

**[BIR REVENUE REGULATIONS NO. 12-2007,
October 10, 2007]**

**AMENDING CERTAIN PROVISIONS OF REVENUE REGULATIONS
NO. 9-98 RELATIVE TO THE DUE DATE WITHIN WHICH TO PAY
MINIMUM CORPORATE INCOME TAX (MCIT) IMPOSED ON
DOMESTIC CORPORATIONS AND RESIDENT FOREIGN
CORPORATIONS PURSUANT TO SECTION 27(E) AND SECTION
28(A)(2) OF THE 1997 NATIONAL INTERNAL REVENUE CODE, AS
AMENDED.**

SECTION 1. Scope - Pursuant to the provisions of Sections 244, 27(E), and 28(A)(2) of the 1997 National Internal Revenue Code (Tax Code), as amended, in relation to Section 245 thereof which requires that the rules and regulations of the Bureau of Internal Revenue shall stipulate the manner in which internal revenue taxes shall be paid, these Regulations are hereby promulgated to amend Revenue Regulations No. 9-98, in order to align the time of payment of minimum corporate income tax (MCIT) imposed on domestic corporations and resident foreign corporations with the mandatory quarterly filing of normal corporate income tax returns pursuant to Sec. 75 and Sec. 77 of the same Tax Code.

SEC. 2. Amendatory Provision – Pertinent portions of Sec. 2.27(E) of Revenue Regulations No. 9-98 are hereby amended to read as follows:

“Sec. 2.27(E) MINIMUM CORPORATE INCOME TAX (MCIT) ON DOMESTIC CORPORATIONS –

“(1) Imposition of the Tax. - A minimum corporate income tax (MCIT) of two percent (2%) of the gross income as of the end of the taxable year (whether calendar or fiscal year, depending on the accounting period employed) is hereby imposed upon any domestic corporation beginning on the fourth (4th) taxable year immediately following the taxable year in which such corporation commenced its business operations. The MCIT shall be imposed whenever such corporation has zero or negative taxable income or whenever the amount of minimum corporate income tax is greater than the normal income tax due from such corporation.

Notwithstanding the above provision, however, the computation and the payment of MCIT, shall likewise apply at the time of filing the quarterly corporate income tax as prescribed under Section 75 and Section 77 of the Tax Code, as amended.

Thus, in the computation of the tax due for the taxable quarter, if the computed quarterly MCIT is higher than the quarterly normal income tax, the tax due to be paid for such taxable quarter at the time

of filing the quarterly corporate income tax return shall be the MCIT which is two percent (2%) of the gross income as of the end of the taxable quarter. In the payment of said quarterly MCIT, excess MCIT from the previous taxable year/s shall not be allowed to be credited. Expanded withholding tax, quarterly corporate income tax payments under the normal income tax, and the MCIT paid in the previous taxable quarter/s are allowed to be applied against the quarterly MCIT due.

Example : Panday Corporation's computed normal income tax and MCIT, and creditable income taxes withheld from 1st to 4th quarters including excess MCIT and excess withholding taxes from prior year/s are as follows:

Quarter	Normal Income Tax	MCIT	Taxes Withheld	Excess MCIT Taxes Prior Year	Excess W/Tax Prior Year
1 st	100,000	80,000	20,000	P30,000	10,000
2 nd	120,000	250,000	30,000		
3 rd	250,000	100,000	40,000		
4 th	200,000	100,000	3 5,000		

For the 1st quarter, the quarterly income tax payable by Panday Corporation shall be computed as follows:

Quarterly corporate income tax due (higher amount between normal income tax and MCIT) – normal income tax	P100,000
Less : Taxes Withheld – Prior Year	10,000
Taxes Withheld – 1 st qtr	20,000
Excess MCIT prior year	<u>30,000</u>
Net Income Tax Due , 1 st quarter – normal income tax	<u>60,000</u> - P 40,000 =====

For the 2nd quarter, the quarterly income tax payable by Panday Corporation shall be computed as follows:

Quarter	Normal Income Tax	MCIT	Taxes Withheld	Excess MCIT Taxes Prior Year	Excess W/Tax Prior Year
1 st	100,000	80,000	20,000	P30,000	10,000
2 nd	120,000	250,000	30,000		
Total	220,000	330,000	50,000		

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Quarterly corporate income tax due (higher amount between normal income tax and MCIT) – MCIT	P330,000
Less : Taxes Withheld – Prior Year	10,000
Less : Taxes Withheld – 1 st qtr	20,000
Taxes Withheld – 2 nd qtr	30,000
Net income tax payment – 1 st qtr	-
	<u>P 40,000</u>
Net Income Tax Due 2 nd quarter -MCIT	<u>100,000</u>
	<u>230,000</u>
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At year end, the computation of the annual income tax payable by Panday Corporation shall be computed as follows

Quarter	Normal Income Tax	MCIT	Taxes Withheld	Excess MCIT Taxes Prior Year	Excess W/Tax Prior Year
1 st	100,000	80,000	20,000	P30,000	10,000
2 nd	120,000	250,000	30,000		
3 rd	250,000	100,000	40,000		
4 th	200,000	100,000	35,000		
Total	670,000	530,000	125,000		
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Annual corporate income tax due (higher amount between normal income tax and MCIT) – Normal Income Tax	P670,000
Less : Taxes Withheld – Prior Year	10,000
Less : Taxes Withheld – 1 st qtr	20,000
Taxes Withheld – 2 nd qtr	30,000
Taxes Withheld – 3 rd qtr	40,000
Taxes Withheld – 4 th qtr	35,000
Net income tax payment – 1 st qtr	40,000
Net income tax payment – 3 rd quarter	70,000
MCIT paid in the 2 nd quarter	230,000
Excess MCIT in prior year	<u>30,000</u>
Annual Net Income Tax Due – MCIT	<u>505,000</u>
	P 165,000
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As can be seen from the above illustrative computation, quarterly MCIT paid on the Quarterly Income Tax Return shall be credited against the normal income tax at year end if in the preparation and filing of the annual income tax return and in the final computation of the annual income tax due, it appears that the normal income

tax due is higher than the computed annual MCIT. Moreover, in addition to the quarterly MCIT paid and quarterly normal income tax payments in the taxable quarters of the same taxable year, excess MCIT in the prior year/s (subject to the prescriptive period allowed for its creditability),, expanded withholding taxes in the current year and excess expanded withholding taxes in the prior year shall be allowed to be credited against the annual income tax computed under the normal income tax rules.

However, if in the computation of the annual income tax due, the computed annual MCIT due appears to be higher than the annual normal income tax due, what may be credited against the annual MCIT due shall only be the quarterly MCIT payments of the current taxable quarters, the quarterly normal income tax payments in the quarters of the current taxable year, the expanded withholding taxes in the current year and excess expanded withholding taxes in the prior year. Excess MCIT from the previous taxable year/s shall not be allowed to be credited therefrom as the same can only be applied against normal income tax.

Thus, in the above illustration, suppose the MCIT at year end is higher than the normal income tax, then computation of the income tax liability of Panday Corporation shall be as follows:

At year end, the computation of the annual income tax payable by Panday Corporation shall be computed as follows

	Normal Income QuarterTax	MCIT	Taxes Withheld	Excess MCIT Taxes Prior Year	Excess W/Tax Prior Year
1 st	100,000	80,000	20,000	P30,000	10,000
2 nd	120,000	250,000	30,000		
3 rd	250,000	100,000	40,000		
4 th	50,000	120,000	35,000		
Total	520,000	550,000	125,000		
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Annual corporate income tax due (higher amount between normal income tax and MCIT) – Normal Income Tax			P550,000
Less : Taxes Withheld – Prior Year		10,000	
Less : Taxes Withheld – 1 st qtr		20,000	
Taxes Withheld – 2 nd qtr		30,000	
Taxes Withheld – 3 rd qtr		40,000	-
Taxes Withheld – 4 th qtr		35,000	
Net income tax payment – 1 st qtr		40,000	
Net income tax payment – 3 rd quarter		70,000	
MCIT paid in the 2 nd quarter		<u>230,000</u>	<u>475,000</u>