AMENDMENTS TO REVENUE REGULATIONS NO. 6-85, OTHERWISE KNOWN AS THE EXPANDED WITHHOLDING TAX REGULATIONS

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Amendments to Revenue Regulations No. 6-85, otherwise known as the Expanded Withholding Tax Regulations.

Pursuant to the provisions of Section 245, in relation to Section 50(b), both of the National Internal Revenue Code, these regulations, amending paragraph (j) of Section 1 of Revenue Regulations No. 6-85, and adding four paragraphs thereto are hereby promulgated.

SECTION 1. Section 1 of Revenue Regulations No. 6-85, as amended, is hereby further amended to read as follows:

"Sec. 1. Income payments subject to creditable withholding tax and rates prescribed thereon. Except as herein otherwise provided, there shall be withheld a creditable income tax at the rates herein specified for each class of payee from the following items of income payments to persons residing in the Philippines.

"(j) Gross selling price or total amount of consideration or its equivalent paid to the seller/owner for the sale, exchange or transfer of —

"(i) real property, other than capital assets, by an individual, estate, trust, trust fund or pension fund or real property, whether capital or ordinary asset, by a corporation, who is registered with and certified to as engaged in low cost housing projects by the Housing and Urban Development Coordinating Council (HUDCC)/Housing and Land Use Regulatory Board (HLURB), where the consideration for the sale of the lot or house and lot per transaction does not exceed P500,000.00 — two and one—half percent (2.5%);

"(ii) real property, other than capital assets, by an individual, estate, trust, trust fund, or pension fund or real property, whether capital or ordinary asset by a corporation who is habitually engaged in real estate business, certified as such by the Chamber of Real Estate and Builders Association, Inc. (CREBA), or National Real Estate Association (NREA), and/or who is registered with HUDCC/HLURB — five percent (5%);

"(iii) real property, other than capital assets, by an individual, estate, trust, trust fund or pension fund or real property, whether capital or ordinary asset, by a corporation who is not habitually engaged in real estate business — seven and one—half percent (7.5%).

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"(k) Certain income payments to exporters. — On the gross amount paid by any bank in the Philippines to any exporter of goods/services, representing the Philippine peso value of the foreign letter of credit in payment of the aforesaid exporter's export sales — two and one—half (2 1/2%) percent.

"(l) Certain income payments made by credit card companies. — On the gross amount paid by any credit card company in the Philippines to any business entity, whether a natural or juridical person, representing the sales of goods/services made by the aforesaid business entity to cardholders — one and one-half (1 1/2%) percent.

"(m) Income payments made by the top five thousand (5,000) corporations, as determined by the Commissioner

of Internal Revenue, to their local suppliers of goods — one (1%) percent.

"(n) Income payments made by a government office, national or local, including government-owned or controlled corporations, on their purchases of goods from local suppliers — one (1%) percent.

SECTION 2. Persons required to deduct and withhold. — The following persons are hereby constituted as withholding agents for purposes of the tax required to be withheld on income payments enumerated in the preceding section:

"(a) An individual, with respect to payments made in connection with his trade or business. However, insofar as taxable sale, exchange or transfer of real property specified in Section 1(i) is concerned, individual buyers not engaged in trade or business are also constituted as withholding agents, but they need not register as such.

"(b) In general, any juridical person, whether or not engaged in trade or business, provided, however, that in the case of payments by banks to exporters of goods/services as provided for in Section 1(k) of Revenue Regulations No. 13-78, as amended, the bank shall be constituted as the withholding agent; and

"(c) All government offices, including government-owned or controlled corporations, as well as provincial, city and municipal governments."

SECTION 3. Effectivity. — These Regulations shall take effect fifteen days after publication in the Official Gazette or in any newspaper of general circulation, whichever shall come first.

Adopted: 15 Feb. 1994

(Sgd.) ROBERTO F. DE OCAMPO
Secretary of Finance

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