

**[BIR REVENUE MEMORANDUM CIRCULAR NO. 3-
2012, January 11, 2012]**

TAX IMPLICATIONS OF GENERAL PROFESSIONAL PARTNERSHIP

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Under Section 26 of the National Internal Revenue Code (NIRC) of 1997, as amended, a general professional partnership as such shall not be subject to income tax. However, persons engaging in business as partners in a general professional partnership shall be liable for income tax only in their separate and individual capacities, thus:

*"SEC. 26. Tax Liability of Members of General Professional Partnerships.
– A general professional partnership as such shall not be subject to the income tax imposed under this Chapter. Persons engaging in business as partners in a general professional partnership shall be liable for income tax only in their separate and individual capacities.*

For purposes of computing the distributive share of the partners, the net income of the partnership shall be computed in the same manner as a corporation.

Each partner shall report as gross income his distributive share, actually or constructively received, in the net income of the partnership."

In relation thereto, Section 2.57.5 of Revenue Regulations No. 2-98, as amended, provides that:

"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:

(A)

(B) Persons enjoying exemption from payment of income taxes pursuant to the provisions of any law, general or special, such as but not limited to the following:

(1)

(4) General Professional Partnerships