

**[ BIR REVENUE REGULATIONS NO. 2-2009,  
February 04, 2009 ]**

**AMENDING FURTHER SECS. 2.57.2 AND 2.58 OF REVENUE  
REGULATIONS NO. 2-98, AS AMENDED, SUBJECTING TO  
CREDITABLE WITHHOLDING TAX THE INTEREST PORTION OF  
THE REFUND OF METER DEPOSITS BY MERALCO AND OTHER  
DISTRIBUTION UTILITIES TO RESIDENTIAL AND NON-  
RESIDENTIAL ELECTRICITY CONSUMERS/CUSTOMERS**

*SECTION 1. Scope* - Article 8 of the "Magna Carta for Residential Electricity Consumers" promulgated by the Energy Regulatory Commission (ERC) on June 17, 2004 with respect to the payment of meter deposit by residential electricity consumers, provides as follows:

***"Article 8. Exemption from Payment of Meter Deposit - All consumers shall be exempt from payment of meter deposits*** since private distribution utilities have incorporated the cost of these electric watthour meters in their *rate base*. *Electric cooperatives shall use their respective Reinvestment Funds to procure electric watthour meters for their consumers.*

*"In cases of loss and/or damage to the electric meter due to the fault of the customer, he shall bear the replacement of the cost of meter."*  
(emphasis supplied)

Corollarily, a similar exemption from the payment of meter deposit was subsequently granted to non-residential electricity consumers when ERC issued ERC Resolution No. 2005-10RM, dated January 18, 2006, otherwise known as the "*Distribution Services and Open Access Rules (DSOAR)*"

Article 3.4.2 of DSOAR, states:

***"3.4.2 NON-RESIDENTIAL ELECTRICITY CUSTOMERS***

*"For the establishment of credit, non-residential electricity customers shall submit a bill deposit to guarantee payment of bills. xxx xxx xxx*

*" The bill deposit shall be refunded within one month from the termination of the service provided that all bills have been paid. xxx xxx xxx*

*"All customers shall be exempt from the payment of meter deposits. In cases of loss and/or damage to the electric meter due to the fault of the customer, the customer shall bear the full replacement cost of the meter. Within 90 days following the effectivity of the DSOAR, all DUs shall*

submit a proposal to ERC on the methodology and timeline for the refund of all existing meter deposits.” (emphasis supplied.)

On June 4, 2008, after having conducted public consultations with several distribution utilities (DUs) and various consumer groups on the subject of how to go about the refund of meter deposits of those electricity consumers from their respective DUs, ERC came up with ERC Resolution No. 8, series of 2008, approving and adopting the *“Rules Governing the Refund of Meter Deposits to Residential and Non-Residential Consumers”*.

Said rules, among others, have provided the DUs with guidelines and parameters for the refund of meter deposits pertinent to each type of consumer (i.e., residential and/ or non-residential consumer) as well as the applicable interest rates and formulae to be used in determining the corresponding interest to be paid. A timeline for the duration of the refund period is also found in Section 1 of Article IV thereof which stipulates that *“The refund of meter deposits and its applicable interest must be completed by the DUs not longer than sixty-six (66) months from the effectivity of these Rules”*.

In view of the impending refunds of the meter deposits and the corresponding amount of interest that had accrued thereon by the DUs to their residential customers, these Regulations are hereby promulgated, pursuant to the provisions of Section 244 in relation to Section 57 (B) of the National Internal Revenue Code of 1997, as amended, and the above rules promulgated by ERC, in order to include said interest payments as one of those income payments subject to creditable withholding tax under Sec. 2.57.2 of Revenue Regulations No. 2-98, as amended.

This is with the aim of ensuring that the fair amount due to the Government, by way of taxes due from such interest income, is already secured and collected at the time such interest payments are made, as well as provide a mechanism by which to discourage the income recipients thereof from not declaring such receipt of interest income for tax purposes.

*SEC. 2. Amendments to Sec. 2.57.2 of Revenue Regulations No. 2-98, as Amended*  
- Sec. 2.57.2 of Revenue Regulations No. 2-98, as amended, is hereby further amended, to read as follows:

*“Sec. 2.57.2 Income payments subject to creditable 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:*

xxx

xxx

xxx

*“(U) MERALCO Payments on the following:*

*(1) MERALCO Refund arising from Supreme Court Case G.R. No. 14814 of April 9, 2003 to customers under Phase IV as approved by ERC - On gross amount of refund given by MERALCO to Customers with active contracts as classified by MERALCO - Twenty Five Percent (25%); To Customers with terminated contracts - Thirty Two Percent (32%); and*