

EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session



Senate
Office of the Secretary

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SENATE

P. S. RES. NO. 94

RECEIVED BY: _____

Introduced by Senator Ralph G. Recto

RESOLUTION

DIRECTING THE SENATE COMMITTEE ON WAYS AND MEANS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE PROPER IMPLEMENTATION OF THE SIMPLIFIED CREDITABLE WITHHOLDING TAX SYSTEM, WITH THE END IN VIEW OF EASING THE BURDEN OF THE TAXPAYERS

1 WHEREAS, Section 57 (B) of the National Internal Revenue Code (NIRC) of
2 1997, as amended, provides that the Secretary of Finance may, upon the
3 recommendation of the Commissioner, require the withholding of a tax on the items
4 of income payable to natural or juridical persons, residing in the Philippines, by
5 payor-corporation/persons as provided for by law, at the rate of not less than one
6 percent (1%) but not more than thirty-two percent (32%) thereof, which shall be
7 credited against the income tax liability of the taxpayer for the taxable year;

8 WHEREAS, Section 58 (A) of the NIRC provides that the Commissioner, with
9 the approval of the Secretary of Finance, may require the withholding agents to file
10 a return and pay or deposit the taxes deducted or withheld at more frequent
11 intervals when necessary to protect the interest of the government;

12 WHEREAS, Section 57 (B) of the NIRC has been amended by Republic Act No.
13 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN)
14 Law, and provides that beginning January 1, 2019, the rate of withholding tax shall
15 not be less than one percent (1%) but not more than fifteen percent (15%) of the
16 income payment;

1 WHEREAS, Section 58 (A) of the NIRC has also been amended by the TRAIN
2 Law to remove the power of the Commissioner to require the withholding agents to
3 file a return and pay or deposit taxes deducted or withheld at more frequent
4 intervals when necessary to protect the interest of the government, and provides
5 that the return for final and creditable withholding taxes shall be filed and the
6 payment made not later than the last day of the month following the close of the
7 quarter during which withholding was made;

8 WHEREAS, Section 58 (B) of the NIRC requires every withholding agent to
9 furnish each recipient, in respect to his or its receipts during the calendar quarter or
10 year, a written statement showing the income or other payments made by the
11 withholding agent during such quarter or year; and the amount of the tax deducted
12 and withheld therefrom, simultaneously upon payment at the request of the payee,
13 for creditable withholding taxes;

14 WHEREAS, Revenue Regulations (RR) No. 02-98, as amended, has been
15 promulgated to implement the provisions of the NIRC relative to the withholding tax
16 system;

17 WHEREAS, RR No. 02-98 enumerated certain income payments subject to
18 creditable withholding tax such as professional fees, talent fees, etc., for services
19 rendered by individuals and taxable juridical person; rentals for the continued use or
20 possession of real and personal properties; income payments to certain contractors;
21 among others;

22 WHEREAS, in addition to certain income payments that are subject to
23 creditable withholding tax, RR No. 02-98 also requires those taxpayers that are
24 classified and duly notified by the Bureau of Internal Revenue (BIR) as large
25 taxpayers; top twenty thousand (20,000) private corporations; or top five thousand
26 (5,000) individuals, to withhold a tax of one percent (1%) or two percent (2%) for
27 income payments made to local/resident supplier of goods or services;

28 WHEREAS, RR No. 11-2018 has been promulgated to implement the pertinent
29 provisions of the TRAIN Law, on creditable withholding tax;

30 WHEREAS, RR No. 11-2018 further amended RR No. 02-98 to expand the
31 coverage of withholding tax system by creating a new classification of withholding
32 agents, the top withholding agents, and defined the same as including those

1 classified and duly notified as large taxpayers; top twenty thousand (20,000) private
2 corporations; top five thousand (5,000) individual taxpayers; taxpayers identified
3 and included as Medium Taxpayers; and those under the Taxpayer Account
4 Management Program (TAMP);

5 WHEREAS, RR No. 11-2018 requires the top withholding agents to withhold
6 one percent (1%) on their purchases of goods and two (2%) on purchases of
7 services other than those covered by other rates of withholding tax;

8 WHEREAS, RR 02-98, as further amended by RR 11-2018, defined the term
9 "local resident suppliers of goods/suppliers of services" as pertaining to a supplier
10 from whom any of the top withholding agents, regularly makes its purchases of
11 goods/services; and "regular suppliers", for purposes of these regulations, as
12 referring to suppliers who are engaged in business or exercise of profession/calling
13 with whom the taxpayer-buyer has transacted at least six (6) transactions,
14 regardless of amount per transaction, either in the previous year or current year,
15 however, a single purchase which involves ten thousand pesos (P10,000) or more
16 shall be subject to withholding tax;

17 WHEREAS, RR No. 7-2019 amended RR No. 11-2018 to redefine "top
18 withholding agents" as referring to those taxpayers whose gross sales/receipts or
19 gross purchases or claimed deductible itemized expenses, as the case may be,
20 amounted to twelve million pesos (P12,000,000) during the preceding taxable year;

21 WHEREAS, it is the primary duty of the BIR to collect national internal
22 revenue taxes including income taxes;

23 WHEREAS, the duty to withhold income taxes has been delegated by the
24 NIRC to the taxpayers/withholding agents;

25 WHEREAS, as withholding agent, the taxpayer is responsible for the monthly
26 and quarterly remittance of income taxes withheld using BIR Form Nos. 0619E and
27 1601EQ, and to furnish a certificate (BIR Form No. 2307) to suppliers of goods or
28 services;

29 WHEREAS, the foregoing duties and responsibilities of the taxpayers would
30 entail additional cost of doing business;

31 WHEREAS, the complexity of the creditable withholding tax system brought
32 about by a number of conflicting BIR issuances makes it difficult for the taxpayers

1 particularly the micro, small and medium enterprises to comply with the
2 requirements of the law, rules and regulations for the payment of taxes, thereby
3 resulting in an inadvertent failure to file tax returns and pay the corresponding
4 correct taxes due thereon;

5 WHEREAS, a tax is a burden on the taxpayer, it being an enforced
6 proportional contribution to finance the operation of the government and other
7 public needs;

8 WHEREAS, the obligation to pay taxes and the additional duty as a
9 withholding agent of the government are too much of a burden on the taxpayers;

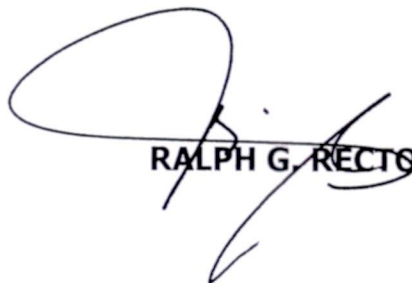
10 WHEREAS, it was the intent of the TRAIN Law that the filing of the return and
11 remittance of creditable withholding taxes should be on a quarterly basis, but the
12 BIR still implemented the same on a monthly basis;

13 WHEREAS, one of the objectives of the TRAIN Law is to provide a simplified
14 tax compliance system;

15 WHEREAS, to mitigate such burden on the taxpayers, it is only right and
16 proper to implement the creditable withholding tax system in a simplified manner as
17 envisioned under the TRAIN Law: Now, therefore, be it

18 RESOLVED BY THE SENATE, as it is hereby resolved, To direct the Committee
19 on Ways and Means to conduct an inquiry, in aid of legislation, on the proper
20 implementation of the simplified creditable withholding tax system, with the end in
21 view of easing the burden of the taxpayers.

Adopted,



RALPH G. RECTO

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