

[KRI REVENUE REGULATION NO. 10-93, June 16, 1993]

REGULATIONS IMPLEMENTATING SECTION 2 OF REPUBLIC ACT NO. 7649, FURTHER AMENDING SECTION 110 OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, REQUIRING THE WITHHOLDING OF CREDITABLE VALUE-ADDED TAX.

SECTION 1. Scope - Pursuant to the provisions of Section 245 of the National Internal Revenue Code (NIRC), as amended, in relation to Section 2 of Republic Act 7649, these regulations are hereby promulgated to govern the manner of withholding and remittance of taxes on account of payments made by the government for purchases of goods and services subject to value-added tax.

SECTION 2. Definitions - In applying the provisions of these regulations, the following terms shall have the meaning indicated below:

a. Government refers to all departments, bureaus, offices, agencies and instrumentalities of the government, local government units (province, city, municipality, and barangay) and government-owned or controlled corporations (GOCCs), including their regional/district offices, branches and units.

b. Contractor refers to all sellers of services to the government subject to 10% value-added tax under Section 102 of the NIRC, as amended, regardless of whether or not the performance thereof calls for the exercise or use of the physical or mental faculties.

c. Head of Office refers to the highest executive officer of "Government" as defined in (a) above. For example:

Office	Head of Office
Department of Public Works & Highways (DPWH)	Secretary
DPWH Regional Office	Regional Director
DPWH District Engineering Office	District Engineer
Philippine National Bank (PNB)	President
PNB Branch	Branch Manager
Provincial Government	Governor

SECTION 3. General Provisions. — In general, value-added tax due on sales of goods and services are not subject to withholding since the tax is not determinable at the time of sale. However, sale of goods and services to the government subject to VAT shall be subject to withholding pursuant to the provisions of R.A. 7649.

SECTION 4. Withholding Agents Charged With the Duty to Withhold and Remit - All local government units, represented by the Provincial Treasurer in provinces, the City Treasurer in cities, the Municipal Treasurer in municipalities, and Barangay Treasurer in barangays, Treasurers of GOCCs, and the Chief Accountant or any person holding similar position and performing similar function in national government offices, as withholding agents, shall deduct and withhold the prescribed creditable value-added tax before making any payment to seller of goods and services.

The responsibility and liability of the respective treasurer, chief accountant, and any person holding similar position performing similar function pursuant to and under these regulations may not be delegated to subordinate officials or employees.

In cases where the government as herein defined has regional offices, branches or units, the withholding and remittance of the creditable VAT may be done on a decentralized basis. As such, the treasurer or the chief accountant or any person holding similar position and performing similar function in said regional office, branch or unit shall deduct and withhold the creditable VAT before making any payment to the seller of goods and services.

SECTION 5. Rates and Basis of Creditable Value — Added Tax to be Withheld — The gross payments made by the government to sellers of goods and services shall be subject to withholding tax at the rates prescribed below:

- a. Sale of Goods — Three percent (3%) on gross payments, exclusive of the 10% VAT;
- b. Sale of Services — Six percent (6%) on gross payments, exclusive of the 10% VAT.

Illustrative Computations

1) Purchase of Goods

a) VAT Separately Billed	P100,000
10% VAT	10,000

Total	P110,000
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The 3 % Withholding Tax shall be computed as follows:

Total payment (net of VAT)	P100,000
Withholding tax rate	x 3 %

Amount to be Withheld	P3,000
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