), and any changes thereto, within ten (10) days after its effectivity to the Assistant Commissioner, Collection Service, for circularization in the BIR.

Any reduction or diminution of wages for purposes of exemption from income tax shall constitute misrepresentation and therefore, shall result to the automatic disallowance of expense, i. e. compensation and benefits account, on the part of the employer. The offenders may be criminally prosecuted under existing laws.

(14) Compensation income of employees in the public sector with compensation income of not more than the SMW in the non-agricultural sector, as fixed by RTWPB/NWPC, applicable to the place where he/she is assigned .

The aforesaid income shall likewise be exempted from income tax.

The basic salary of MWEs in the public sector shall be equated to the SMW in the non-agricultural sector applicable to the place where he/she is assigned. The determination of the SMW in the public sector shall likewise adopt the same procedures and consideration as those of the private sector.

Holiday pay, overtime pay, night shift differential pay and hazard pay earned by the aforementioned MWE in the public sector shall likewise be covered by the above exemption. Provided, however, that a public sector employee who receives additional compensation such as commissions, honoraria, fringe benefits, benefits in excess of the allowable statutory amount of P30,000.00, taxable allowances and other taxable income other than the SMW, holiday pay, overtime pay, night shift differential pay and hazard pay shall not enjoy the privilege of being a MWE and, therefore, his/her entire earnings are not exempt from income tax and, consequently, from withholding tax.

MWEs receiving other income, such as income from the conduct of trade, business, or practice of profession, except income subject to final tax, in addition to compensation income are not exempted from income tax on their entire income earned during the taxable year. This rule, notwithstanding, the SMW, Holiday pay, overtime pay, night shift differential pay and hazard pay shall still be exempt from withholding tax.

For purposes of these regulations, hazard pay shall mean the amount paid by the employer to MWEs who were actually assigned to danger or strife-torn areas, disease-infested places, or in distressed or isolated stations and camps, which expose them to great danger of contagion or peril to life. Any hazard pay paid to MWEs which does not satisfy the above criteria is deemed subject to income tax and consequently to withholding tax.

In case of hazardous employment, the employer shall attach to the Monthly Remittance Return of Withholding Tax on Compensation (BIR Form No. 1601C) for return periods March, June, September and December a copy of Department of

Budget and Management (DBM) circular/s, or equivalent, as to who are allowed to receive hazard pay.

**SECTION 2.** Section 2.78.5 shall be inserted to RR 2-98, as amended, to read as follows:

**“Sec. 2.78.5. *Computation of Wages* .**

The basis of the computation of the minimum wage rates prescribed by law shall be the normal working time of eight (8) hours a day.

The computation of wages shall be in accordance with the Collective Bargaining Agreement (CBA), if any, or the provisions of the Labor Code as implemented. Unless otherwise amended or repealed by subsequent pertinent laws, rules and regulations, the holiday pay, overtime pay, night shift differential and hazard pay shall be understood to be computed based on such agreement or labor law provisions.

In the determination of the minimum wage on a monthly basis, the withholding agent shall be guided by the prevailing minimum wage as reflected in the latest Matrix of Wage Order and its own policy on whether employees are (a) not considered paid on Saturdays and Sundays or rest days, (b) not considered paid on Sundays or rest days, (c) considered paid on rest days, special days and regular holidays, or (d) required to work everyday including Sundays or rest days, special days and regular holidays. The resulting number of days in the above enumerated categories are referred to as the factor or number of working/paid days in a year. **(Annex “B”)**

On the first classification, the monthly SMW is computed by multiplying the applicable daily wage rate by the factor of 261 days and divide the same by twelve; the semi-monthly at one-half (½) of the monthly rate and the weekly SMW is arrived at by spreading the annual minimum basic wage over fifty-two (52) weeks. Thus, on a P382.00 minimum daily wage in Metro Manila, the monthly SMW is P8,308.00, the semi-monthly at P4,154.00 and weekly at P1,917.00.

On the second category, the monthly SMW is computed by multiplying the applicable daily wage rate by the factor of 313 days and divide the product by twelve. Hence, on a P382.00 minimum daily wage, the monthly SMW is P9,964.00, the semi-monthly at P4,982.00 and weekly at P2,300.00.

On the third classification, the monthly SMW is computed by multiplying the applicable daily wage rate by the factor of 365 days, divided by twelve. Thus, on a 382 minimum daily wage, the monthly SMW is P11,619.00, the semi-monthly at P5,810.00 and weekly at P2,681.00.

On the fourth classification, the monthly SMW is computed by multiplying the applicable daily wage rate by the factor of 392.5 days, divided by twelve. Hence, on a 382 minimum daily wage, the monthly SMW is P12,495.00, the semi-monthly at P6,247.00 and weekly at P2,883.00.”

**SECTION 3.** Section 2.79 of RR 2-98, as amended, is hereby further amended to read as follows:

**“Sec. 2.79. INCOME TAX COLLECTED AT SOURCE ON COMPENSATION INCOME.**

**(A) Requirement of Withholding.** – Every employer must withhold from compensation paid an amount computed in accordance with these Regulations. Provided, that no withholding of tax shall be required on the SMW, including holiday pay, overtime pay, night shift differential and hazard pay of MWEs in the private/public sectors as defined in these Regulations. Provided, further, that an employee who receives additional compensation such as commissions, honoraria, fringe benefits, benefits in excess of the allowable statutory amount of P30,000.00, taxable allowances and other taxable income other than the SMW, holiday pay, overtime pay, hazard pay and night shift differential pay shall not enjoy the privilege of being a MWE and, therefore, his/her entire earnings are not exempt from income tax and, consequently, shall be subject to withholding tax.

**(B) Computation of Withholding Tax on Compensation Income in General.** – The procedures provided herein below shall govern the computation of withholding tax on the taxable compensation income of the employees. Provided, however, that taxable fringe benefits received by employees other than the rank and file, as defined in the Labor Code of the Philippines, as amended, shall be subject to a Fringe Benefits Tax, instead of the rates prescribed in the Revised Withholding Tax Tables pursuant to Sec. 24(A) of the Code, as amended.

**(1) Use of Withholding Tax Tables.** – In general, every employer making payment of compensation shall deduct and withhold from such compensation a tax determined in accordance with the prescribed Revised Withholding Tax Tables (Annex “C”) which shall be used starting January 1, 2009.

There are four (4) withholding tax tables prescribed in these regulations, as follows:

- (a) Monthly Tax Table – to be used by employers using the monthly payroll period;
- (b) Semi-Monthly Tax Table – to be used by employers using the semi-monthly payroll period;
- (c) Weekly Tax Table – to be used by employers using the weekly payroll period;
- (d) Daily Tax Table – to be used by employers using the daily payroll period.

If the compensation is paid other than daily, weekly, semi-monthly or monthly, the tax to be withheld shall be computed as follows:

- (a) Annually – use the annualized computation referred to in Sec. 2.79(B)(5)(b) of these Regulations;
- (b) Quarterly and semi-annually – divide the compensation by three (3) or six (6) respectively, to determine the average monthly compensation. Use the monthly withholding tax table to compute the tax, and the tax so computed shall be multiplied by three (3) or six (6) accordingly.

For the year 2008, however, being the initial year of implementation of RA 9504, there shall be a transitory withholding tax table for the period from July 6 to December 31, 2008 (Annex “D”) determined by prorating the annual personal and additional exemptions under RA 9504 over a period of six months. Thus, for individuals, regardless of personal status, the prorated personal exemption is P25,000, and for each qualified dependent child (QDC), P12,500.

***(2) Components of the Withholding Tax Table. -***

(a) Each tax table is grouped into Tables A and B.

A – Table for employees with no QDC

B – Table for employees with QDC

(b) The columns in the Tables reflect the following:

1<sup>st</sup> column – reflects the exemption status of employee represented by letter symbols. (refer to the explanation of the legend of symbols in letter (d) below)

2<sup>nd</sup> column – reflects the total amount of personal and additional exemption, in pesos, to which an employee is entitled.

(c) Column numbers 1 to 8 reflect the portion of the amount of taxes to be withheld on the amount of compensation of the employees. Every amount in all the columns within Tables A and B represent the compensation level.

(d) Legend of symbols – The symbols used in the new withholding tax table represents the following:

**Z** – Zero exemption

(a) Employee with multiple employers simultaneously, with respect to second, third, etc., employer; and

(b) Employee who fails to file Application for Registration (BIR Form No. 1902);

**S** – Single, legally separated spouses/widow/widower;

**ME** – Married employee who is not legally separated;

The numerals (1-4) affixed to the status symbols “ME” and “S” represent the number of qualified legitimate, illegitimate, or legally adopted children

Exemption - means the amount of exemption in thousand pesos an employee is entitled to claim as a deduction from gross compensation income in accordance with the status and number of qualified dependent children.

### **(3) Steps to determine the amount of tax to be withheld.**

Step 1. Determine the total monetary and non-monetary compensation paid to an employee for the payroll period, segregating gross benefits which include thirteenth (13<sup>th</sup>) month pay, productivity incentives, Christmas bonus, other benefits, received by the employee per payroll period, and employees' contributions to SSS, GSIS, HDMF, PHIC, and union dues. Gross benefits which are received by officials and employees of both public and private entities in the amount of thirty thousand pesos (P30,000) or less shall be exempted from income and withholding taxes. The 13th Month Pay is equivalent to the total basic salary earned during the year divided by 12 months.

Step 2. Segregate the taxable from the non-taxable compensation income paid to the employee for the payroll period. The taxable income refers to all remuneration paid to an employee not otherwise exempted by law from income tax and consequently from withholding tax. The non-taxable income are those which are specifically exempted from income tax by the Code or by other special laws as listed in Sec. 2.78.1 (B) hereof (e.g. benefits not exceeding P30,000, non-taxable retirement benefits and separation pay).

Step 3. Segregate the taxable compensation income as determined in Step 2 into regular taxable compensation income and supplementary compensation income. Regular compensation includes basic salary, fixed allowances for representation, transportation and other allowances paid to an employee per payroll period. Supplementary compensation includes payments to an employee in addition to the regular compensation such as commission, overtime pay, taxable retirement pay, taxable bonus and other taxable benefits, with or without regard to a payroll period.

Representation & Transportation Allowance (RATA) granted to public officers and employees under the General Appropriations Act and the Personnel Economic Relief Allowance (PERA) which essentially constitute reimbursement for expenses incurred in the performance of government personnel's official duties shall not be subject to income tax and consequently to withholding tax.

Step 4. Use the appropriate tables mentioned under Section 2.79(B)(1) for the payroll period: monthly, semi-monthly, weekly or daily, as the case may be.

Step 5. Fix the compensation level as follows:

(i) Determine the line (horizontal) corresponding to the status and number of qualified dependent children using the appropriate symbol for the taxpayer status.

(ii) Determine the column to be used by taking into account only the total amount of taxable regular compensation income. The compensation level is the amount indicated in the line and column to which the regular compensation income is equal to or in excess, but not to exceed the amount in the next column of the same line.



Step 6. Compute the withholding tax due by adding the tax predetermined in the compensation level indicated at the top of the column, to the tax on the excess of the total regular and supplementary compensation over the compensation level, which is computed by multiplying the excess by the rate also indicated at the top of the same column/compensation level.

**(4) Sample Computations on the use of the Withholding Tax Tables:**

**EXAMPLE I:** Mr. A, single with no dependent, receives P12,000.00 (net of SSS/GSIS,PHIC,HDMF employee share only) as monthly regular compensation and P5,000.00 as supplementary compensation for January 2009 or a total of P17,000.00.

**COMPUTATION:** Using the monthly withholding tax table (Revised Withholding Tax Tables beginning January 1, 2009), the withholding tax for January 2009 is computed by referring to Table A line 2 S of column 5 (fix compensation level taking into account only the regular compensation income of P12,000.00 which shows a tax of P708.33 on P10,000.00 plus 20% of the excess of P2,000.00 (P12,000.00 less P10,000.00) plus P5,000.00 supplementary compensation.

Regular compensation	P12,000.00
Less: compensation level (line A-2 Column 5)	<u>10,000.00</u>
Excess	P 2,000.00
Add: Supplementary compensation	<u>5,000.00</u>
Total	<u>P 7,000.00</u>
Tax on P10,000.00	P 708.33
Tax on excess (P7,000 x 20%)	1,400.00
Withholding tax for January 2009	P 2,108.33
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MONTHLY	1	2	3	4	5	6	7	8	
Exemption	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67	
Status	(000F +0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over	
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	833	2,500	5,833	11,667	20,833	41,667
2. S/ME	50.0	1	4,167	5,000	6,667	10,000	15,833	25,000	45,833

**EXAMPLE II:** Mr. B, married with three (3) qualified dependent children receives P12,000.00 (net of SSS/GSIS,PHIC,HDMF employee share only) as regular semi-monthly compensation. Mrs. B, his wife, is also employed. Mr. B did not waive his right in favor of the wife to claim for the additional exemptions.

**COMPUTATION:** Using the semi-monthly withholding tax tables (Revised Withholding Tax Tables beginning January 1, 2009), the withholding tax due is computed by referring to Table B line 3 ME3 of column 6 which shows a tax of P937.50 on P11,042 plus 25% of the excess (P12,000 – 11,042 = P958.00)

Total taxable compensation	P12,000.00
Less: compensation level (line B-3 Column 6)	<u>11,042.00</u>
Excess	<u>P 958.00</u>
Tax on P11,042	P 937.50
Tax on excess (P958 x 25%)	<u>239.50</u>
Semi-monthly withholding tax	<u>P1,177.00</u>
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SEMI-MONTHLY	1	2	3	4	5	6	7	8	
Exemption	0.00	0.00	20.83	104.17	354.17	937.50	2,083.33	5,208.33	
Status	(0000)	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	417	1,250	2,917	5,833	10,417	20,833
2. S/ME	50.0	1	2,083	2,500	3,333	5,000	7,917	12,500	22,917
<b>B. Table for employee with qualified dependent child(ren)</b>									
1. ME1 / S1	75.0	1	3,125	3,542	4,375	6,042	8,958	13,542	23,958
2. ME2 / S2	100.0	1	4,167	4,583	5,417	7,083	10,000	14,583	25,000
3. ME3 / S3	125.0	1	5,208	5,625	6,458	8,125	11,042	15,625	26,042
4. ME4 / S4	150.0	1	6,250	6,667	7,500	9,167	12,083	16,667	27,083

**EXAMPLE III:** For the month of August 2008, Mrs. C, married with three qualified dependent children, with a basic salary equivalent to the SMW, receives P9,964.00 (P382/day x 313 days ÷ 12) as statutory monthly minimum wage plus other compensation such as commission of P10,000, transportation allowance of P2,000, hazard pay of P1,000, overtime pay of P5,000 and night shift differential pay of P2,000.00. Compute the withholding tax of Mrs. C for the month of August 2008 using the Revised Transitional Withholding Tax Table for the period July 6 to December 31 2008.

**COMPUTATION:**

Statutory Minimum Wage		P 9,964.00
Gross Benefits		
Hazard pay	1,000.00	
Overtime Pay	5,000.00	
Night Shift Differential	<u>2,000.00</u>	<u>8,000.00</u>
Sub-total		P17,964.00
Taxable compensation		
Commission*	10,000.00	
Transportation allowance*	<u>2,000.00</u>	<u>12,000.00</u>
Total Taxable Compensation Income		<u>P29,964.00</u>
		=====
Regular compensation		P 9,964.00
Less: Compensation level (line B-3 column 4)		<u>7,708.00</u>
Excess		P 2,256.00
Add: Supplementary compensation (8,000 + 12,000)		<u>20,000.00</u>
Total		<u>P 22,256.00</u>

Tax on P9,964.00 (Line B3, col. 4)  
 Tax on excess (P22,256.00 x 15%)  
 Withholding tax for the month of August 2008

P 208.33  
3,338.40  
 P 3,546.73

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MONTHLY	1	2	3	4	5	6	7	8	
Exemption	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67	
Status	(0000)	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	833	2,500	5,833	11,667	20,833	41,667
2. S/ME	25.0	1	2,083	2,917	4,583	7,917	13,750	22,917	43,750
<b>B. Table for employee with qualified dependent child(ren)</b>									
1. ME1 / S1	37.5	1	3,125	3,958	5,625	8,958	14,792	23,958	44,792
2. ME2 / S2	50.0	1	4,167	5,000	6,667	10,000	15,833	25,000	45,833
3. ME3 / S3	62.5	1	5,208	6,042	7,708	11,042	16,875	26,042	46,875
4. ME4 / S4	75.0	1	6,250	7,083	8,750	12,083	17,917	27,083	47,917

\*An employee who receives compensation other than the SMW, holiday, overtime, night shift differential and hazard pay shall not enjoy the privilege of being a minimum wage earner, and his entire earnings are no longer considered exempt.

**(5) Use of Exceptional Computations**

**(a) Cumulative average method** – If in respect of a particular employee, the regular compensation is exempt from withholding tax because the amount thereof is below the compensation level, but supplementary compensation is paid during the calendar year or the supplementary compensation is equal to or more than the regular compensation to be paid; or the employee was newly hired and had a previous employer/s within the calendar year, other than the present employer doing this cumulative computation, the present employer shall determine the tax to be deducted and withheld in accordance with the cumulative average method provided hereunder:

Step 1. Add the amount of taxable regular and supplementary compensation to be paid to an employee for the payroll period subject of computation to the sum of the taxable regular and supplementary compensation since the beginning of the current calendar year including the compensation paid by the previous employers within the same calendar year, if any;

Step 2. Divide the aggregate amount of compensation computed in step 1 by the number of payroll period to which the amount relates;

Step 3. Compute the tax to be deducted and withheld on the cumulative average compensation determined in Step No. (2) in accordance with the withholding tax table;

Step 4. Multiply the tax computed in Step No. (3) by the number of payroll period to which it relates;

Step 5. Determine the excess, if any, of the amount of tax computed in Step No. (4) over the total amount of tax already deducted and withheld from the beginning payroll period to the last payroll period, including that withheld by the previous employer/s within the calendar year, if any. The excess, as computed, shall be deducted and withheld from the compensation to be paid for the last payroll period of the current calendar year.

The cumulative average method, once applicable to a particular employee at any time during the calendar year, shall be the same method to be consistently used for the remaining payroll period/s of the same calendar year.

**EXAMPLE IV:** The regular compensation is exempt from withholding tax but supplementary compensation (commission) is paid during the calendar year.

Employee A, married, with three (3) qualified dependents (ME3), received the following compensation beginning January, 2009.

Month	Regular Compensation	Supplementary Compensation	Total Compensation
January	P 8,500.00	P 15,000.00	P 23,500.00
February	P 8,500.00	P 15,000.00	P 23,500.00
March	P 8,400.00	P 15,500.00	P 23,900.00

**COMPUTATION:**

1. For Jan.	P 23,500.00 + 0	=	P 23,500.00
For Feb.	P 23,500.00 + 23,500.00	=	P 47,000.00
For Mar.	P 23,500.00 + 23,500.00 + 23,900.00	=	P 70,900.00
2. For Jan.	P 23,500.00/1	=	P 23,500.00
For Feb.	P 47,000.00/2	=	P 23,500.00
For Mar.	P 70,900.00/3	=	P 23,633.33
3. For January			
Tax on P22,083.00 (Line B.3, Col. 6)		=	P 1,875.00
Tax on excess (P1,417.00 x 25%)		=	<u>P 354.25</u>
Tax on P23,500.00		=	<u>P 2,229.25</u>
For February			
Tax on P22,083.00 (Line B.3, Col. 6)		=	P 1,875.00
Tax on excess (P1,417.00 x 25%)		=	<u>354.25</u>
Tax on P23,500.00		=	<u>P 2,229.25</u>
For March			
Tax on P22,083.00 (Line B.3, Col. 6)		=	P 1,875.00
Tax on excess (P1,550.33 x 25%)		=	<u>387.58</u>
Tax on P23,633.33		=	<u>P 2,262.58</u>
4. For Jan.	P 2,229.25_x 1	=	P 2,229.25
For Feb.	P 2,229.25_x 2	=	P 4,458.50
For Mar.	P 2,262.58_x 3	=	P 6,787.74
5. For Jan.	P 2,229.25 – 0	=	P 2,229.25
For Feb.	P 4,458.50 – 2,229.25	=	P 2,229.25
For Mar.	P 6,787.74 – 4,458.50	=	P 2,329.24

**EXAMPLE V:** Supplementary compensation is equal to or more than the regular compensation received:

Employee B, married with three (3) qualified dependents (M3) whose spouse is also employed, received the following compensation beginning January, 2009.

Month	Regular Compensation	Supplementary Compensation	Total Compensation
January	P 11,000.00	P 11,000.00	P 22,000.00
February	P 11,000.00	P 11,500.00	P 22,500.00
March	P 11,000.00	P 12,000.00	P 23,000.00

**COMPUTATION:**

1. For Jan.	P 22,000.00 + 0	=	P 22,000.00
For Feb.	P 22,000.00 + 22,500.00	=	P 44,500.00
For Mar.	P 22,000.00 + 22,500.00 + 23,000.00	=	P 67,500.00
2. For Jan.	P 22,000.00/1	=	P 22,000.00
For Feb.	P 44,500.00/2	=	P 22,250.00
For Mar.	P 67,500.00/3	=	P 22,500.00
3. For January			
Tax on P16,250.00 (Line B.3, Col. 5)		=	P 708.33
Tax on excess (P5,750.00 x 20%)		=	<u>P 1,150.00</u>
Tax on P22,000.00		=	P 1,858.33
For February			
Tax on P22,083 (Line B.3, Col. 6)		=	P 1,875.00
Tax on excess (P167 x 25%)		=	<u>P 41.75</u>
Tax on P22,250.00		=	<u>P 1,916.75</u>
For March			
Tax on P22,083 (Line B.3, Col.6)		=	P 1,875.00
Tax on excess (P417 x 25%)		=	<u>P 104.25</u>
Tax on P22,500.00		=	<u>P 1,979.25</u>
4. For Jan.	P 1,858.33 x 1	=	P 1,858.33
For Feb.	P 1,916.75 x 2	=	P 3,833.50
For Mar.	P 1,979.25 x 3	=	P 5,937.75
5. For Jan.	P 1,858.33 – 0	=	P 1,858.33
For Feb.	P 3,833.50 - 1,858.33	=	P 1,975.17
For Mar.	P 5,937.75 – 3,833.50	=	P 2,104.25

**EXAMPLE VI:** A newly hired employee with previous employer within the calendar year 2009.

Employee C, single, was hired by Z Company on July 6, 2009. Her total taxable income per month is P 15,000.00. She was previously employed by X Company from January to June 30, 2009 with a monthly taxable income of P 13,000.00 or P 13,000.00 x 6 months = P 78,000 for 6 months. Per BIR Form No. 2316 (Certificate of Compensation Payment/Tax Withheld) issued by the previous employer, which was presented by Employee C to her present employer, the total tax withheld is P 7,849.98. In computing for the tax withheld on the compensation of Employee C starting the month of July 6, 2000, Z Company shall use the cumulative average method.

Month	Present Compensation Income	Total Previous Income	Total Taxable Income
July 6	P 15,000.00	P 78,000.00	P 93,000.00
Aug	15,000.00		15,000.00
Sept	15,000.00		15,000.00
Oct	15,000.00		15,000.00
Nov	15,000.00		15,000.00
Dec	15,000.00		15,000.00
	P 90,000.00	P 78,000.00	P168,000.00

**COMPUTATION:**

Step 1 –

For July 6	P 15,000.00 + P 78,000.00	=	P 93,000.00
For Aug.	P 93,000.00 + P 15,000.00	=	P 108,000.00
For Sep.	P 93,000.00 + P 15,000.00 + P 15,000.00	=	P 123,000.00
For Oct.	P 93,000.00 + P 15,000.00 + P 15,000.00 + P 15,000.00	=	P 138,000.00
For Nov.	P 93,000 + P 15,000 + P 15,000 + P 15,000+ P 15,000	=	P 153,000.00

Step 2 –

For July 6	P 93,000.00/7	=	P 13,285.71
For Aug.	P 108,000.00/8	=	P 13,500.00
For Sep.	P 123,000.00/9	=	P 13,666.67
For Oct.	P 138,000.00/10	=	P 13,800.00
For Nov.	P 153,000.00/11	=	P 13,909.09

Step 3 –

For July 6	P 13,285.71		
Tax On	P 10,000.00	=	P 708.33
Tax On Excess	(P 3,285.71 x 20%)		<u>657.14</u>
Tax on	P 13,285.71	=	<u>P 1,365.47</u>

For August	P 13,500.00		
Tax On	P 10,000.00	=	P 708.33
Tax On Excess	(P 3,500.00 x 20%)		<u>700.00</u>
Tax on	P 13,500.00	=	<u>P 1,408.33</u>
For Sept.	P 13,666.67		
Tax On	P 10,000.00	=	P 708.33
Tax On Excess	(P 3,666.67 x 20%)		<u>733.33</u>
Tax on	P 13,666.67	=	<u>P 1,441.66</u>
For October	P13,800.00		
Tax on	P10,000.00	=	P 708.33
Tax on excess	(P3,800.00 x 20%)	=	<u>P 760.00</u>
Tax on	P13,800.00	=	<u>P 1,468.33</u>
For November	P13,909.09		
Tax on	P10,000.00	=	P 708.33
Tax on excess	(P3,909.09 x 20%)	=	<u>P 781.82</u>
Tax on	P13,818.18	=	<u>P 1,490.15</u>

Step 4 –

For July 6	P1,365.47 x 7	=	P 9,558.29
For August	1,408.33 x 8	=	P 11,266.64
For September	1,441.66 x 9	=	P 12,974.94
For October	1,468.33 x 10	=	P 14,683.30
For November	1,490.15 x 11	=	P 16,391.65

Step 5 –

For July 6	P 9,558.29 – P 7,849.98	=	P 1,708.31
For August	11,266.64 – P 9,558.29	=	P 1,708.35
For September	12,974.94 – P 11,266.64	=	P 1,708.30
For October	14,683.30 – P 12,974.94	=	P 1,708.36
For November	16,391.65 – P 14,683.30	=	P 1,708.35

**(b) Annualized withholding tax method.** – (1) When the employer-employee relationship is terminated before the end of the calendar year; and (2) when computing for the year-end adjustment, the employer shall determine the amount to be withheld from the compensation on the last month of employment or in December of the current calendar year in accordance with the following procedures:

*Step 1.* Determine the taxable regular and supplementary compensation paid to the employee for the entire calendar year. Refer to steps 1 to 3 of Sec. 2.79 (B)(3), as amended, using as basis the compensation received for the calendar year.

*Step 2.* If the employee has previous employment/s within the year, add the amount of taxable regular and supplementary compensation paid to the employee by the present employer doing the annualized computation to the taxable compensation income received from previous employer/s during the calendar year.

(i) When the employer-employee relationship is terminated before December – The taxable regular and supplementary compensation income shall be the amount paid since the beginning of the current calendar year to the termination of employment.

(ii) Year-end adjustment – The taxable regular and supplementary compensation income shall be the amount paid since the beginning of the current calendar year to December;

(iii) Taxable fringe benefits received by employees holding managerial or supervisory positions shall be subject to a final fringe benefit tax as prescribed in Section 2.79 (D) of RR 2-98, as amended. Hence, the same shall not form part of the taxable supplementary compensation, of managers and supervisors, subject to the withholding tax tables.

*Step 3.* Deduct from the aggregate amount of compensation computed in Step No. (2) the amount of the total personal and additional exemptions of the employee;

*Step 4.* Deduct the amount of premium payments on Health and/or Hospitalization Insurance of employees who have presented evidence that they have paid during the taxable year premium payments (the deductible amount shall not exceed P2,400 or P200 per month whichever is lower) and that their family's total gross income does not exceed P250,000 for the calendar year. For purposes of substantiating the claim of insurance expense and determining the aggregate family income, the policy contract shall be presented to the employer together with the original official receipt of the premium payment for the current year, BIR Form No. 2316 for the current year or Certificate of Gross Income for the Current Year (Annex "E") issued by the employer/s of the nuclear family.

Total family income includes primary income and other income from sources received by all members of the nuclear family, i.e. father, mother, unmarried children living together as one household, or a single parent with children. A single person living alone is considered as a nuclear family.

The spouse claiming the additional exemptions for the QDC shall be the same spouse to claim the deductions for premium payments.

*Step 5.* Compute the amount of tax on the difference arrived at in Step 4, in accordance with the schedule provided in Sec. 24 (A) of the Code, as follows:



OVER	BUT NOT OVER	AMOUNT/ RATE	OF EXCESS OVER
Not over	10,000	5%	
10,000	30,000	500 + 10%	10,000
30,000	70,000	2,500 + 15%	30,000
70,000	140,000	8,500 + 20%	70,000
140,000	250,000	22,500 + 25%	140,000
250,000	500,000	50,000 + 30%	250,000
500,000	over	125,000 + <u>32%</u>	500,000

*Step 6.* Determine the deficiency or excess, if any, of the tax computed in Step 5 over the cumulative tax already deducted and withheld since the beginning of the current calendar year. The deficiency tax (when the amount of tax computed in Step 5 is greater than the amount of cumulative tax already deducted and withheld or when no tax has been withheld from the beginning of the calendar year) shall be deducted from the last payment of compensation for the calendar year. If the deficiency tax is more than the amount of last compensation to be paid to an employee, the employer shall be liable to pay the amount of tax which cannot be collected from the employee. The obligation of the employee to the employer arising from the payment by the latter of the amount of tax which cannot be collected from the compensation of the employee is a matter of settlement between the employee and employer.

The excess tax (when the amount of cumulative tax already deducted and withheld is greater than the tax computed in Step 5) shall be credited or refunded to the employee not later than January 25 of the following year. However, in case of termination of employment before December, the refund shall be given to the employee at the payment of the last compensation during the year. In return, the employer is entitled to deduct the amount refunded from the remittable amount of taxes withheld from compensation income in the current month in which the refund was made, and in the succeeding months thereafter until the amount refunded by the employer is fully repaid.

**EXAMPLE VII:** (Use of annualized computation when employer-employee relationship was terminated before December) –

a) Mr. D, single with a qualified dependent brother receives P18,000 as monthly regular compensation starting January 1, 2008. On June 1, 2008, he filed his resignation effective June 30, 2008 and was not reemployed for the rest of the year. The tax withheld from January to May was P15,208.75.

**COMPUTATION:**

Total compensation received from	
January 1 to May 31, 2008	P 90,000.00
Add: Compensation to be received on June	<u>18,000.00</u>
Gross compensation Jan-June	108,000.00

Less: Personal Exemption(HF old exemption)	<u>25,000.00</u>
Net Taxable Compensation	<u>P 83,000.00</u>
Tax Due	P 11,100.00*
Less: Tax Withheld from Jan to May	<u>15,208.75</u>
To be refunded to Mr. D	<u>(P 4,108.75)</u>
*Tax on P70,000.00	P 8,500.00
Tax on excess (P13,000 x 20%)	<u>2,600.00</u>
Tax on P83,000.00	<u>P11,100.00</u>
	=====

b) Mr. Z, single with a qualified dependent brother receives P18,000 as monthly regular compensation starting January 1, 2008. On June 1, 2008, he filed his resignation effective June 30, 2008 and was subsequently reemployed on July 6, 2008. The BIR Form 2316 he gave to his new employer showed that the amount he received from his previous employer was P108,000 and a tax withheld of P11,100. His withholding tax from the new employer amounted to P15,000.

**COMPUTATION:**

Total compensation received from	
Previous employer	P108,000.00
Add: Compensation from new employer	<u>115,000.00</u>
Gross compensation	223,000.00
Less: Personal Exemption (HF)	<u>37,500.00</u>
Net Taxable Compensation	<u>P185,500.00</u>
Tax Due	P 33,875.00*
Less: Tax Withheld (11,100 + 15,000)	<u>26,100.00</u>
To be deducted from Mr. Z	<u>P 7,775.00</u>
*Tax on P140,000.00	P 22,500.00
Tax on excess (P45,500 x 25%)	<u>11,375.00</u>
Tax on P185,500.00	<u>P33,875.00</u>
	=====

c) Mr. Y, single with a qualified dependent brother, had his first job on July 2008. He receives P18,000 as monthly regular compensation. The tax withheld was P12,083.75.

**COMPUTATION:**

Total compensation received from	
July to November 2008	P 90,000.00
Add: Compensation to be received in December	<u>18,000.00</u>
Gross compensation	108,000.00
Less: Personal Exemption (pro-rated)	<u>37,500.00</u>
Net Taxable Compensation	<u>P 70,500.00</u>

Tax Due	P 8,600.00*
Less: Tax Withheld	<u>12,083.75</u>
To be refunded to Mr. Y	<u><u>(P 3,483.75)</u></u>
*Tax on P70,000.00	P 8,500.00
Tax on excess (P500 x 20%)	<u>100.00</u>
Tax on P83,000.00	P 8,600.00
	=====

**EXAMPLE VIII:** (Year-end adjustments computation) – For taxable year 2009, WTD Corporation (Full exemption per RA 9504 shall be used for calendar year 2009) has the following employees:

1. Mr. E, married with two qualified dependent children who received the following compensation for the year:

Basic Monthly Salary	P45,000.00
Overtime Pay for November	P 5,000.00
Thirteenth Month Pay	P45,000.00
Other Benefits	P12,000.00
Withholding tax (Jan – Nov)	P98,082.00

2. Mr. F, married, whose wife is also employed, with two qualified dependent children, received for the year:

Basic Monthly Salary	P 16,500.00
Thirteenth Month Pay	P 16,500.00
Other Benefits	P 16,500.00
Withholding tax (Jan – Nov)	P 12,924.23

3. Mr. G, single, who was hired on July 6, 2009 received the following:

Basic Monthly Salary	P 20,000.00
Thirteenth Month Pay	P 20,000.00
Monthly Salary from Previous Employer (Jan-June)	P 6,000.00
Withholding tax – Previous employer	P 2,899.68
Present employer	17,500.50

He paid for the year an annual premium on health and hospitalization insurance amounting to P2,400.00.

4. Mrs. H, married, whose husband is also working received the following:

Basic Monthly Salary	P 35,000.00
Thirteenth Month Pay (8/12 x 35,000.00)	P 23,333.33
Other Benefits	P 20,000.00
Withholding tax (Jan – August)	57,333.36

She resigned effective August 31, 2009.

COMPUTATION OF WITHHOLDING TAX FOR DECEMBER 2009

1. Mr. E

Compensation	Received For the Year	Non- Taxable	Taxable
Basic Salary (45,000 x 12mos)	P540,000		P540,000
Overtime (Nov.)	5,000		5,000
13 <sup>th</sup> month pay	45,000	P30,000	15,000
Other benefits	<u>12,000</u>		<u>12,000</u>
Totals	P602,000	P30,000	P572,000 =====
Total Gross Compensation			P572,000.00
Less: Personal exemption			P50,000.00
Additional exemption (2 x P25,000)			<u>50,000.00</u>
Net Taxable compensation			<u>P472,000.00</u>
Tax Due*			
250,000			P 50,000.00
222,000x 30%			<u>66,600.00</u>
			116,600.00
Less: Tax withheld from previous months (Jan-Nov)			<u>98,082.27</u>
Tax to be collected in December 2009			P 18,517.73 =====

\* Tax Due is computed by using the rates prescribed in Sec. 24 (A), NIRC.

2. Mr. F

Compensation	Received For the Year	Non- Taxable	Taxable
Basic Salary	P198,000		P198,000
13 <sup>th</sup> month pay	16,500	P16,500	
Other benefits	<u>16,500</u>	<u>13,500</u>	<u>3,000*</u>
Totals	P231,000	P30,000*	P201,000 =====

\* Excess of 13<sup>th</sup> month pay and other benefits over the P30,000.00 ceiling under Sec. 32(b)(7)(e).

Total Compensation	P 201,000.00
Less: Personal and additional exemptions (ME2)	<u>100,000.00</u>
Net taxable compensation income	P 101,000.00
Tax Due	P14,700.00
Less: Tax withheld from previous months (Jan-Nov)	<u>12,924.23</u>
Amount to be withheld in December 2009	P 1,775.77 =====

3. Mr. G, Single – Computation of withholding tax for December

Compensation from previous employer (Jan. to June)		P 36,000.00
Compensation from present employer (July 6 to Dec)		<u>120,000.00</u>
Total taxable compensation (Jan. to Dec.)		156,000.00
Less: Personal exemptions	50,000.00	
Premium payments on health & hospitalization insurance	<u>*2,400.00</u>	<u>52,400.00</u>
Net taxable compensation		<u>P103,600.00</u>
Tax Due		P 15,220.00
Less: Taxes Withheld –		
** Previous employer	P 2,899.68	
***Present employer	<u>17,500.50</u>	<u>20,400.18</u>
Amount to be refunded in December		(P 5,180.18)
		=====

- \* Premium payment on health and/or hospitalization shall be allowed considering that gross compensation amounted to P156,000 only and did not exceed P250,000.00.
- \*\* Refer to Certificate of Compensation Payment /Tax Withheld (BIR Form No. 2316) issued by previous employer.
- \*\*\* Taxes withheld from July 6 to December 31, 2008 computed by the present employer using the cumulative computation.

4. Mrs. H, married (computation of tax upon resignation):

Basic Monthly Salary	P 35,000.00
Thirteenth Month Pay 8/12 x 35,000	P 23,333.33
Other Benefits	P 20,000.00

She resigned effective August 31, 2009.

Compensation	Received For the Year	Non-Taxable	Taxable
Basic Salary	P280,000.00		P280,000.00
13 <sup>th</sup> month pay	23,333.33	P23,333.33	
Other benefits	<u>20,000.00</u>	<u>6,666.67</u>	<u>13,333.33</u>
Totals	P323,333.33	30,000.00	<u>P293,333.33</u>
			=====

Total Compensation	P293,333.00
Less: Personal and additional exemptions	<u>50,000.00</u>
Net taxable compensation income	P243,333.33
Tax Due (Jan. to August 31, 2009)	P 48,333.33
Less: Tax withheld (Jan-August 31, 2009)	<u>57,333.36</u>
Excess tax withheld, to be refunded in August	(P 9,000.03)
	=====

**EXAMPLE IX:** (Year-end adjustments computation) – For taxable year 2008, WTD Service Company employed Mr. J, married with two qualified dependent children. He received the following compensation for the year:

Basic Monthly Salary (excluding SSS/HDMF/PHIC employee's share)	P45,000.00
Overtime Pay per month	P 5,000.00
Hazard Pay per month	P 2,000.00
Thirteenth Month Pay given Dec 2008	P45,000.00
Other Benefits given Dec. 2008	P12,000.00

**COMPUTATION:**

Total Compensation (681,000 – 30,000 non-taxable benefits)*	P651,000.00
Less: Personal	41,000.00
Additional exemptions	<u>33,000.00</u> <u>74,000.00</u>
Net taxable compensation income	<u>577,000.00</u>
 Tax Due*	
500,000	125,000.00
77,000 x 32%	<u>24,640.00</u>
	149,640.00
Less: Tax withheld from previous months (Jan-Nov)	<u>136,609.93</u>
Tax to be collected in December 2008	P 13,030.07
	=====

\* Exempt from taxation per Sec. 32(B)(7)(e) of the Tax Code, as amended re: 13<sup>th</sup> month pay and other benefits not exceeding P30,000.

The annualized computation done for each employee shall be reflected by the employer at the alphabetical list attached to BIR Form No. 1604-CF.

***c) If the compensation is paid other than daily, weekly, semi-monthly or monthly, compute the tax to be deducted and withheld as follows:***

- a) Annually – refers to computation on annualized income
- b) Quarterly and semi-annually – divide the compensation by three (3) or six (6) respectively, to determine the average monthly compensation. Use the monthly withholding tax table to compute the tax, and the tax so computed shall be multiplied by three (3) or six (6), accordingly;
- c) Bi-weekly – divide the compensation by two (2) to determine the average weekly compensation. Use the weekly withholding tax table to compute the tax, and the tax so computed shall be multiplied by two (2);
- d) Miscellaneous – if compensation is paid irregularly, or for a period other than those mentioned above, divide the compensation by the number of days

from last payment to day of payment (excluding Sundays and holidays). Use the daily tax table, the tax so computed shall be multiplied by the number of days.

(C)	xxx	xxx	xxx
(D)	xxx	xxx	xxx
(E)	xxx	xxx	xxx

**(F) Requirement for Deductibility.** - The provisions of Sec 2.58.5 of RR 2-98, as amended, shall apply. Provided, that compensation income where no income taxes were withheld pursuant to Section 2.79(A) of these regulations, shall be allowed as deduction from an employer's gross income when the required employees withholding statement (BIR Form No. 2316) have been issued to subject employees in accordance with Sec. 2.83.1 of RR 2-98, as amended. Provided, further, that the Alphabetical List of the subject employees, including MWEs, shall be submitted under BIR Form No. 1604-CF in accordance with Sec. 2.83.2 of RR 2-98, as amended.

(G)	xxx	xxx	xxx
(H)	xxx	xxx	xxx

**(I) Right to Claim Withholding Exemptions.** - An employee receiving compensation shall be entitled to withholding exemptions as provided in the Code, as amended. In order to receive the benefit of such exemptions, the employee must file the Application for Registration (BIR Form No. 1902), upon employment, or a Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305), in case of updates on changes in his exemption. The withholding exemption to which an employee is entitled depends upon his status and the number of dependents qualified for additional exemptions. Each employee shall be allowed to claim the following amount of exemptions, with respect to compensation paid on or after July 6, 2008.

**(1) Personal and additional exemptions.** -

**(a) Basic personal exemptions.** -

Individual taxpayers regardless of status are entitled to P50,000 personal exemption.

**(b) Additional exemptions for taxpayers with dependents.** - An individual, whether single or married, shall be allowed an additional exemption of Twenty Five Thousand Pesos (P25,000) for each qualified dependent child, provided that the total number of dependents for which additional exemptions may be claimed shall not exceed four (4) dependents. The additional exemptions for QDC shall be claimed by only one of the spouses in the case of married individuals.

A dependent means a legitimate, illegitimate or legally adopted child chiefly dependent upon and living with the taxpayer if such dependent is not more than

twenty-one (21) years of age, unmarried and not gainfully employed or if such dependent, regardless of age, is incapable of self-support because of mental or physical defect.

The husband shall be the proper claimant of the additional exemption for qualified dependent children unless he explicitly waives his right in favor of his wife in the Application for Registration (BIR Form No. 1902) or in the Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305), whichever is applicable. Provided, however, that where the spouse of the employee is unemployed or is a non-resident citizen deriving income from foreign sources, the employed spouse within the Philippines shall be automatically entitled to claim the additional exemptions for children.

Every employer should ascertain whether or not a child being claimed is a qualified dependent under the provisions of these Regulations. If the employee should have additional dependent(s), as defined above, during the taxable year, he may claim the corresponding additional exemption, as the case may be, in full for such year.

If the taxpayer dies during the taxable year, his estate may still claim the personal and additional exemptions for himself and his dependent(s) as if he died at the close of such year. If the spouse or any of the dependents dies or if any of such dependents marries, becomes twenty-one (21) years old or becomes gainfully employed during the taxable year, the taxpayer may still claim the same exemptions as if the spouse or any of the dependents died, or as if such dependents married, became twenty-one (21) years old or became gainfully employed at the close of such year. Provided, that in 2008, the pro-rated personal and additional exemptions shall apply as stated in the regulations.

The personal and additional exemptions herein above stated shall apply after the transitory period.

**EXAMPLE X:** Mr. M got married on July 20, 2008, when his girlfriend was four (4) months pregnant. On December 26, 2008, the wife gave birth to twins. Earnings from January 1 to July 5, 2008 is P150,000.00 and for the rest of 2008, he earned P200,000.00 more. The tax due for 2008 is computed as follows:

Compensation Income (January 1-July 5, 2008)		P150,000.00
Compensation Income (July 6 to December 31, 2008)		<u>200,000.00</u>
Total Compensation for 2008		350,000.00
Less: Personal Exemption	P41,000.00	
Additional Exemption (16,500 x2)	<u>33,000.00</u>	<u>74,000.00</u>
Taxable Compensation Income		<u>P276,000.00</u>
Tax Due: 250,000.00		P 50,000.00
266,000.00 x 30%		<u>7,800.00</u>
Total		<u><u>P 57,800.00</u></u>



**SECTION 4.** Section 2.79 (1) and 2.79.2 of RR 2-98, as amended, is hereby amended to read as follows:

**“Sec. 2.79.1 Application for Registration for Individuals Earning Compensation Income (BIR Form No. 1902)** – The application for registration of employees shall be accomplished by both employer and employee relating to the following information and other requirements:

**(A) Employee -**

(1) Name/Taxpayer’s Identification Number (TIN)/ Address of employee/other information required as stated in BIR Form No. 1902;

(2) Status of employee whether SINGLE/ legally separated/ widow or widower with no dependent child or married;

(3) Status of spouse of the employee. – If the employee is legally married, the Name/ TIN, if any, of the spouse and whether said spouse is employed, unemployed, employed abroad, or is engaged in trade or business should be indicated on the application;

(4) Qualified dependents – Name and date of birth of qualified dependent/s child(ren);

(5) Claimant of exemption for children. – The husband is the proper claimant of additional exemptions for qualified dependent children. However, the wife shall claim full additional exemption for children in the following cases:

(a) Husband is unemployed;

(b) Husband is a non-resident citizen deriving income from foreign sources;

(c) The husband waives his right to claim the exemptions of children (waiver should be for all children) in a sworn statement to be attached to his Application for Registration (BIR Form No. 1902) and that of his wife’s, in accordance with the procedures prescribed in this Section;

(6) Required forms and attachments – Upon filing the Application for Registration (BIR Form No. 1902) or Certificate of Update of Exemption and of Employer’s and Employee’s Information (BIR Form No. 2305), whichever is applicable, the taxpayer is required to attach any of the following documents to establish the status of the taxpayer, if applicable, to the application:

(a) Marriage Contract;

(b) Birth Certificate of each qualified dependent child(ren), certified by the Local Civil Registry Office/National Statistics Office (NSO)/equivalent document issued by a government office previously requiring certified copy showing the name of parent/s and the name of the ODC with birth

date (e.g. passport of QDC as certified by company's Human Resource Officer):

- (c) Certificate of employment of the husband if he is working abroad;
- (d) Sworn Declaration and Waiver of Right to Claim Exemptions of Qualified Dependent Child(ren) by the Husband (Annex "F") in case wife is claiming the additional exemptions of the children;
- (e) Medical Certificate of qualified dependent child, if physically/mentally incapacitated;
- (f) Court decision of legal adoption of children;
- (g) Death Certificate; and
- (h) Other documentary evidence, where the above documents are not available.

**(7) Concurrent multiple employments.** – An employee who is employed concurrently by two or more employers within the same period of time during the taxable year shall file the Application for Registration (BIR Form No. 1902) with his main employer (employer to whom the said employee renders his services for most of his time during the taxable year) and shall furnish a copy of the duly received Application with his secondary employers (2<sup>nd</sup>, 3<sup>d</sup>, etc. employers). The employed husband and wife shall each file a separate application with their respective employers;

**(8) Successive multiple employment** – An employee who transferred to another employer during the taxable year, shall furnish his new Employer with a Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305) indicating therein his previous employments during the taxable year (name of employer/s, address/es, TIN/s and the date/s of his separation) and attach to the said certificate, a copy of the Certificate of Compensation Payment /Tax Withheld (BIR Form No. 2316) for compensation payment with or without withholding tax for the calendar year issued by previous employer/s.

For an employee with successive employment beginning July 6, 2008 to December 31, 2008, the employer/s for the second semester shall apply the pro-rated exemption prevailing for the first semester ending July 5, 2008 based on BIR Form No. 2316 issued by the previous employer which was submitted by the employee and the pro-rated exemption prevailing for the second semester ending December 31, 2008 in the computation of year-end adjustment;

**(9) Mixed income.** – An individual receiving a combination of compensation and business/professional income shall first deduct the allowable personal and additional exemptions from compensation income, only the excess therefrom can be deducted from business or professional income. In the case of husband and wife, the

husband shall be the proper claimant of the additional exemptions unless he waives it in favor of his wife.

**(B) Employer.** – The employer with whom the Application for Registration (BIR Form No. 1902) is filed, must indicate the date of receipt thereon and accomplish Part V of the said Application pertaining to Employer’s Information such as TIN, Employer’s Registered Name, and other relevant information.

**(C) Procedures for the filing of the Application for Registration (BIR Form No. 1902) -**

(1) All employers shall require their employees to accomplish in triplicate the Application for Registration BIR Form 1902 (Original copy- RDO; Duplicate- employer; Triplicate- employee) described above as follows:

(a) New employee/s shall accomplish and file the Application for Registration for Individuals Earning Compensation Income (BIR Form No. 1902) within ten (10) days from the date of employment;

(b) In case of changes in the information data in the Application for Registration (BIR Form No. 1902) previously submitted by the employee, consisting of changes in status and personal and additional exemptions, employment/working status of the spouse of the employee, multiple employment status and amount of compensation income, a Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305) reflecting the changes, together with the required documents/ evidence of changes must be submitted to the employer within ten (10) days after such change. The employer shall then make the necessary adjustments on the withholding tax of the employee based on the new information;

(2) The employer shall transmit all copies of the Application for Registration (BIR Form No. 1902) or Certificate of Update of Exemption and of Employer’s and Employee’s Information (BIR Form No. 2305), whichever is applicable, (after accomplishing the portion of Employer’s information of either forms) to the RDO where the employer is registered within thirty (30) days following its receipt from the employee. The RDO or his duly authorized representative, where the employer is registered, shall receive and stamp the three copies. The triplicate copy duly stamped received by the BIR shall be given to the employee.

(3) The employer shall review the exemptions of the employees and shall, in the computation of taxes required to be withheld on the compensation of employees, apply the correct and applicable exemptions as provided in these regulations.

(4) In case the husband waives his right to claim the additional exemptions of children in favor of his wife, he shall accomplish a Sworn Declaration and Waiver of Right to Claim Exemptions of Qualified Dependent Child(ren) by the Husband (Annex “F”) in accordance with the following procedures:

(a) Fill up three (3) copies of the prescribed waiver form.

(b) Submit the waiver form together with the BIR Form No. 1902 to his employer within ten (10) days from employment, for acknowledgement in the space provided for that purpose.

The employer of the husband shall:

- (i) After filling up the acknowledgement portion of the waiver form, retain the duplicate copy of the form and furnish the employee the original and triplicate copies for submission to the employer of the wife and for file of the employee, respectively.
- (ii) Stop deductions of additional exemptions for qualified dependent children from the husband's compensation income starting the following month.

The employer of the wife shall, upon receipt of copy of the waiver form duly acknowledged by the employer of the husband, start deducting additional exemptions for children from the wife's income on the month when the employer of the husband stopped deducting the exemptions of children from the husband's income.

(c) The employed husband and wife shall apply the waiver in the computation of their respective taxable income in the income tax return required to be filed by them following the procedure for filing the waiver under Section 279.1 (C)(4) of these regulations, that is, the husband shall not deduct exemptions of children from his compensation income because he has waived the same (exemptions of children) in favor of his wife who will now deduct said exemptions from her income in computing her tax due.

Waiver exercised during the calendar year shall be made only once in a calendar year and shall take effect for the present calendar year and succeeding year/s until revoked by the husband. Any waiver/ revocation of such waiver shall take effect only starting the succeeding calendar year. In no case should an employer of the wife deduct exemptions of children from the wife's income unless the waiver by the husband has been duly acknowledged by the employer of the husband.

Registration of employees receiving purely compensation income shall be at the RDO having jurisdiction over the employee's place of assignment considering that the employee submits application for registration/exemption updates to their employer. In cases of multiple employment, it shall be at the RDO where the main employer is registered.

***Sec. 2.79.2 Failure to file Application for Registration (BIR Form No. 1902) or Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305).*** – Where an employee, in violation of these regulations either fails or refuses to file an Application for Registration (BIR Form No. 1902) together with the required attachments, the employer shall withhold the taxes prescribed under the Schedule for Zero Exemption of the Revised Withholding

Tax Table. In case of failure to file the Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305) together with the attachments, the employer shall withhold the taxes based on the reported personal exemptions existing prior to the change of status and without reflecting any change. Any refund or underwithholding that shall arise due to the violations shall be covered by the penalties prescribed in Section 80 of the NIRC, as amended.”

**SECTION 5.** Section 2.80 of RR 2-98, as amended, is hereby further amended to read as follows:

**“Section 2.80. LIABILITY FOR TAX**

***(A) Employer. -***

(1) In general, the employer shall be responsible for the withholding and remittance of the correct amount of tax required by deducting and withholding from the compensation income of his employees. If the employer fails to withhold and remit the correct amount of tax, such tax shall be collected from the employer together with the penalties or additions to the tax otherwise applicable.

(2) The employer who is required to collect, account for and remit any tax imposed by the NIRC, as amended, who willfully fails to collect such tax, or account for and remit such tax or willfully assist in any manner to evade any payment thereof, shall in addition to other penalties provided for in the Code, as amended, be liable, upon conviction, to a penalty equal to the amount of the tax not collected nor accounted for or remitted.

(3) Any employer/withholding agent who fails, or refuses to refund excess withholding tax not later than January 25 of the succeeding year shall, in addition to any penalties provided in Title X of the Code, as amended, be liable to a penalty equal to the total amount of refund which was not refunded to the employee resulting from any excess of the amount withheld over the tax actually due on their return.

***(B) Employee.*** – Where an employee fails or refuses to file the Application of Registration or Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305) together with the attachments or willfully supplies false or inaccurate information thereunder after due written notice by the employer, the tax otherwise to be withheld by the employer shall be collected from him including penalties or additions to the tax from the due date of remittance until the date of payment. On the other hand, where the employee, after due written notice from the employer, willfully fails or refuses to file the Application for Registration or the Certificate of Update of Exemption and of Employer's and Employee's Information, whichever is applicable, or willfully supplies false and inaccurate information, the excess taxes withheld by the employer shall not be refunded to the employee but shall be forfeited in favor of the government.

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**SECTION 6. Section 2.83 of RR 2-98, as amended, is hereby further amended to read as follows:**

**“Sec. 2.83. STATEMENTS AND RETURNS**

**Section 2.83.1. Employees Withholding Statements (BIR Form No. 2316).**

– In general, every employer or other person who is required to deduct and withhold the tax on compensation including fringe benefits given to rank and file employees, shall furnish every employee from whose compensation taxes have been withheld the Certificate of Compensation Payment /Tax Withheld (BIR Form No. 2316) on or before January 31 of the succeeding calendar year, or if employment is terminated before the close of such calendar year, on the day on which the last payment of compensation is made. Failure to furnish the same shall be a ground for the mandatory audit of payor’s income tax liabilities (including withholding tax) upon verified complaint of the payee.

Employers of MWEs are still required to issue BIR Form No. 2316 (June 2008 Encs version) to the MWEs on or before January 31 of the following year.

The employer shall furnish each employee with the original and duplicate copies of BIR Form No. 2316 showing the name and address of the employer; employer’s TIN; name and address of the employee; employee’s TIN; amount of exemptions claimed amount of premium payments on health and/or hospitalization insurance not exceeding P2,400.00, if any; the sum of compensation paid including the non-taxable benefits; the amount of statutory minimum wage received by MWEs; Overtime pay, holiday pay, night shift differential pay and hazard pay received by MWEs; the amount of tax due; the amount of tax withheld during the calendar year and such other information as may be required. The statement must be signed by both the employer or other authorized officer and the employee, and shall contain a written declaration that it is made under the penalties of perjury. If the employer is the Government of the Philippines, its political subdivision, agency or instrumentality or government-owned or controlled corporation, the statement shall be signed by the duly designated officer or employee.

The Certificate of Compensation Payment/Tax Withheld (BIR Form No. 2316) shall contain a certification to the effect that the employer’s filing of BIR Form No. 1604-CF shall be considered as a substituted filing of the employee’s income tax return to the extent that the amount of compensation and tax withheld appearing in BIR Form No. 1604CF as filed with the BIR is consistent with the corresponding amounts indicated in BIR Form No. 2316. It shall be signed by both the employee and employer attesting to the fact that the information stated therein has been verified and is true and correct to the best of their knowledge. However, the withholding agents/employers are required to retain copies of the duly signed BIR Form No. 2316 for a period of three (3) years as required under the NIRC.

Where the employee is a MWE defined under RA 9504 whose income is exempt from income tax and, consequently, from withholding tax, BIR Form No. 2316 shall show the sum of non-taxable SMW paid including the non-taxable benefits such as holiday pay, overtime pay, night shift differential pay and hazard pay earned

during the calendar year and such other information as may be required. Provided, that the applicable box for MWEs under BIR Form No. 2316 (June 2008 Encs. version) are sufficiently filled-up. This serves as proof of financial capacity for purposes of loans, and for other purposes with various government agencies.

Separated/terminated employees within the period from January 1 to July 5, 2008, where the total exemptions (e.g. married-P32,000) used in the annualized computation were likewise shown in the issued BIR Form 2316, shall be reported by the employer under the alphalist of terminated employees with date of termination/separation.

For those with changes in exemptions, such as that of having an additional dependent child, or for those with successive employment for taxable year 2008, the applicable apportioned exemption for January 1 to July 5, 2008 shall be applied for the first semester and the applicable apportioned exemption for July 6 to December 31, 2008 shall be applied for the second semester.

The employee who is qualified for substituted filing of income tax return under these regulations shall no longer be required to file income tax return (BIR Form No. 1700) since BIR Form No. 1604-CF with alphalists of employees shall be considered a substituted return filed by the employer. BIR Form No. 2316, duly certified by both employee and employer, shall serve the same purpose as if a BIR Form No. 1700 had been filed, such as proof of financial capacity for purposes of loan, credit card, or other applications, or for the purpose of availing tax credit in the employee's home country and for other purposes with various government agencies. This may be used for purposes of securing travel tax exemption, when necessary.

However, information referring to the certification, appearing at the bottom of BIR Form No. 2316, shall not be signed by both the employer and the employee if the latter is not qualified for substituted filing. In which case, BIR Form No. 2316 furnished by the employer to the employee shall be attached to the employee's Income Tax Return (BIR Form Nos. 1700 or 1701 in the case of mixed income earners) to be filed on or before April 15 of the following year.

In case of successive employments during the taxable year, an extra copy of BIR Form No. 2316 shall be furnished by the employee, duly certified by his previous employer/s and by him, to his new employer.

***Section 2.83.2. Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF)*** – Every employer or other persons required to deduct and withhold the tax is required to file with the Large Taxpayers Assistance Division (LTAD)/ Large Taxpayers District Office (LTDO)/RDO where the payor/employer is registered as Withholding Agent on or before January 31 of the following year an Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF, to be submitted with the alphabetical list of employees/payees.

**(A) The Annual Information Return of Income Taxes Withheld on Compensation must show among others, the following:**

- (1) Withholding Agent's registered name, address and Taxpayer's Identification Number (TIN).

**(B) The alphabetical list of employees must show the following:**

- (1) Name and TIN of employees;
- (2) Gross compensation paid by present and previous employers for the calendar year;
- (3) (a) Taxable 13<sup>th</sup> month pay/ other benefits for the rank and file employees;  
(b) Taxable fringe benefits for managerial employees;
- (4) Non-taxable 13<sup>th</sup> month pay/ other benefits (Present employer);  
(5) Non-taxable statutory minimum wage;  
(6) Non-taxable holiday pay, overtime pay, night shift differential pay and hazard pay (minimum wage earners only);  
(7) (a) For 2008, Amount of Exemptions (January 1 to July 5, 2008) and Amount of Exemptions (July 6 to December 31, 2008);  
(b) For 2009 and thereafter, Amount of Exemptions;  
(8) Amount of premium payments on health and/or hospitalization insurance not exceeding P2,400.00, if any;  
(9) Tax required to be withheld computed in accordance with Sec. 24 (A) of the Code;  
(10) Tax withheld by all present employers for the calendar year; and  
(11) Adjustment, if any.

**(C) The alphabetical list of employees shall be prepared indicating, among others, separate listings of the following:**

- (1) Employees Separated/Terminated before December 31 of the taxable year (indicate date of separation/termination);
- (2) Employees whose compensation income are exempt from withholding tax BUT subject to income tax;
- (3) Employees whose total compensation income are exempt from withholding tax and not subject to income tax (indicate if MWE);



(4) Employees as of December 31 of the taxable year with no previous employment within the year;

(5) Employees as of December 31 of the taxable year with previous employment within the year;

(6) Employees who received Fringe Benefits subjected to Fringe Benefit Tax;

(7) Alien employees subject to withholding tax.

Employers with centralized accounting system, or those mandated to consolidate remittances (e.g. large taxpayers), shall prepare alphalists on a regional basis or per branch office, due to the identification of SMW per region where the employee is assigned, which shall be submitted to the BIR where the head office is located.

In cases where no information was provided by a previous employer, such fact shall be stated in BIR Form No. 1604-CF and the present employer shall not be liable to any penalties.

***Section 2.83.3 Requirement for list of payees*** – In addition to the manually prepared alphabetical list of employees and list of payees and income payments subject to creditable and final withholding taxes which are required to be attached as integral part of the Annual Information Returns (BIR Form No. 1604CF/ 1604E), Monthly Remittance Returns (BIR Form No. 1601C etc.), the withholding agent may submit soft copy in 3.5-inch floppy diskettes/CD or email: [esubmission@bir.gov.ph](mailto:esubmission@bir.gov.ph) containing the said alphalists.

However, taxpayers, whose number of employees or income payees are ten (10) or more, are mandatorily required to submit the said lists in 3.5-inch floppy diskettes/CD or email: [esubmission@bir.gov.ph](mailto:esubmission@bir.gov.ph) using the existing CSV data file format, together with the manually prepared alphabetical list. In order to comply with this format, the withholding agents shall have the option to use any of the following:

1. Excel format provided under Revenue Regulations No. 7-2000, as amended, following the technical specifications required by the BIR;
2. Their own extract program that shall meet the technical specifications required by the BIR; or
3. Data Entry Module using Visual FoxPro that will be available upon request or by downloading from the BIR's web site at <http://www.bir.gov.ph> with the corresponding job aid.

For those who would choose either option 1 or 2, such taxpayers shall use a validation module developed by the BIR, which can be downloaded from the BIR website.

In any case, the withholding agents are required to save the same to a secondary storage as back up for a period of three (3) years from submission of the diskette, as aforementioned, for future reference.

For withholding agents classified as large taxpayers and excise taxpayers falling within the jurisdiction of the Large Taxpayers Service and/or Large Taxpayers District Office, the Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF) and the Annual Information Return of Creditable Income Taxes Withheld (Expanded)/Income Payments Exempt from Withholding Tax (BIR Form No. 1604-E) shall be submitted to the Large Taxpayers Assistance Division, Large Taxpayers District Offices or Excise Taxpayers Assistance Division, as the case may be. For other withholding agents, the aforesaid annual returns shall be submitted to their respective Revenue District Offices. BIR Form No. 1604-CF shall be submitted on or before January 31 of the succeeding year while BIR Form No. 1604-E shall be filed on or before March 1 of the following year. Only diskettes/CD/email: [esubmission@bir.gov.ph](mailto:esubmission@bir.gov.ph) readable and virus free files upon submission shall be considered as duly filed “Alphabetical List of Employees/ Payees” by the employer. Violation hereof, shall be a ground for the mandatory audit of violator’s income tax liabilities (including withholding tax). Diskettes/CDs must be uploaded by the above-mentioned offices within fifteen (15) days from receipt.

The manually prepared (hard copy for below 10 employees/payees) alphabetical list of employee shall be filed in triplicate copies (two copies for the BIR) to be stamped “received” by the BIR-Large Taxpayers Assistance Division, Large Taxpayers District Office or the Excise Taxpayers Assistance Division, or the Revenue District Office where the payor/employer is registered as Withholding Agent. Manually filed alphalists must be encoded and uploaded by the above-mentioned offices within thirty (30) days from receipt.

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***Section 2.83.4. Substituted Filing of Income Tax Returns by Employees Receiving Purely Compensation Income.*** – Individual taxpayers receiving purely compensation income, regardless of amount, from only one employer in the Philippines for the calendar year, the income tax of which has been withheld correctly by the said employer (tax due equals tax withheld) shall not be required to file BIR Form No. 1700. In lieu of BIR Form No. 1700, the Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF) (hard copy) filed by their respective employers, duly stamped “received” by the BIR, shall be tantamount to the substituted filing of income tax returns by said employees.

The following individuals, however, are not qualified for substituted filing and therefore, still required to file BIR Form No. 1700 in accordance with existing regulations:

(A) xxx

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(B) xxx xxx xxx

(C) Minimum wage earners including employees of the government of the Philippines, or any political subdivisions, agencies or instrumentalities, with Salary Grades 1 to 3 whose income were not subjected to withholding tax but subject to income tax from January 1 to July 5, 2008.

(D) xxx xxx xxx

(E) xxx xxx xxx

(F) xxx xxx xxx

In case of married individuals who are still required to file returns under existing provisions of the law, i.e., in those instances not covered by the substituted filing of returns, only one return for the taxable year shall be filed by either spouse to cover the income of the spouses, which return shall be signed by the husband and wife, unless it is physically impossible to do so, in which case signature of one of the spouses would suffice.

Employees not qualified for substituted filing but are required to file the Income Tax Return shall file the same not later than April 15 of the year immediately following the taxable year. Provided, that employees with previous/successive employer/s within the taxable year shall furnish their new employer with BIR Form No. 2316 issued by the previous employer/s.

**Section 2.83.5. Registration as withholding agent.** – Any person who makes payment or expects to make payment of compensation in the amount exceeding the statutory minimum wage, to any single employee shall register by filing in duplicate, with the Revenue District Office (RDO) of the city or municipality where his legal residence or place of business is located, an Application for Registration as a withholding agent using the form prescribed by the Bureau not later than ten (10) days after becoming an employer.

**Sec. 2.83.6.** xxx xxx xxx

**Sec. 2.83.7.** xxx xxx xxx ”

**SECTION 7. TRANSITORY PROVISIONS**

In the implementation of these Regulations, the following provisions shall apply during the transition period:

1. For taxable year 2008, all employees with change in status and number of qualified dependent children shall accomplish and file the Certificate of Update of Exemption and of Employer’s and Employee’s Information (BIR Form No. 2305), for employees already registered with the BIR, reflecting the changes in information, if any/Application for Registration (BIR Form No. 1902) for

those with no TIN reflecting the claimed exemption, together with the required documents/evidence of exemption. The same must be submitted to their employers not later than October 31, 2008

The employers shall transmit both the original & duplicate copies of BIR Form No. 2305 on or before November 28, 2008 (after accomplishing the portion of employer’s information) to the RDO where the employee is registered. For those who shall register for the first time, BIR Form No. 1902 shall be submitted to the RDO either of the principal/head office of employment/place of business or place of residence of the employee-taxpayer at the option of the latter. In both cases, the employer shall furnish a copy of the duly received BIR Form No. 2305/1902 to the LTAD/LTDO/RDO having jurisdiction over the principal/head office of the employer, in case of centralized payroll process, or to the LTAD/LTDO/RDO having jurisdiction over the branch office, in case of decentralized payroll process.

For those with no change of status and number of qualified dependents, it is incumbent with employer to change in their records the new amount of personal and additional exemptions of such employees.

2. The withholding tax from July 6 to December 31, 2008 shall be computed using the Revised Transitional Withholding Tax Table (**Annex “D”**).

3. The personal and additional exemptions applicable for calendar year 2008 shall be as follows:

- a) For the period from January 1 to July 5, 2008, single taxpayers are entitled to P10,000.00, head of the family at P12,500.00, each married individual at P16,000.00, and for each qualified dependent child, not exceeding 4 children, P4,000.00, computed on on a pro-rata basis of the full-year exemptions under the old law.
- b) For the period from July 6 to December 31, 2008, the pro-rated personal exemption shall be P25,000.00, regardless of status, and P12,500 for each qualified dependent child, not exceeding 4 children, as additional exemption.

4. Towards the end of 2008 and using the annualized withholding tax method, withholding agents are required to undertake/conduct the final year-end adjustments consolidating the compensation data for the entire year of 2008 but taking into consideration the following transitory personal and additional exemptions, which are rounded off for administrative ease:

	<u>January 1 to July 5</u>	<u>July 6 to December 31</u>	<u>Total</u>
<u>Personal exemption</u>			
Single	P 10,000	P 25,000	P35,000
Head of the family	12,500	25,000	37,500
Married	16,000	25,000	41,000
Additional exemption for Every QDC	4,000	12,500	16,500

Employers are required to ensure that tax due is equal to the tax withheld for the year-end adjustment computation. Submit BIR Form No. 1604-CF on or before January 31, 2009.

5. The alphabetical list for 2008 shall be analyzed by the concerned LTAD/LTDO/RDO by comparing the compensation figures reported in 2007 as against 2008 to ensure that there is no diminution in the compensation structure of employees.

6. MWEs whose compensation earned from January 1 to July 5, 2008 were not subjected to withholding tax but are, after considering the relevant exemptions, still subject to income tax, shall be required to file an income tax return covering the period from January 1 to July 5, 2008, on or before April 15, 2009.

#### **SECTION 8. REPEALING CLAUSE**

All existing rules and regulations or parts thereof which are inconsistent with the provisions of these Regulations are hereby modified, amended or revoked.

#### **SECTION 9. EFFECTIVITY**

These Regulations shall take effect beginning July 6, 2008.

(Original Signed)  
**MARGARITO B. TEVES**  
Secretary of Finance

#### **RECOMMENDING APPROVAL:**

(Original Signed)  
**LILIAN B. HEFTI**  
Commissioner of Internal Revenue

**Annex “A”**

**SUMMARY OF CURRENT REGIONAL DAILY MINIMUM WAGE RATES  
Non-Agriculture, Agriculture  
As of June 2008  
(In pesos)**

REGION	WO No.	Date of Effectivity	Non-Agriculture	Agriculture	
				Plantation	Non-Plantation
NCR a/	WO 14	June 14, 2008	345.00- 382.00	345.00	P345.00
CAR b/	WO 13	June 16, 2008	243.00- 260.00	226.00- 242.00	226.00 – 242.00
I c/	WO 13	June 22, 2008	220.00- 240.00	220.00	195.00
II d/	WO 13	June 15, 2008	227.00- 235.00	215.00- 223.00	215.00 – 223.00
III e/	WO 14	June 16, 2008	251.00- 302.00	236.00- 272.00	216.00 – 256.00
IV-A f/	WO 13	June 01, 2008	236.00- 320.00	216.00- 295.00	196.00 – 275.00
IV-B g/	WO 04	June 19, 2008	240.00-252.00	198.00- 207.00	178.00 – 187.00
V h/	WO 13	July 1, 2008	196.00- 239.00	207.00- 217.00	187.00 – 197.00
VI i/	WO 16	July 6, 2008	240.00- 250.00	218.00	208.00
VII j/	WO 14	June 16, 2008	222.00- 267.00	202.00- 249.00	202.00 – 249.00
VIII k/	WO 15	June 16, 2008	238.00	219.00	219.00
IX l/	WO 15	July 03, 2008	240.00	215.00	195.00
X m/	WO 14	June 01, 2008	241.00- 256.00	229.00- 244.00	229.00 – 244.00
XI n/	WO 15	June 16, 2008	265.00	255.00	255.00
XII o/	WO 15	June 16, 2008	245.00	225.00	220.00
XIII p/	WO 09	June 20, 2008	233.00	223.00	203.00
ARMM q/	WO 11	15 days after publication	210.00	210.00	210.00

\*Source: National Wages Productivity Commission (NWPC)  
July 2008





REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

**REVISED WITHHOLDING TAX TABLES**  
**Effective JANUARY 1, 2009**

**Annex "C"**

<b>DAILY</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	
Exemption	0.00	0.00	1.65	8.25	28.05	74.26	165.02	412.54	
Status ('000P)	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over	
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	33	99	231	462	825	1,650
2. S/ME	50.0	1	165	198	264	396	627	990	1,815
<b>B. Table for single/married employee with qualified dependent child(ren)</b>									
1. ME1 / S1	75.0	1	248	281	347	479	710	1,073	1,898
2. ME2 / S2	100.0	1	330	363	429	561	792	1,155	1,980
3. ME3 / S3	125.0	1	413	446	512	644	875	1,238	2,063
4. ME4 / S4	150.0	1	495	528	594	726	957	1,320	2,145
<b>WEEKLY</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	
Exemption	0.00	0.00	9.62	48.08	163.46	432.69	961.54	2,403.85	
Status	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over	
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	192	577	1,346	2,692	4,808	9,615
2. S/ME	50.0	1	962	1,154	1,538	2,308	3,654	5,769	10,577
<b>B. Table for single/married employee with qualified dependent child(ren)</b>									
1. ME1 / S1	75.0	1	1,442	1,635	2,019	2,788	4,135	6,250	11,058
2. ME2 / S2	100.0	1	1,923	2,115	2,500	3,269	4,615	6,731	11,538
3. ME3 / S3	125.0	1	2,404	2,596	2,981	3,750	5,096	7,212	12,019
4. ME4 / S4	150.0	1	2,885	3,077	3,462	4,231	5,577	7,692	12,500
<b>SEMI-MONTHLY</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	
Exemption	0.00	0.00	20.83	104.17	354.17	937.50	2,083.33	5,208.33	
Status	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over	
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	417	1,250	2,917	5,833	10,417	20,833
2. S/ME	50.0	1	2,083	2,500	3,333	5,000	7,917	12,500	22,917
<b>B. Table for single/married employee with qualified dependent child(ren)</b>									
1. ME1 / S1	75.0	1	3,125	3,542	4,375	6,042	8,958	13,542	23,958
2. ME2 / S2	100.0	1	4,167	4,583	5,417	7,083	10,000	14,583	25,000
3. ME3 / S3	125.0	1	5,208	5,625	6,458	8,125	11,042	15,625	26,042
4. ME4 / S4	150.0	1	6,250	6,667	7,500	9,167	12,083	16,667	27,083
<b>MONTHLY</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	
Exemption	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67	
Status	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over	
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	833	2,500	5,833	11,667	20,833	41,667
2. S/ME	50.0	1	4,167	5,000	6,667	10,000	15,833	25,000	45,833
<b>B. Table for single/married employee with qualified dependent child(ren)</b>									
1. ME1 / S1	75.0	1	6,250	7,083	8,750	12,083	17,917	27,083	47,917
2. ME2 / S2	100.0	1	8,333	9,167	10,833	14,167	20,000	29,167	50,000
3. ME3 / S3	125.0	1	10,417	11,250	12,917	16,250	22,083	31,250	52,083
4. ME4 / S4	150.0	1	12,500	13,333	15,000	18,333	24,167	33,333	54,167

**Legend: Z-Zero exemption S-Single ME-Married Employee 1;2;3;4-Number of qualified dependent children**

S/ME = P50,000 EACH WORKING EMPLOYEE Qualified Dependent Child = P25,000 each but not exceeding four (4) children

**USE TABLE A FOR SINGLE/MARRIED EMPLOYEES WITH NO QUALIFIED DEPENDENT**

1. Married Employee (Husband or Wife) whose spouse is unemployed.
2. Married Employee (Husband or Wife) whose spouse is a non-resident citizen receiving income from foreign sources.
3. Married Employee (Husband or Wife) whose spouse is engaged in business.
4. Single with dependent father/mother/brother/sister/senior citizen.
5. Single
6. Zero Exemption for Employee with multiple employers for their 2nd,3rd, . . . employers (main employer claims personal & additional exemption)
7. Zero Exemption for those who failed to file Application for Registration

**USE TABLE B FOR THE FOLLOWING SINGLE/MARRIED EMPLOYEES WITH QUALIFIED DEPENDENT CHILDREN:**

1. Employed husband and husband claims exemptions of children.
2. Employed wife whose husband is also employed or engaged in business; husband waived claim for dependent children in favor of the employed wife.
3. Single with qualified dependent children.





REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE

**REVISED TRANSITIONAL WITHHOLDING TAX TABLES  
FOR THE PERIOD JULY 6, 2008 TO DECEMBER 31, 2008**

**Annex "D"**

DAILY	1	2	3	4	5	6	7	8	
Exemption	0.00	0.00	1.65	8.25	28.05	74.26	165.02	412.54	
Status ('000P)	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over	
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	33	99	231	462	825	1,650
2. S/ME	25.0	1	83	116	182	314	545	908	1,733
<b>B. Table for single/married employee with qualified dependent child(ren)</b>									
1. ME1 / S1	37.5	1	124	157	223	355	586	949	1,774
2. ME2 / S2	50.0	1	165	198	264	396	627	990	1,815
3. ME3 / S3	62.5	1	206	239	305	437	668	1,031	1,856
4. ME4 / S4	75.0	1	248	281	347	479	710	1,073	1,898
WEEKLY	1	2	3	4	5	6	7	8	
Exemption	0.00	0.00	9.62	48.08	163.46	432.69	961.54	2,403.85	
Status	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over	
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	192	577	1,346	2,692	4,808	9,615
2. S/ME	25.0	1	481	673	1,058	1,827	3,173	5,288	10,096
<b>B. Table for single/married employee with qualified dependent child(ren)</b>									
1. ME1 / S1	37.5	1	721	913	1,298	2,067	3,413	5,529	10,337
2. ME2 / S2	50.0	1	962	1,154	1,538	2,308	3,654	5,769	10,577
3. ME3 / S3	62.5	1	1,202	1,394	1,779	2,548	3,894	6,010	10,817
4. ME4 / S4	75.0	1	1,442	1,635	2,019	2,788	4,135	6,250	11,058
SEMI-MONTHLY	1	2	3	4	5	6	7	8	
Exemption	0.00	0.00	20.83	104.17	354.17	937.50	2,083.33	5,208.33	
Status	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over	
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	417	1,250	2,917	5,833	10,417	20,833
2. S/ME	25.0	1	1,042	1,458	2,292	3,958	6,875	11,458	21,875
<b>B. Table for single/married employee with qualified dependent child(ren)</b>									
1. ME1 / S1	37.5	1	1,563	1,979	2,813	4,479	7,396	11,979	22,396
2. ME2 / S2	50.0	1	2,083	2,500	3,333	5,000	7,917	12,500	22,917
3. ME3 / S3	62.5	1	2,604	3,021	3,854	5,521	8,438	13,021	23,438
4. ME4 / S4	75.0	1	3,125	3,542	4,375	6,042	8,958	13,542	23,958
MONTHLY	1	2	3	4	5	6	7	8	
Exemption	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67	
Status	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over	
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	833	2,500	5,833	11,667	20,833	41,667
2. S/ME	25.0	1	2,083	2,917	4,583	7,917	13,750	22,917	43,750
<b>B. Table for single/married employee with qualified dependent child(ren)</b>									
1. ME1 / S1	37.5	1	3,125	3,958	5,625	8,958	14,792	23,958	44,792
2. ME2 / S2	50.0	1	4,167	5,000	6,667	10,000	15,833	25,000	45,833
3. ME3 / S3	62.5	1	5,208	6,042	7,708	11,042	16,875	26,042	46,875
4. ME4 / S4	75.0	1	6,250	7,083	8,750	12,083	17,917	27,083	47,917
<b>New Exemption beginning July 6, 2008 per RA 9504 resulting to a pro-rata computation for CALENDAR YEAR 2008 as follows:</b>									
Single/Married: P50,000 x 6mos/12mos (July-Dec. 2008) = P25,000									
Qualified Dependent Children (QDC): P25,000 x 6mos/12mos (July-Dec. 2008) = P12,500 each QDC									
<b>Legend: Z-Zero exemption S-Single ME-Married Employee 1;2;3;4-Number of qualified dependent children</b>									
S/ME = P50,000 EACH WORKING EMPLOYEE Qualified Dependent Child = P25,000 each but not exceeding four (4) children									
<b>USE TABLE A FOR SINGLE/MARRIED EMPLOYEES WITH NO QUALIFIED DEPENDENT</b>									
1. Married Employee (Husband or Wife) whose spouse is unemployed.									
2. Married Employee (Husband or Wife) whose spouse is a non-resident citizen receiving income from foreign sources.									
3. Married Employee (Husband or Wife) whose spouse is engaged in business.									
4. Single with dependent father/mother/brother/sister/senior citizen.									
5. Single									
6. Zero Exemption for Employee with multiple employers for their 2nd,3rd. . . employers (main employer claims personal & additional exemption)									
7. Zero Exemption for those who failed to file Application for Registration/Certificate of Exemption Update									
<b>USE TABLE B FOR THE FOLLOWING SINGLE/MARRIED EMPLOYEES WITH QUALIFIED DEPENDENT CHILDREN:</b>									
1. Employed husband and husband claims exemptions of children.									
2. Employed wife whose husband is also employed or engaged in business; husband waived claim for dependent children in favor of the employed wife.									
3. Single with qualified dependent children.									

\_\_\_\_\_  
(Name of Company)

\_\_\_\_\_  
(Date)

**CERTIFICATE OF GROSS INCOME FOR THE YEAR**

This is to certify that Mr./Ms./Mrs \_\_\_\_\_  
received the amount of \_\_\_\_\_ (P \_\_\_\_\_)  
as compensation income for the period \_\_\_\_\_ from this  
company/enterprise, broken down as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I declare, under the penalties of perjury, that the above information are verified by  
me, and to the best of my knowledge true and correct.

\_\_\_\_\_  
(Employer's Authorized Representative & Designation)



**SWORN DECLARATION AND WAIVER OF RIGHT  
TO CLAIM EXEMPTIONS OF QUALIFIED DEPENDENT CHILDREN**

In accordance with the provisions of Section 29 (1) (2) (A) of the National Internal Revenue Code, as amended, I Mr. \_\_\_\_\_, hereby voluntarily depose and say:

1. That my wife and I are both income earners;
2. That we file a joint income tax return on our taxable income;
3. That I am a (check pls): \_\_\_ self employed: \_\_\_ engaged in business; \_\_\_ practice profession;
4. That this waiver will be effective for the taxable year \_\_\_\_\_ and shall continue for the succeeding years unless sooner revoked;
5. That I hereby waive my right to claim the additional exemption for all our qualified dependent children in favor of my wife presently employed with:

Name of wife: \_\_\_\_\_

Name of wife's employer \_\_\_\_\_

Address of employer \_\_\_\_\_

TIN of employer \_\_\_\_\_ Tel No. \_\_\_\_\_ Fax No. \_\_\_\_\_

	Name of qualified dependent child(ren)	Date of Birth (mm/dd/yyyy)
1		
2		
3		
4		

I hereby declared under penalties of perjury that the foregoing representations are true and correct and that the waiver of right is voluntarily and knowingly made in accordance with the provisions of the National Internal Revenue Code, as amended.

\_\_\_\_\_  
(Signature of husband over printed name)

\_\_\_\_\_  
TIN

\_\_\_\_\_  
Date

**ACKNOWLEDGEMENT OF HUSBAND'S EMPLOYER**

Name of husband's employer \_\_\_\_\_

Address of employer \_\_\_\_\_

TIN of employer \_\_\_\_\_ Tel No. \_\_\_\_\_ Fax No. \_\_\_\_\_

\_\_\_\_\_  
(Signature over printed name of husband's employer/  
Chief Accountant/Head, Personnel Office)

\_\_\_\_\_  
Date (mm/dd/yyyy)

**ACKNOWLEDGEMENT OF WIFE'S EMPLOYER**

This is to acknowledge receipt of the above waiver of right to claim additional exemptions of Mr. \_\_\_\_\_ in favor of his wife Mrs/Ms. \_\_\_\_\_ who shall be entitled to claim the additional exemptions for all their qualified dependent children effective \_\_\_\_\_ (Month) \_\_\_\_\_ (taxable year).

Name of wife's employer \_\_\_\_\_

Address of employer \_\_\_\_\_

TIN of employer \_\_\_\_\_ Tel No. \_\_\_\_\_ Fax No. \_\_\_\_\_

\_\_\_\_\_  
(Signature over printed name of wife's employer/  
Chief Accountant/Head, Personnel Office)

\_\_\_\_\_  
Date (mm/dd/yyyy)

Note: If husband engaged in business, disregard the portion on Acknowledgement of Husband's Employer.  
Must be signed by both employers of husband and wife before effecting changes in the payroll of their respective employers.  
Must be attached to BIR Form No. 2305 or BIR Form No. 1902.