

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

**REVENUE REGULATIONS NO. 11-2018**

January 31, 2018

**SUBJECT** : Amending Certain Provisions of Revenue Regulations No. 2-98, as Amended, to Implement Further Amendments Introduced by Republic Act No. 10963, Otherwise Known as the “Tax Reform for Acceleration and Inclusion (TRAIN)” Law, Relative to Withholding of Income Tax.

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

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Pursuant to the provisions of Section 244 of the National Internal Revenue Code and the provisions of Republic Act No. 10963 (TRAIN Law), certain provisions of Revenue Regulations (RR) No. 2-98, as amended, is hereby further amended as prescribed under the aforesaid law.

**SECTION 1.** Certain items of Section 2.57.1 of RR No. 2-98, as amended, is hereby renumbered and further amended to read as follows:

**SECTION 2.** Certain items of Section 2.57.2 of RR No. 2-98 is hereby renumbered and further amended to read as follows:

**“SECTION 2.57.2. *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:

Individual payees whose gross receipts/sales in a taxable year shall not exceed ₱3M, are required to submit a sworn declaration of his/her gross receipts/sales (Annex “B-1”), together with a copy of Certificate of Registration (COR), to all the income payor/withholding agents not later than January 15 of each year or at least prior to the initial payment of the professional fees/commissions/talent fees, etc in order for them to be subject to five percent (5%). The ten percent (10%) withholding tax rate shall be applied in the following cases: (1) the payee failed to provide the income payor/withholding agent of such declaration; or (2) the income payment exceeds ₱3M, despite receiving the sworn declaration from the income payee. In the case of individual payees with only one payor, the sworn declaration to be accomplished shall be Annex “B-2” and submitted, together with a copy of their COR, to the said lone income payor.

In the case of non-individual payees, if the company or corporation’s gross income is estimated not to exceed ₱720,000 during the taxable year, the authorized officer is required to provide all its income payors/withholding agents with a notarized sworn statement to that effect (Annex “B-3”), together with a copy of the COR, not later than January 15 of each year or prior to the initial income payment so that the income payor/withholding agent shall only withhold ten percent (10%). The fifteen percent (15%) withholding tax rate shall be applied in the following cases: (1) the payee failed to provide the income payor/withholding agent of such declaration; or (2) the income payment exceeds ₱720,000, despite receiving the sworn declaration from the income payee. The sworn declaration shall be executed by the president/managing partner of the corporation/company/general professional partnerships.

Moreover, income payors/withholding agents shall subsequently execute a sworn declaration (Annex “C”) stating the number of payees who have submitted the income payees’ sworn declarations (Annexes “B-1”, “B-2” and “B-3”) with the accompanying copies of their COR. Such declaration of the income payors/withholding agents shall be submitted, together with the list of payees, to the concerned BIR office where registered on or before January 31 of each year or fifteen (15) days following the month when a new income recipient has submitted the payee’s sworn declaration.

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**“SECTION 2.57.3. Persons Required to Deduct and Withhold. – XXX**

XXX      XXX      XXX

The obligation to withhold is imposed upon the buyer-payor of income although the burden of tax is really upon the seller-income earner/payee; hence, unjustifiable refusal of the latter to be subjected to withholding shall be a ground for the mandatory audit of all internal revenue tax liabilities, as well as the imposition of penalties pursuant to Section 275 of the Tax Code, as amended, upon verified complaint of the buyer-payor.

Provided, however, that an individual seller-income earner/payee, may not be subjected to withholding under Section 2.57.2 hereof if the source of income comes from a lone income payor and the total income payment is less than ₱250,000 in a taxable year. In this case, the concerned individual shall execute an **Income Payee’s Sworn Declaration of gross receipts/sales (Annex “B-2”)** that shall be submitted to the lone payor. **The payee’s sworn declaration shall be submitted to the lone income payor of income before the initial payment of income or before January 15 of each year, whichever is applicable.** The income payor/withholding agent shall in turn execute its own **Income Payor/Withholding Agent’s Sworn Declaration (Annex “C”)** stating the number of payees who shall not be subjected to withholding taxes and have duly submitted their **income payees’ sworn declarations and copies of COR. Together with the income payor/withholding agent’s sworn declaration is the list of payees, who shall not be subjected to withholding tax, which shall be submitted by the income payor/withholding agent to the concerned BIR office on or before the last day of January of each year or on the fifteenth (15th) day of the following month when a new income recipient submitted the payee’s sworn declaration to the lone income payor/withholding agent.**

The income payor/withholding agent’s sworn declaration (Annex “C”) shall be filed in two (2) copies with the concerned LTS/RR/RDO office where the income payor/withholding agent is registered and shall be distributed as follows:

- (1) Original copy for the BIR; and
- (2) Duplicate copy for lone payor/withholding agent.

The duly received income payor/withholding agent's sworn declaration including the required list shall serve as proof that the income payments made are not subject to withholding tax.

In the event that the individual payee's cumulative gross receipts in a year exceed ₱250,000, the income payor/withholding agent shall withhold the prescribed withholding tax based on the amount in excess of ₱250,000, despite the prior submission of the individual income payee's sworn declaration. On the other hand, if the individual income payee failed to submit an income payee's sworn declaration to the lone income payor/withholding agent, the income payment shall be subject to the applicable withholding tax even though in a taxable year the income payment is ₱250,000 and below.

For individual payees, the income payor/withholding agent shall withhold the prescribed withholding tax rate. In case there are two rates prescribed, the higher rate shall apply if:

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(1) the payee failed to provide the income payor/withholding agent of the required declaration; or (2) the income payment exceeds P3M, despite receiving the sworn declaration from the income payee.

For non-individual payees, the income payor/withholding agent shall withhold the prescribed withholding tax rate. In case there are two rates prescribed, the higher rate shall apply if: (1) the payee failed to provide the income payor/withholding agent of the required declaration; or (2) the income payment exceeds P720,000, despite receiving the sworn declaration from the income payee.

**SECTION 4.** Section 2.57.5 of RR No. 2-98, as amended, is hereby further amended to read as follows:

*“SECTION 2.57.5. Exemption from Withholding. The withholding of creditable withholding tax prescribed in these Regulations shall not apply to income payments made to the following:*

(6) Individuals who earn ₱250,000.00 and below from a lone income payor upon compliance with the following requirements:

a. The individual has executed a payee's sworn declaration of gross receipts in accordance with the format per attached Annex "B-2";

b. The sworn declaration has been submitted to the lone income payor/withholding agent on or before January 15 of each year or before the initial income payment, whichever is applicable.

(B) ***Withholding Tax Statement for Taxes Withheld*** - Every payor required to deduct and withhold taxes under this subsection shall furnish each payee, a withholding

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tax statement, in triplicate, within twenty (20) days from the close of the quarter. The prescribed form (BIR Form No. 2307 for creditable withholding tax and BIR Form 2306 for final withholding tax) shall be used, showing the monthly income payments made, the quarterly total, and the amount of taxes withheld. Provided, however, that upon request of the payee, the payor must furnish such statement, simultaneously with the income payment.