WITHHOLDING OF PERCENTAGE TAX – GROSS RECEIPT TAX (GRT)

BSP MEMORANDUM NO. M-2014-029, July 25, 2014

Read online (full-text search, related cases, audio case brief): https://batas.org/library/0cbc160cf7cc/

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Under Revenue Regulations No. 02-98, the Bangko Sentral ng Pilipinas (BSP) is required to deduct and withhold the percentage taxes, GRT due from its payments to all banks and non-bank financial institutions with quasi-banking functions, to quote as follows:

> "xxx
>
> SECTION 5.116. Withholding of Percentage Tax –
>
> Bureaus, offices and instrumentalities of the government, including government-owned or controlled corporations as well as their subsidiaries, provinces, cities and municipalities making any money payment to private individuals, corporations, partnerships and/or associations are required to deduct and withhold the taxes due from the payees on account of such money payments.
>
> (A) Internal revenue taxes required to be withheld. - Percentage taxes on gross money payments, to the following shall be subjected to withholding at the rates herein prescribed:
>
> XXX
>
> (5) Banks and non-bank financial intermediaries –
>
> (a) On interest, commissions and discounts paid or given to banks and non-bank financial intermediaries arising out of lending activities as well as financial leasing, on the basis of the remaining maturities of the instrument –
>
> Short-term maturity (not exceeding 2 years) - 5%
> Medium-term maturity (over 2 year but not exceeding 4 years) - 3%
> Long-term maturity:
> (i) over 4 years but not exceeding 7 years - 1%
> (ii) over 7 years - 0%
>
> (b) On dividends - 0%
>
> (c) On royalties, rentals of property, real or personal, profits from exchange and all other gross income - Five percent (5%)"

In light of the above, BSP shall withhold the applicable percentage tax, i.e. gross receipts tax, from ALL payments to banks and non-bank financial institutions with quasi banking functions, such as, but not limited to, interest payments pertaining to the following: Special Deposit Account (SDA) - Regular, Special Deposit Account (SDA)-Trust, Government Securities Sold under Agreements to Repurchase (RRP) and Reserve Deposit Liquidity Account (RDLA) on accrual basis effective 1 August 2014.

The withholding and the subsequent remittance of taxes withheld shall be without prejudice to available remedies to the BSP and the bank or quasi-bank concerned after final resolution of the issues relating to withholding of the GRT.

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