

**[ BIR REGULATIONS NO. 8-2005, February 23, 2005 ]**

**AMENDING FURTHER PERTINENT PROVISIONS OF REVENUE REGULATIONS NO. 2-98, AS LAST AMENDED BY REVENUE REGULATIONS NO. 3-2004, AS AMENDED, PROVIDING FOR THE INCLUSION OF INCOME PAYMENTS SUBJECT TO CREDITABLE WITHHOLDING TAX UNDER SECTION 2.57.2 (U) ON MANILA ELECTRIC COMPANY (MERALCO) REFUND ARISING FROM SUPREME COURT CASE G.R. NO. 14814 OF APRIL 9, 2003 TO CUSTOMERS UNDER PHASE IV AS APPROVED BY ENERGY REGULATORY COMMISSION (ERC)**

*SECTION 1. Scope* - Pursuant to the provisions of Section 244 of the National Internal Revenue Code of 1997, in relation to Sections 57(B) of Republic Act No. 8424 and Sections 2.57.2 of Revenue Regulations Nos. 2-98, as amended, these Regulations are hereby promulgated to further amend pertinent provisions, providing for the inclusion of Income payments Subject to Creditable Withholding Tax under Section 2.57.1 (U) on MERALCO Refund arising from Supreme Court Case G.R. No. 14814 of April 9, 2003 to customers under Phase IV as approved by ERC.

*SECTION 2. Income Payments Subject to Creditable Withholding Tax* - 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:

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(U) 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%);

*SECTION 3. Returns and Payment of Taxes Withheld at Source* - Sec. 2.58 of Revenue Regulations No. 2-98, as amended, is hereby further amended to read as