



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE** 08

**REVENUE REGULATIONS NO. \_\_\_\_\_**

**SUBJECT:** Implementing Pertinent Provisions of Republic Act No. 9504, "An Act Amending Sections 22, 24, 34, 35, and 79 of Republic Act No. 8424, as amended otherwise known as The National Internal Revenue Code" Relative to the Withholding of Income Tax on Compensation and Other Concerns

**TO** : All Internal Revenue Officers and Others Concerned

Pursuant to Sec. 244 and 245 of the National Internal Revenue Code, as amended, in relation to the implementation of RA 9504 amending Sections 22, 24, 34, 35 and 79 57 to 59, 78 to 83 of Republic Act 8424, as amended, these Regulations are hereby promulgated to amend Sections 2.78.1(B), 2.79 (A),(B), (F), (I), 2.79 (1 to 6), 2.80, and 2.83 of Revenue Regulations No. 2-98 (RR 2-98), as amended, with respect to the withholding tax on compensation income on the increase of personal and additional exemption, compensation received by minimum wage earners and other concerns.

**SECTION 1.** Section 2.78.1 (B) of RR 2-98, as amended, is hereby amended to read as follows:

"SECTION 2.78.1. Withholding of Income Tax on Compensation Income.-

(A) xxx xxx xxx

**(B) Exemptions from withholding tax on compensation.-**

The following income payments are exempted from the requirement of withholding tax on compensation:

xxx xxx xxx

"(13) COMPENSATION INCOME OF INDIVIDUALS THAT DO NOT EXCEED THE STATUTORY MINIMUM WAGE OR **TEN THOUSAND PESOS PER MONTH (HUNDRED TWENTY THOUSAND PESOS (P120,000.00) A YEAR)**, WHICHEVER IS HIGHER."

**"Statutory Minimum Wage" shall refer to the rate fixed by the Regional Tripartite Wage and Productivity Board, as defined by the Bureau of Labor and Employment Statistics (BLES) of the Department of Labor and Employment (DOLE). Regional Tripartite Wage and Productivity Boards of each region determine the wage rates in the different regions based on established criteria and shall be the basis of exemption from income tax.**

**The term "Minimum Wage Earner" shall refer to a worker in the private sector paid the statutory minimum wage, or to an employee in the public sector which compensation income of not more than the statutory minimum wage in the non-agricultural sector where he/she is assigned. Provided, further that**

- 1. holiday pay,**
- 2. overtime pay,**
- 3. night shift differential pay and**
- 4. hazard pay**

**received by minimum wage earners shall likewise be exempt from income tax.**

**Computation of wages is governed by the following rules:**

The basis of the computation of the minimum wage rates prescribed by law shall be the normal working hours which shall not be more than eight (8) hours a day.

**1. Holiday Pay**

Holiday pay given to minimum wage earners is the premium given to an employee, pursuant to law, even if he did not work on a regular holiday. An employee is entitled to 100% of his basic wage, even if he did not work during such regular holiday. He is entitled to 200% of his basic pay, if he worked in such day. Where the holiday falls on the scheduled rest day of the employee, work performed on said day merits at least an additional 30% of the employee's regular holiday rate of 200% or a total of at least 260%.

There are eleven (11) regular holidays in a year under Executive Order No. 203, namely: New Year's Day - January 1; Maundy Thursday - Movable Date; Good Friday - Movable Date; Araw ng Kagitingan - April 9; Labor Day - May 1; Independence Day - June 12; National Heroes Day - Last Sunday of August; Eidul Fitr - Movable Date; Bonifacio Day - November 30; Christmas Day - December 25; Rizal Day - December 30

**2. Computing Overtime:**On Ordinary Days

Number of hours in excess of 8 hours (125% x hourly rate)

On a rest day, special day or regular holiday

Number of hours in excess of 8 hours (130% x hourly rate)

**Computing pay for work done on:**

A special day (130% x basic pay)

A special day, which is also a scheduled rest day (150% x basic pay)

A regular holiday (200% x basic pay)

A regular holiday, which is also a scheduled rest day (260% x basic pay)

**3. Night Shift Differential shall be computed as follows:****a. Where Night Shift (10pm to 6am) work is Regular work:**

**On an ordinary day**- additional 10% of the basic hourly rate or a total of 110% of the basic hourly rate

**On a rest day, special day or regular holiday** - additional 10% of the regular hourly rate on a rest day, special day or regular holiday or a total of 110% of the regular hourly rate

**b. Where Night Shift (10pm to 6am) work is Overtime work:**

On an ordinary day - additional 10% of the overtime-hourly rate on an ordinary day or a total of 110% of the overtime hourly rate on an ordinary day

**On a rest day/special day/regular holiday**- additional 10% of the overtime-hourly rate on a rest day/special day/regular holiday

**4. Hazard pay given to minimum wage earners are given to those on working on hazardous workplaces** where primary duty performed under circumstances in which an accident could result in serious injury or death, such as a duty performed on a high structure where protective facilities are not used, or on an open structure where adverse conditions such as darkness, lightning, fumes/gases, steady rain, or high wind velocity exist, work were primarily health-related that may result to radiation/contamination/communicable/infectious. However, exposures to hazard which affects the entire population in a locality as air, land, and water borne and noise hazards are compensable under the this Regulations.

For purposes of these Regulations the following are considered "**hazardous workplaces**:"

a. Where the nature of work exposes the workers to dangerous environmental elements, contaminants or work conditions including ionizing radiation, chemicals, fire, flammable substances, noxious components and the like;

b. Where the workers are engaged in construction work, logging, fire fighting, mining, quarrying, blasting, stevedoring, dock work, deep-sea fishing and mechanized farming;

c. Where the workers are engaged in the manufacture or handling of explosives and other pyrotechnic products;

d. Where the workers use or are exposed to power driven or explosive powder actuated tools;

e. Where the workers are exposed to biologic agents such as bacteria, fungi, viruses, protozoa, nematodes, and other parasites.

**“(14) COMPENSATION INCOME OF EMPLOYEES OF THE GOVERNMENT OF THE PHILIPPINES, OR ANY OF ITS POLITICAL SUBDIVISIONS, AGENCIES OR INSTUMENTALITIES, WITH SALARY GRADES 1 TO 3 OR TEN THOUSAND PESOS PER MONTH (HUNDRED TWENTY THOUSAND PESOS (P120,000.00) A YEAR), WHICHEVER IS HIGHER.”**

**SECTION 2.** Section 2.79 of RR 2-98, as amended, is hereby emended to read as follows:

**“Sec. 2.79. INCOME TAX COLLECTED AT SOURCE ON COMPENSATION INCOME.**

**(A) Requirement of Withholding.** – Every employer must withhold from compensation paid, an amount computed in accordance with these regulations. Provided, that gross compensation income of (1) Minimum Wage Earners on the statutory minimum wage from January 1 to June 30, 2008 or employees in the private sector with of ten thousand pesos (P10,000) per month (Hundred Twenty Thousand Pesos [P120,000] a year) (2) employees of the government of the Philippines, or any of its political subdivisions, agencies and instrumentalities, with Salary Grades 1 to 3 or TEN THOUSAND PESOS PER MONTH (HUNDRED TWENTY THOUSAND PESOS (P120,000.00) A YEAR), WHICHEVER IS HIGHER.”, shall not be subject to withholding tax.

The aforementioned individuals whose compensation income is not subject to withholding tax shall remain liable for income taxes and shall continue to file their annual income tax returns and pay the income taxes due thereon, if any, not later than April 15 of the year immediately following the taxable year. Provided, the employee shall submit duly filed and/or paid ITR not later than April 20 to their last employer/s for the year. Provided, further, that employees with previous/successive employer/s within the taxable year shall furnish his new employer with BIR Form No. 2316 issued by the previous employer and/or ITR filed in the previous year for substantiation purposes. In cases where both spouses earn income, they shall likewise submit to their respective employers their duly filed consolidated income tax return.

Minimum wage earners defined under RA 9504 who are receiving the statutory minimum wage per RA 9504 are not subject to withholding tax and consequently to income tax. Provided, that the applicable box under BIR Form No. 2316 (2008 enhanced version) are sufficiently filled-up.

Employees whose total annual compensation, as determined in the preceding paragraph, does not exceed P120,000.00 shall be given two options with which to pay his income tax due to wit:

- (1) His compensation income shall be subjected to withholding tax, but he shall not be required to file the income tax return prescribed in Sec. 51 of the Code (filing of an individual return) except when covered by any of the situations enumerated in Sec. 2.83.4 of these Regulations.
- (2) His compensation income shall not be subject to a withholding tax but he shall file his annual income tax return and pay the tax due thereon, annually.

Where the employee has opted to have his compensation income subjected to withholding so as to be relieved of the obligation of filing an annual income tax return and paying his tax due on a lump sum basis, he shall inform in writing his employer of his exemption from withholding which shall constitute the authority for the employer to apply the withholding tax table provided under these Regulations.

The employee who opts to file the Income Tax Return shall file the same not later than April 15 of the year immediately following the taxable year. Provided, the employee shall submit duly filed and/or paid ITR not later than April 20 to their last employer/s for the year. Provided, further, that employees with previous/successive employer/s within the taxable year shall furnish his new

**employer with BIR Form No. 2316 issued by the previous employer and/or ITR filed in the previous year for substantiation purposes.**

**(B) Computation of Withholding Tax on Compensation Income in General.** – The procedures provided herein below shall govern the computation of withholding tax on the taxable compensation income of the employees. Provided, however, that taxable fringe benefits received by employees other than the rank and file, as defined in the Labor Code of the Philippines, as amended, shall be subject to a Fringe Benefits Tax, instead of the rates prescribed in the Revised Withholding Tax Tables pursuant to Sec. 24(A) of the Code, as amended.

**(1) Use of Withholding Tax Tables.** – In general, every employer making payment of compensation shall deduct and withhold from such compensation a tax determined in accordance with the prescribed **Revised Transitional Withholding Tax Tables for compensation earned from July 6, 2008 to December 31, 2008 (Annex A) considering that the exemptions per RA 9504 shall start only on July 6, 2008 (six months only for 2008).**

**For taxable year 2008 being the initial year of implementation for RA 9504, there will be two (2) withholding tax tables to be used in computing withholding taxes for calendar year 2008.**

**1) Employer making payment of compensation from January 1 to July 5, 2008 shall deduct and withhold from such compensation a tax determined in accordance with the prescribed Revised Withholding Tax Tables effective January 1, 2006 (old table) showing existing exemptions for the period (e.g. married P32,000):**

**2. Employer making payment of compensation from July 6, 2008 to December 31, 2008 shall deduct and withhold from such compensation a tax determined in accordance with the prescribed Revised Transitional Withholding Tax Tables (Annex A) using exemptions per RA 9504 (e.g. married P50,000) apportioned over a period of six (6) months only.**

Single/Married/ Head of the Family: P50,000 x 6mos/12mos (July 6-Dec2008) = P25,000  
Qualified Dependent Children (QDC): P25,000 x 6mos/12mos (July 6-Dec2008) = P12,500 each QDC

**Use the Revised Withholding Tax Tables (Annex B) for Compensation earned beginning January 1, 2009 and beyond considering the exemptions per RA 9504 shall be applied for the whole calendar year of 2009.**

There are four (4) withholding tax tables prescribed in these regulations as follows:

- (a) **Monthly Tax Tables** – to be used by employers using the monthly payroll period;
- (b) **Semi-Monthly Tax Tables** – to be used by employers using the semi-monthly payroll period;
- (c) **Weekly Tax Tables** – to be used by employers using the weekly payroll period;
- (d) **Daily Tax Tables** – to be used by employers using the daily payroll period.

If the compensation is paid other than daily, weekly, semi-monthly or monthly, the tax to be withheld shall be computed as follows:

(a) Annually – use the annualized computation referred to in Sec. 2.79(B) (5)(b);

(b) Quarterly and semi-annually – divide the compensation by three (3) or six (6), respectively, to determine the average monthly compensation. Use the monthly withholding tax table to compute the tax, and the tax so computed shall be multiplied by three (3) or six (6) accordingly.

**(2) Components of the Withholding Tax Table . -**

- (a) Each tax table is grouped into **Tables A and B**.  
 A – Table for employees without **qualified** dependent children  
 B – Table for heads of family/**married employees** with dependent child/(ren)
- (b) The columns in the Tables reflect the following:  
 1<sup>st</sup> column – reflects the exemption status of employee represented by letter symbols. (refer to the explanation of the legend of symbols in letter (d) below  
 2<sup>nd</sup> column – reflects the total amount of personal and additional exemption, in pesos, to which an employee is entitled.
- (c) Column numbers **1 to 8** reflect the portion of the amount of taxes to be withheld on the amount of compensation of the employees. Every amount in all the columns within **Tables A and B** represent the compensation level.
- (d) Legend of symbols – The symbols used in the new withholding tax table represent the following:
- Z – Zero exemption  
 (a) employee with multiple employers simultaneously, with respect to second, third, etc., employer; and  
 (b) for employee who fails to file an **Application for Registration for Individuals** (BIR Form No. 1902) or an **Certificate of Update of Exemption and of Employer's and Employee's Information** (BIR Form No. 2305);
- S – Single, legally separated spouses/widow/widower without any qualified dependent child/(ren);
- ME – Married employee who is not legally separated;
- HF – Head of the family who is either single/ legally separated spouse/ widow or widower with a qualified dependent parent; sister or brother; legitimate, recognized natural or legally adopted child; or a qualified senior citizen as defined by these regulations pursuant to Sec. 2 of R.A. No. 7432, as amended by RA 9257.

In view however, of the promulgation of the Family Code which makes no distinction between the spurious and natural child, an illegitimate child can now be considered as a qualified dependent and qualifies the claimant to the status of head of the family.

The numerals (1-4) affixed to the status symbols “ME” and “HF” represent the number of qualified legitimate, illegitimate, or legally adopted children;

Exemption – means the amount of exemption in thousand pesos an employee is entitled to claim as a deduction from gross compensation income in accordance with the status and number of qualified dependent children.

(3) Steps to determine the amount of tax to be withheld.

Step 1. Use the appropriate tables for the payroll period; monthly, semi-monthly, weekly or daily as the case may be.

**Use the Revised Withholding Tax Tables (Annex B) for Compensation earned beginning January 1, 2009 and beyond**

**considering that the exemptions per RA 9504 shall be applied for the whole calendar year of 2009.**

**For taxable year 2008 being the initial year of implementation for RA 9504, there will be two (2) withholding tax tables to be used in computing withholding taxes for calendar year 2008.**

**1) Employer making payment of compensation from January 1 to June 30, 2008 shall deduct and withhold from such compensation a tax determined in accordance with the prescribed Revised Withholding Tax Tables effective January 1, 2006 (old table) showing existing exemptions for the period (Single P20,000, Head of the Family 25,000, married P32,000 and P8,000 for each qualified dependent chief not exceeding four) and apportioned over a period of six (6) months only.**

**2. Employer making payment of compensation from July 6 2008 to December, 2008 shall deduct and withhold from such compensation a tax determined in accordance with the prescribed REVISED TRANSITIONAL WITHHOLDING TAX TABLES (Annex A) using exemptions per RA 9504 (single/married, head of the family P50,000; P25,000 for each qualified dependent child not exceeding four) apportioned over a period of six (6) months only.**

Single/Married/ Head of the Family:  $P50,000 \times 6\text{mos}/12\text{mos (July 6-Dec2008)} = P25,000$   
 Qualified Dependent Children (QDC):  $P25,000 \times 6\text{mos}/12\text{mos (July 6-Dec2008)} = P12,500$  each QDC

**Minimum Wage Earners are not subject to withholding tax but subject to income tax for income earned from January 1 to July 5, 2008. For Minimum Wage Earners whose compensation earned from January to June 2008 are not subjected to withholding tax but subject to income tax, it shall result to a collectible amount to be deducted beginning July 6 2008 payroll period and ensure that at year end results to tax due equals tax withheld in order to effect no filing of income tax return. Otherwise, for compensation earned from January to July 5, 2008 that were subjected to withholding tax, compute transitional year end adjustment for July 6 2008 to ensure tax due equals tax withheld (if refundable, it shall be added to the take home pay of the employee beginning July 6 2008 and employers may offset total amount refunded for the month from the remittable withholding tax beginning the month of July 2008 until fully refunded; if collectible, deduct from income earned beginning July 6, 2008 until fully paid).**

- Step 2. Determine the total monetary and non-monetary compensation paid to an employee for the payroll period, segregating gross benefits which includes thirteenth (13<sup>th</sup>) month pay, productivity incentives, Christmas bonus, and other benefits received by the employee per payroll period. Gross benefits which are received by officials and employees of public and private entities in the amount of thirty thousand pesos (P30,000) or less shall be exempted from income tax and from withholding tax. **In computing the 13th Month Pay, total basic salary earned for the year exclusive of overtime, holiday, and night shift differential pay divided by 12 mos. = 13th month pay. Maternity benefits, like other benefits granted by the SSS, are granted to employees in lieu of wages and, therefore, may not be included in computing the employee's 13th month pay for the calendar year. All employers are required to pay their rank and file employees regardless of the nature of their employment and irrespective of the method by which their wages are paid provided they worked for at least one (1) month during the calendar year which shall be provided not later than December 24 each year as provided for under P.D. No. 851.**

Step 3. Segregate the taxable compensation from the non-taxable income paid to the employee for the payroll period. The taxable income refers to all remuneration paid to an employee not otherwise exempted by law from income tax and consequently from withholding tax. The non-taxable income are those which are specifically exempted from income tax by the Code or by other special laws as listed in Sec. 2.78.1 (B) RR 2-98, as amended (e.g. benefits not exceeding P30,000, non-taxable retirement benefits and separation pay).

**For worker in the private sector paid the statutory minimum wage, or to an employee in the public sector which compensation income of not more than the statutory minimum wage in the non-agricultural sector where he/she is assigned, including 1. holiday pay, 2. overtime pay, 3. night shift differential pay and 4. hazard pay received by minimum wage earners shall likewise be exempt from income tax. Provided, all other income earned not otherwise exempted shall be taxable compensation income.**

Step 4. Segregate the taxable compensation income as determined in Step 3 into regular taxable compensation income and supplementary compensation income. Regular compensation includes basic salary, fixed allowances for representation, transportation and other allowances paid to an employee per payroll period. Supplementary compensation includes payments to an employee in addition to the regular compensation such as commission, overtime pay, taxable retirement pay, taxable bonus and other taxable benefits, with or without regard to a payroll period.

Step 5. Fix the compensation level as follows:

- (i) Determine the line (horizontal) corresponding to the status and number of qualified dependent children using the appropriate symbol for the taxpayer status.
- (ii) Determine the column to be used by taking into account only the total amount of taxable regular compensation income. The compensation level is the amount indicated in the line and column to which the regular compensation income is equal to or in excess, **but not to exceed the amount in the next column of the same line.**

Step 6. Compute the withholding tax due by adding the tax predetermined in the compensation level indicated at the top of the column, to the tax on the excess of the total regular and supplementary compensation over the compensation level, which is computed by multiplying the excess by the rate also indicated at the top of the same column.

#### **(4) Sample Computations on the use of the Withholding Tax Table s:**

**EXAMPLE I:** Dexter, single, with no qualified dependent receives P11,000 as regular monthly compensation.

**COMPUTATION:** Using the monthly withholding tax table (Revised Withholding Tax Tables beginning January 1, 2009), the monthly withholding tax is computed by referring to Table A line 2 of column 5 which shows a tax of P708.33 on P10,000 plus 20% of the excess (P11,000.00 – 10,000 = P1,000.00)

Total taxable compensation P11,000.00

Less: compensation level  
(line A-2 Column 5) 10,000.00  
P 1,000.00

Tax on P10,000 P 708.33  
Tax on excess (P1,000 x 20%) 200.00  
Monthly withholding tax P 908.33

MONTHLY	1	2	3	4	5	6	7	8
Exemption Status (0000P)	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67
	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over
<b>A. Table for employees without qualified dependent</b>								
1. Z	0.0	0	833	2,500	5,833	11,667	20,833	41,667
2. S/HF/ME	50.0	1	4,167	5,000	6,667	10,000	15,833	25,000
<b>B. Table for head of the family/married employee with qualified dependent child(ren)</b>								
1. ME1 / HF1	75.0	1	6,250	7,083	8,750	12,083	17,917	27,083
2. ME2 / HF2	100.0	1	8,333	9,167	10,833	14,167	20,000	29,167
3. ME3 / HF3	125.0	1	10,417	11,250	12,917	16,250	22,083	31,250
4. ME4 / HF4	150.0	1	12,500	13,333	15,000	18,333	24,167	33,333

**EXAMPLE II:** Mr. Jacobson, head of the family (with a qualified dependent parent (both parents should not be earning any income for the whole calendar year) receives P16,200.00 as monthly regular compensation and P800.00 as supplementary compensation for August, 2008 or a total of P17,000.00.

COMPUTATION: Using the monthly withholding tax table (Revised Withholding Tax Tables beginning January 1, 2009), the withholding tax for August, 2008 is computed by referring to Table A line 2 HF of column 6 (fix compensation level taking into account only the regular compensation income of (P16,200.00) which shows a tax of P1,875 on P15,833.00 plus 25% of the excess (P17,000.00 – 15,833 = P1,167.00).

Total taxable compensation P17,000.00  
Less: compensation level  
(line A-2 Column 6) 15,833.00  
Excess P 1,167.00

Tax on P15,833 P 1,875.00  
Tax on excess (P1,167.00 x 25%) 291.75  
Withholding tax for January P 2,166.75

MONTHLY	1	2	3	4	5	6	7	8
Exemption Status (0000P)	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67
	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over
<b>A. Table for employees without qualified dependent</b>								
1. Z	0.0	0	833	2,500	5,833	11,667	20,833	41,667
2. S/HF/ME	50.0	1	4,167	5,000	6,667	10,000	15,833	25,000

**EXAMPLE III:** Mr. Jefferson, married with two (2) qualified dependent children receives P15,500.00 as regular monthly compensation.

COMPUTATION: Using the monthly withholding tax table (Revised Withholding Tax Tables beginning January 1, 2009), the withholding tax due is computed by referring to table B line 2 ME2 of column 5 which shows a tax of P708.33 on P14,167 plus 20% of the excess (P15,500 – P14,167 = P1,333).

Total taxable compensation P15,500.00  
Less: compensation level  
(line B-2 Column 5) 14,167.00  
Excess P 1,333.00

Tax on P14,167 P 708.33  
Tax on excess (P1,333 x 20%) 266.60  
Monthly withholding tax P 974.93

MONTHLY	1	2	3	4	5	6	7	8
Exemption Status (0000P)	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67
	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over
<b>A. Table for employees without qualified dependent</b>								
1. Z	0.0	0	833	2,500	5,833	11,667	20,833	41,667
2. S/HF/ME	50.0	1	4,167	5,000	6,667	10,000	15,833	25,000
<b>B. Table for head of the family/married employee with qualified dependent child(ren)</b>								
1. ME1 / HF1	75.0	1	6,250	7,083	8,750	12,083	17,917	27,083
2. ME2 / HF2	100.0	1	8,333	9,167	10,833	14,167	20,000	29,167
3. ME3 / HF3	125.0	1	10,417	11,250	12,917	16,250	22,083	31,250
4. ME4 / HF4	150.0	1	12,500	13,333	15,000	18,333	24,167	33,333

**EXAMPLE IV:** Mr. Benaning, married with three (3) qualified dependent children receives P12,000.00 as regular semi-monthly compensation. Mrs. Benaning, his wife is also employed. Mr. Benaning did not waive his right in favor of the wife to claim for the additional exemptions.

COMPUTATION: Using the semi-monthly withholding tax tables (Revised Withholding Tax Tables beginning January 1, 2009), the withholding tax due is computed by referring to Table B line 3 ME3 of column 6 which shows a tax of P937.50 on P11,042 plus 25% of the excess (P12,000 – 11,042 = P958.00)

Total taxable compensation	P12,000.00
Less: compensation level (line B-3 Column 6)	<u>11,042.00</u>
Excess	<u>P 958.00</u>
Tax on P11,042	P 937.50
Tax on excess (P958 x 25%)	<u>239.50</u>
Semi-monthly withholding tax	<u>P1,177.00</u>

SEMI-MONTHLY	1	2	3	4	5	6	7	8
Exemption Status	0.00	0.00	20.83	104.17	354.17	937.50	2,083.33	5,208.33
	(0000)	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over
<b>A. Table for employees without qualified dependent</b>								
1. 2	0.0	1	0	417	1,250	2,917	5,833	10,417
2. S/HF/ME	50.0	1	2,083	2,500	3,333	5,000	7,917	12,500
<b>B. Table for head of the family/married employee with qualified dependent child(ren)</b>								
1. ME1 / HF1	75.0	1	3,125	3,542	4,375	6,042	8,958	13,542
2. ME2 / HF2	100.0	1	4,167	4,583	5,417	7,083	10,000	14,583
3. ME3 / HF3	125.0	1	5,208	5,625	6,458	8,125	11,042	15,625
4. ME4 / HF4	150.0	1	6,250	6,667	7,500	9,167	12,083	16,667

**EXAMPLE V:** Mr. Acosta, married with two qualified dependent children receives P12,000 as regular semi-monthly compensation. Mrs. Acosta, his wife is not employed.

COMPUTATION: Using the semi-monthly withholding tax tables (Revised Withholding Tax Tables beginning January 1, 2009), the withholding tax due is computed by referring to Table B line 2 ME2 of Column 6 which shows a tax of P937.50 on P10,000 plus 25% of the excess (P12,000– 10,000 = P2,000.00).

Total taxable compensation	P12,000
Less: compensation level (line B-2 Column 6)	<u>10,000</u>
Excess	<u>P 2,000</u>
Tax on P10,000	P 937.50
Tax on excess (P2,000 x 25%)	<u>500.00</u>
Semi-monthly withholding tax	<u>P1,437.50</u>

SEMI-MONTHLY	1	2	3	4	5	6	7	8
Exemption Status	0.00	0.00	20.83	104.17	354.17	937.50	2,083.33	5,208.33
	(0000)	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over
<b>A. Table for employees without qualified dependent</b>								
1. 2	0.0	1	0	417	1,250	2,917	5,833	10,417
2. S/HF/ME	50.0	1	2,083	2,500	3,333	5,000	7,917	12,500
<b>B. Table for head of the family/married employee with qualified dependent child(ren)</b>								
1. ME1 / HF1	75.0	1	3,125	3,542	4,375	6,042	8,958	13,542
2. ME2 / HF2	100.0	1	4,167	4,583	5,417	7,083	10,000	14,583
3. ME3 / HF3	125.0	1	5,208	5,625	6,458	8,125	11,042	15,625
4. ME4 / HF4	150.0	1	6,250	6,667	7,500	9,167	12,083	16,667

**EXAMPLE VI:** On July 6 2008, Mr. Galban, married with three qualified dependent children, a regular employee receives P30,000.00 as regular monthly salary and half of his 13<sup>th</sup> month pay amounting to P15,000.00 plus other benefits such as incentive pay of P20,000, hazard pay P1,000, overtime pay of P4,000 and night shift differential P2,000.00. Compute the withholding tax of Mr. Galban for the month of July 6 2008 (Revised Transitional Withholding Tax Tables for the period July 6, 2008 to December 31, 2008).

COMPUTATION:	
Regular Wage	P30,000.00
Gross Benefits	
13 <sup>th</sup> month pay	P15,000
Incentive pay	20,000
hazard pay*	1,000
Overtime Pay*	4,000
Night Shift Differential*	2,000
Total Gross Benefits	<u>P42,000</u>
Add Taxable Gross Benefits (P42,000 - P15,000 for 13 <sup>th</sup> mo pay)	<u>27,000.00</u>
Total Taxable Compensation Income	<u>P57,000.00</u>
Less: Compensation Level	<u>46,875.00</u>
Excess	<u>P 10,125.00</u>
Tax on P46,875 (Line B-3, col. 8)	P10,416.67
Tax on excess (P10,125 x 32%)	<u>3,240.00</u>
Withholding tax for the month of July 6	<u>P 13,656.67</u>

\*Hazard pay, overtime pay, night shift differential for regular/supervisory employees are subject to withholding tax and consequently income tax.  
 Hazard pay, overtime pay, night shift differential for MINIMUM WAGE EARNERS are NOT SUBJECT to withholding tax and income tax.

MONTHLY	1	2	3	4	5	6	7	8
Exemption	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67
Status	(0000F +0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over
<b>A. Table for employees without qualified dependent</b>								
1. Z	0.0	1	0	833	2,500	5,833	11,667	20,833
2. S/HF/ME	25.0	1	2,083	2,917	4,583	7,917	13,750	22,917
<b>B. Table for head of the family/married employee with qualified dependent child(ren)</b>								
1. ME1 / HF1	37.5	1	3,125	3,958	5,625	8,958	14,792	23,958
2. ME2 / HF2	50.0	1	4,167	5,000	6,667	10,000	15,833	25,000
3. ME3 / HF3	62.5	1	5,208	6,042	7,708	11,042	16,875	26,042
4. ME4 / HF4	75.0	1	6,250	7,083	8,750	12,083	17,917	27,083

**EXAMPLE VII:** On August 2008, Ms. Marivic, married with three qualified dependent children, a minimum wage earner receives P9,167.00 (P382/day x 6days x 4weeks) as monthly minimum wage plus other benefits such as incentive pay of P10,000, transportation allowance of P2,000, hazard pay P1,000, overtime pay of P5,000 and night shift differential P2,000.00. Compute the withholding tax of Ms. Marivic for the month of August 2008 using the **Revised Transitional Withholding Tax Table for the period July 6 to December 31 2008.**

COMPUTATION:

Statutory Minimum Wage	P 9, 167	exempted
Gross Benefits	exempted from withholding tax and income tax	
Hazard pay*	1,000	
Overtime Pay*	5,000	
Night Shift Differential*	2,000	
Total exempted Gross Benefits	<b>P 8,000</b>	
Taxable compensation		
Incentive pay	10,000	
Transportation allowance	2,000	
Total taxable compensation income	12,000	
Total Taxable Compensation Income		P12,000.00
Less: Compensation Level		11,042.00
Excess		<u>P 958.00</u>

Tax on P11,042 (Line B3, col. 5)	P 708.33
Tax on excess (P958 x 20%)	191.60
Withholding tax for the month of July	<u>P 899.93</u>

MONTHLY	1	2	3	4	5	6	7	8
Exemption	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67
Status	(0000F +0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over
<b>A. Table for employees without qualified dependent</b>								
1. Z	0.0	1	0	833	2,500	5,833	11,667	20,833
2. S/HF/ME	25.0	1	2,083	2,917	4,583	7,917	13,750	22,917
<b>B. Table for head of the family/married employee with qualified dependent child(ren)</b>								
1. ME1 / HF1	37.5	1	3,125	3,958	5,625	8,958	14,792	23,958
2. ME2 / HF2	50.0	1	4,167	5,000	6,667	10,000	15,833	25,000
3. ME3 / HF3	62.5	1	5,208	6,042	7,708	11,042	16,875	26,042
4. ME4 / HF4	75.0	1	6,250	7,083	8,750	12,083	17,917	27,083

\* Hazard pay, overtime pay, night shift differential for MINIMUM WAGE EARNERS are NOT SUBJECT to withholding tax and income tax.

New Exemption beginning July 6 6, 2008 per RA 9504 resulting to a apportionment computation for CALENDAR YEAR 2008 as follows:

Single/Married/ Head of the Family:	P25,000 x 6mos/12mos ( July 6-Dec2008) =	P25,000
Qualified Dependent Children:	P25,000 x 6mos/12mos (July 6-Dec2008) = P12,500 x 4QDC =	<u>P37,500</u>
	<b>Total exemption for July 6 to Dec,2008</b>	<b>72,500</b>

**EXAMPLE VIII:** For July 6 2008, Philippe Jacobson, single, with no qualified dependent receives P11,000 as regular monthly compensation.

COMPUTATION: Using the monthly withholding tax table (Revised Transitional Withholding Tax Table for the period July 6 to December 31, 2008) , the monthly withholding tax is computed by referring to Table A line 2 of column 5 which shows a tax of P708.33 on P7,917 plus 20% of the excess (P11,000.00 – 7,917 = P3,083)

Total taxable compensation	P11,000.00
Less: compensation level	
(line A-2 Column 5)	<u>7,917.00</u>

P 3,083.00

Tax on P7,917 P 708.33  
 Tax on excess (P3,083 x 20%) 616.60  
 Monthly withholding tax P1,324.93

MONTHLY	1	2	3	4	5	6	7	8	
Exemption	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67	
Status	0.00%	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over
<b>A. Table for employees without qualified dependent</b>									
1. Z	0.0	1	0	833	2,500	5,833	11,667	20,833	41,667
2. S/HF/ME	25.0	1	2,083	2,917	4,583	7,917	13,750	22,917	43,750
<b>B. Table for head of the family/married employee with qualified dependent child(ren)</b>									
1. ME1 / HF1	37.5	1	3,125	3,958	5,625	8,958	14,792	23,958	44,792
2. ME2 / HF2	50.0	1	4,167	5,000	6,667	10,000	15,833	25,000	45,833
3. ME3 / HF3	62.5	1	5,208	6,042	7,708	11,042	16,875	26,042	46,875
4. ME4 / HF4	75.0	1	6,250	7,083	8,750	12,083	17,917	27,083	47,917

New Exemption beginning July 6, 2008 per RA 9504 resulting to a apportionment computation for CALENDAR YEAR 2008 as follows:

Single/Married/ Head of the Family: P50,000 x 6mos/12mos ( July 6-Dec2008) = P25,000

(5) Use of Exceptional Computations

(a) **Cumulative average method** – If in respect of a particular employee, the regular compensation is exempt from withholding because the amount thereof is below the compensation level, but supplementary compensation is paid during the calendar year or the supplementary compensation is equal to or more than the regular compensation to be paid; or the employee was newly hired and had a previous employer/s within the calendar year, other than the present employer doing this cumulative computation, the present employer shall determine the tax to be deducted and withheld in accordance with the cumulative average method provided hereunder:

Step 1. Add the amount of taxable regular and supplementary compensation to be paid to an employee for the payroll period subject of computation to the sum of the taxable regular and supplementary compensation since the beginning of the current calendar year including the compensation paid by the previous employers within the same calendar year, if any;

**For worker in the private sector paid the statutory minimum wage, or to an employee in the public sector which compensation income of not more than the statutory minimum wage in the non-agricultural sector where he/she is assigned, including 1. holiday pay, 2. overtime pay, 3. night shift differential pay and 4. hazard pay received by minimum wage earners shall likewise be exempt from income tax. Provided, all other income earned not otherwise exempted shall be taxable compensation income.**

Step 2. Divide the aggregate amount of compensation computed in step 1 by the number of payroll period to which the amount relates;

Step 3. Compute the tax to be deducted and withheld on the cumulative average compensation determined in Step No. (2) in accordance with the withholding tax table;

Step 4. Multiply the tax computed in Step No. (3) by the number of payroll period to which it relates;

Step 5. Determine the excess, if any, of the amount of tax computed in Step No. (4) over the total amount of tax already deducted and withheld from the beginning payroll period to the last payroll period, including that withheld by the previous employer/s within the calendar year, if any. The excess, as computed, shall be deducted and withheld from the compensation to be paid for the last payroll period of the current calendar year.

The cumulative average method, once applicable to a particular employee at any time during the calendar year, shall be the same method to be consistently used for the remaining payroll period/s of the same calendar year.

**EXAMPLE IX:** (Regular monthly compensation is exempt from withholding but supplementary compensation is paid during the calendar year) – For January 2009, Mr. Galban, married with three (3) qualified dependent children whose spouse is not yet employed received the following compensation:

Month	Regular Compensation	Supplementary Compensation	Total Compensation
Jan.	P8,500.00	P15,000.00	P23,500.00
Feb.	8,500.00	15,000.00	23,500.00
Mar.	8,400.00	15,500.00	23,900.00

**COMPUTATION:**

1. For Jan.	P 23,500.00 + 0	=	P 23,500.00
For Feb.	P 23,500.00 + 23,500	=	P 47,000.00
For Mar.	P 23,500.00 + 23,500 + 23,900.00	=	P 70,900.00
2. For Jan.	P 23,500/1	=	P 23,500.00
For Feb.	P 47,000/2	=	P 23,500.00
For Mar.	P 70,900/3	=	P 23,633.33
3. For January			
Tax on P22, 083.00 (Line B.3, Col. 6)		=	P 1,875.00
Tax on excess (P1, 417.00 X 25%)		=	P 354.25
Tax on P23, 500		=	P 2,229.25
For February			
Tax on P22, 083.00 (Line B.3, Col. 6)		=	P 1,875.00
Tax on excess (P1, 417.00 X 25%)		=	P 354.25
Tax on P23, 500		=	P 2,229.25
For March			
Tax on P22, 083.00 (Line B.3, Col. 6)		=	P 1,875.00
Tax on excess (P1, 550.33 X 25%)		=	P 387.58
Tax on P23, 633.33		=	P 2,262.58

MONTHLY	1	2	3	4	5	6	7	8
Exemption Status	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67
	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+30% over	+32% over
A. Table for employees without qualified dependent								
1. Z	0.0	0	833	2,500	5,833	11,667	20,833	41,667
2. S/HF/ME	50.0	1	4,167	5,000	6,667	10,000	15,833	25,000
B. Table for head of the family/married employee with qualified dependent child(ren)								
1. ME1 / HF1	75.0	1	6,250	7,083	8,750	12,083	17,917	27,083
2. ME2 / HF2	100.0	1	8,333	9,167	10,833	14,167	20,000	29,167
3. ME3 / HF3	125.0	1	10,417	11,250	12,917	16,250	22,083	31,250
4. ME4 / HF4	150.0	1	12,500	13,333	15,000	18,333	24,167	33,333

4. For Jan.	P 2,229.25 x 1	=	P 2,229.25
For Feb.	P 2,229.25 x 2	=	P 4,458.50
For Mar.	P 2,262.58 x 3	=	P 6,787.74
5. For Jan.	P 2,229.25 - 0	=	P 2,229.25
For Feb.	P 4,458.50 - 2,229.25	=	P 2,229.25
For Mar.	P 6,787.74 - 2,229.25	=	P 4,458.50

**EXAMPLE X:** (Supplemental compensation is equal to or more than the regular compensation) – Mr. Aspe, married with three (3) qualified dependent and whose spouse is also employed received the following compensation. Mr. Aspe waived his right to claim for the additional exemptions in favor of his wife.

Month	Regular Compensation	Supplementary Compensation	Total Compensation
Jan.	P11,000.00	P11,000.00	P22,000.00
Feb.	11,000.00	11,500.00	22,500.00
Mar.	11,000.00	12,000.00	23,000.00

**COMPUTATION:**

1. For Jan.	P 22,000.00 + 0	=	P 22,000.00
For Feb.	P 22,000.00 + 22,500.00	=	P 44,500.00
For Mar.	P 22,000.00 + 22,500.00 + 23,000.00	=	P 67,500.00
2. For Jan.	P 22,000.00/1	=	P 22,000.00
For Feb.	P 44,500.00/2	=	P 22,250.00
For Mar.	P 67,500.00/3	=	P 22,500.00
3. For January			
Tax on P16,250.00 (Line B.3, Col. 5)		=	P 708.33

Tax on excess (P5,750.00X 20%)	=	P 1,150.00
Tax on P22,000.00	=	P 1,858.33
For February		
Tax on P22,083 (Line B.3, Col. 6)	=	P 1,875.00
Tax on excess (P167 X 25%)	=	P 41.75
Tax on P22,250.00	=	P 1,916.75
For March		
Tax on P22,083 (Line B.3, Col. 6)	=	P 1,875.00
Tax on excess (P417 X 25%)	=	P 104.25
Tax on P22,500.00	=	P 1,979.25

MONTHLY	1	2	3	4	5	6	7	8
Exemption	0.00	0.00	41.67	208.33	708.33	1,875.00	4,166.67	10,416.67
Status	COOPF	+0% over	+5% over	+10% over	+15% over	+20% over	+25% over	+32% over
<b>A. Table for employees without qualified dependent</b>								
1. Z	0.0	1	0	833	2,500	5,833	11,667	41,667
2. S/HF/ME	50.0	1	4,167	5,000	6,667	10,000	15,833	45,833
<b>B. Table for head of the family/married employee with qualified dependent child(ren)</b>								
1. ME1 / HF1	75.0	1	6,250	7,083	8,750	12,083	17,917	27,083
2. ME2 / HF2	100.0	1	8,333	9,167	10,833	14,167	20,000	29,167
3. ME3 / HF3	125.0	1	10,417	11,250	12,917	16,250	22,083	31,250
4. ME4 / HF4	150.0	1	12,500	13,333	15,000	18,333	24,167	33,333

- 4. For Jan. P 1,858.33 x 1 = P 1,858.33
- For Feb. P 1,916.75 x 2 = P 3,833.50
- For Mar. P 1,979.25 x 3 = P 5,937.75
  
- 5. For Jan. P 1,858.33 - 0 = P 1,858.33
- For Feb. P 3,833.50 - 1,858.33 = P 1,975.17
- For Mar. P 5,937.75 - 1,975.17 = P 3,962.58

**EXAMPLE XI:** (Computation of monthly withholding tax for a new employee with previous employer during the year) – Ms. Hefti, single was hired by Star Coffee Co. on July 6 2009. Her total taxable income per month is P15,000.00. She was previously employed by Premium Coffee Co. from January to June 30, 2009 with a monthly taxable income of P13,000.00 or 13,000 x 6mos = 78,000 for 6mos. Per BIR Form No. 2316 (Certificate of Income Tax Withheld on Compensation) issued by the previous employer, which was presented by Ms. Hefti to her present employer, the total tax withheld is P7,849.98. In computing for the tax withheld on the compensation of Ms. Hefti starting the month of July 6, Jolly Co. shall use the cumulative average method, as follows:

Month	Present Compensation Income	Total Previous Income	Total Taxable Income
July 6	P15,000.00	P78,000.00	P93,000.00
Aug	15,000.00		15,000.00
Sep	15,000.00		15,000.00
Oct	15,000.00		15,000.00
Nov	15,000.00		15,000.00
Dec	15,000.00		15,000.00
	P90,000.00	P78,000.00	P168,000.00

COMPUTATION:

Step 1 –

For July 6	15,000 + 78,000	= 93,000.00
For August	93,000 + 15,000	= 108,000.00
For September	93,000 + 15,000 + 15,000	= 123,000.00
For October	93,000 + 15,000 + 15,000 + 15,000	= 138,000.00
For November	93,000 + 15,000 + 15,000 + 15,000 + 15,000	= 153,000.00

Step 2 –

For July 6	92,000/7	= 13,142.86
For August	108,000/8	= 13,500.00
For September	123,000/9	= 13,666.67
For October	138,000/10	= 13,800.00
For November	153,000/11	= 13,909.09

Step 3 –

For July 6	P 13,142.86	
Tax on	P10,000	= P 708.33
Tax on Excess	(3,142.86 x 20%)	= 628.57
Tax on	P 13,142.86	= P1,336.90

For August	P13,500.00	
Tax on	P10,000	= P 708.33
Tax on Excess	(3,500 x 20%)	= 700.00

Tax on	P13,500.00	= <u>P1,408.33</u>
For September	P13,666.67	
Tax on	P10,000	= P 708.33
Tax on Excess	(3,666.67 x 20%)	= <u>733.33</u>
Tax on	P13,666.67	= <u>P1,441.66</u>
For October	P13,800.00	
Tax on	P10,000	= P 708.33
Tax on Excess	(3,800 x 20%)	= <u>760.00</u>
Tax on	P13,800.00	= <u>P1,468.33</u>
For November	P 13,909.09	
Tax on	P10,000	= P 708.33
Tax on Excess	(3,909.09 x 20%)	= <u>781.82</u>
Tax on	P13,909.09	= P1,484.15
Step 4 –		
For July 6	P <u>1,336.90</u> X 7	= P 9,358.30
For August	P <u>1,408.33</u> X 8	= P 11,266.64
For September	P <u>1,441.66</u> X 9	= P 12,974.94
For October	P <u>1,468.33</u> X 10	= P 14,683.30
For November	P 1,484.15 X 11	= P 16,325.65
Step 5 –		
For July 6	P 9,358.30 – 7,849.98	= P1,508.32
For August	P11,266.64 – 9,358.30	= P1,908.34
For September	P12,974.94 – P11,266.64	= P1,708.30
For October	P14,683.30 – P12,974.94	= P1,708.36
For November	P16,325.65 – P14,683.30	= P1,642.35

- (b) **Annualized withholding tax method.** – (1) When the employer-employee relationship is terminated before the end of the calendar year; and (2) when computing for the year-end adjustment, the employer shall determine the amount to be withheld from the compensation on the last month of employment or in December of the current calendar year in accordance with the following procedures:

Step 1. Determine the taxable regular and supplementary compensation paid to the employee for the entire calendar year. Refer to steps 2 to 5 of Sec. 2.79 (B)(1)(b), as amended, using as basis the compensation received for the calendar year.

**For minimum wage earners who is a worker in the private sector paid the statutory minimum wage, or to an employee in the public sector which compensation income of not more than the statutory minimum wage in the non-agricultural sector where he/she is assigned exempted from withholding tax and income tax. Provided, further that 1. holiday pay, 2. overtime pay, 3. night shift differential pay and 4. hazard pay received by minimum wage earners shall likewise be exempt from income tax. Otherwise, all other income not exempted as provided for by law shall be taxable compensation income.**

Step 2. If the employee has previous employment/s within the year, add the amount of taxable regular and supplementary compensation paid to the employee by the previous employer doing the annualized computation to the taxable compensation income received from previous employer/s during the calendar year.

- (i) When the employer-employee relationship is terminated before December – The taxable regular and supplementary compensation income shall be the amount paid since the beginning of the current calendar year to the termination of employment.

- (ii) Year-end adjustment – The taxable regular and supplementary compensation income shall be the amount paid since the beginning of the current calendar year to December;
- (iii) Taxable fringe benefits received by employees holding managerial or supervisory positions shall be subject to a final fringe benefit tax as prescribed in Section 2.79 (D) of RR 2-98, as amended. Hence, the same shall not form part of the taxable supplementary compensation, of managers and supervisors, subject to the withholding tax tables.

Step 3. Deduct from the aggregate amount of compensation computed in Step No. (2) the amount of the total personal and additional exemptions of the employee;

**FOR CALENDAR YEAR 2008:**

**Old Exemption for January to June, 2008 resulting to an apportionment computation:**

Single	= 20,000 x 6mos/12mos (Jan-June2008) =	P10,000
Married	= 32,000 x 6mos/12mos (Jan-June2008) =	P16,000
Head of the Family	= 25,000 x 6mos/12mos (Jan-June2008) =	P12,500
Qualified Dependent Children:	P8,000 x 6mos/12mos (Jan-June2008) =	P4,000 each maximum of 4 QDC

**New Exemption beginning July 6 6, 2008 per RA 9504 resulting to a apportionment computation:**

Single/Married/ Head of the Family:	P50,000 x 6mos/12mos (July 6-Dec2008) =	P25,000
Qualified Dependent Children:	P25,000 x 6mos/12mos ( July 6-Dec2008) =	P12,500 each maximum of 4 QDC

**FOR CALENDAR YEAR 2009 AND BEYOND, THE FULL AMOUNT OF EXEEMPTION per RA 9504 shall be applied for the whole calendar year of 2009.**

Single/Married/ Head of the Family:	P50,000;
Qualified Dependent Children	P25,000 each but not exceeding 4 Qualified dependent Children

Step 4. Deduct the amount of premium payments on Health and/or Hospitalization Insurance of employees who have presented evidence that they have paid during the taxable year premium payments (the deductible amount shall not exceed P2,400 or P200 per month whichever is lower) and that their family's total gross income does not exceed P250,000 for the calendar year. For purposes of substantiating the claim of insurance expense and **to determine the aggregate of his family income**, the policy contract shall be presented to the employer together with the original official receipt of the premium payment of the current year, **BIR Form No. 2316 for the current year or Certificate of Current Year Gross Income issued by the employer of the spouse.**

Total family income includes primary income and other income from sources received by all members of the nuclear family, i.e. father, mother, unmarried children living together as one household, or a single parent with children. A single person living alone is considered as a nuclear family.

The spouse claiming the additional exemptions for the qualified dependent children shall be the same spouse to claim the deductions for premium payments.

Step 5. Compute the amount of tax on the difference arrived at in Step 4, in accordance with the schedule provided in Sec. 24 (A) of the Code, as follows:

OVER	BUT NOT OVER	AMOUNT/ RATE	OF EXCESS OVER
Not over	10,000	5%	
10,000	30,000	500 + 10%	10,000
30,000	70,000	2,500 + 15%	30,000
70,000	140,000	8,500 + 20%	70,000
140,000	250,000	22,500 + 25%	140,000
250,000	500,000	50,000 + 30%	250,000
500,000	over	125,000 + <u>32%</u>	500,000

Step 6. Determine the deficiency or excess, if any, of the tax computed in Step 5 over the cumulative tax already deducted and withheld since the beginning of the current calendar year. The deficiency tax (when the amount of tax computed in Step 5 is greater than the amount of cumulative tax already deducted and withheld or when no tax has been withheld from the beginning of the calendar year) shall be deducted from the last payment of compensation for the calendar year. If the deficiency tax is more than the amount of last compensation to be paid to an employee, the employer shall be liable to pay the amount of tax which cannot be collected from the employee. The obligation of the employee to the employer arising from the payment by the latter of the amount of tax which cannot be collected from the compensation of the employee is a matter of settlement between the employee and employer.

The excess tax (when the amount of cumulative tax already deducted and withheld is greater than the tax computed in Step 5) shall be credited or refunded to the employee not later than January 25 of the following year. However, in case of termination of employment before December, the refund shall be given to the employee at the payment of the last compensation during the year. In return, the employer is entitled to deduct the amount refunded from the remittable amount of taxes withheld from compensation income in the current month in which the refund was made, and in the succeeding months thereafter until the amount refunded by the employer is fully repaid.

**For calendar year 2008, there are two (2) exemptions (Jan to June (old) and July 6 to December 31, 2008 (per RA 9504) prevailing and the initial implementation beginning July 6, 2008 for minimum wage earners exempted from withholding tax and income tax. If in the computation of year end adjustment for income earned January to June 2008 results to a refund, the employer is entitled to deduct the amount refunded to the employees from the remittable amount of taxes withheld from compensation income beginning July 6 2008 and in the succeeding months thereafter until the amount is fully repaid. Otherwise, if it results to collectible, it shall be deducted beginning July 6 2008 and immediately succeeding months ensuring that end of the year results to tax due equals tax withheld. However, in case the resulting deduction from the remittable amount from July 6 to December, 2008 still showed refund due to minimum wage earners as of December 31, 2008, claim for refund shall be filed to the BIR through the RDO where employer is registered attaching a copy of BIR Form No. 1604-CF with Alphalists of employees duly received by the BIR.**

**EXAMPLE XI:** (Use of annualized computation when employer-employee relationship was terminated before December) – Mr. Ancheta, head of the

family with a qualified dependent brother receives P18,000 as monthly regular compensation starting January 1, 2008. On June 1, 2008, he filed his resignation effective June 30, 2008. The tax withheld from January to May was P15,208.75

**COMPUTATION:** (To be done before payment of the compensation for June 2008)

Total compensation received from January 1 to May 31, 2008	P 90,000.00
Add: Compensation to be received on June	<u>18,000.00</u>
Gross compensation Jan-June	P108,000.00
Less: Personal Exemption	<u>25,000.00</u>
Net Taxable Compensation	P 83,000.00
Tax Due*	P 11,100.00
Less: Tax Withheld from Jan to May	<u>15,208.75</u>
To be refunded to Mr. Ancheta	<u>(P 4,108.75)</u>
* Tax on P70,000.00	P 8,500.00
Tax on excess (P13,000 x 20%)	2,600.00
Tax on P83,000.00	<u>P 11,100.00</u>

**EXAMPLE XI:** (Year-end adjustments computation) – For taxable year 2009, Asian Mfg. (Full exemption per RA 9504 shall be used for calendar year 2009) with the following employees:

1. Mr. Regalado, married with two qualified dependent children who received the following compensation for the year:

Basic Monthly Salary	P45,000
Overtime Pay for November	P 5,000
Thirteenth Month Pay	P45,000
Other Benefits	P12,000

2. Mr. Marasigan, married, whose wife is also employed, with two dependent children. He received for the year, the following:

Basic Monthly Salary	P 16,500
Thirteenth Month Pay	P 16,500
Other Benefits	P 16,500

3. Mr. Esleta, single, who was hired in July 6 received the following:

Basic Monthly Salary	P 20,000
Thirteenth Month Pay	P 20,000
Monthly Salary from Previous Employer (Jan-June)	P 6,000

He paid for the year an annual premium on health and hospitalization insurance amounting to P2,400.00.

4. Mrs. Valeros, married, whose husband is also working received the following:

Basic Monthly Salary		P 35,000.00
Thirteenth Month Pay	8/12 x 35,000	P 23,333.33
Other Benefits		P 20,000.00

She resigned effective August 31, 2009.

**COMPUTATION OF WITHHOLDING TAX FOR DECEMBER 2009**

**1. Mr. Regalado**

Compensation	Received For the Year	Non-Taxable	Taxable
Basic Salary (45,000 x 12mos)	P540,000		P540,000
Overtime (Nov.)	5,000		5,000
13 <sup>th</sup> month pay	45,000	30,000	15,000
Other benefits	12,000		12,000
<b>Totals</b>	<b>P602,000</b>	<b>30,000</b>	<b>P572,000.00</b>

Less: Personal	P50,000	
Additional exemptions 2 x P25,000=P50,000		<u>100,000.00</u>
Net taxable compensation		P 472,000.00

Tax Due\*

250,000	50,000	
222,000 X 30%	66,600	P 116,600.00
Less: Tax withheld from previous months (Jan-Nov)		
8,916.57 X 11 mos.		<u>98,082.27</u>
Tax to be collectible for December 2009		<u>P18,517.73</u>

\* Tax Due is computed by using the rates prescribed in Sec. 24 (A), NIRC –

**2. Mr. Marasigan**

Compensation	Received For the Year	Non-Taxable	Taxable
Basic Salary	P198,000		P198,000
13 <sup>th</sup> month pay	16,500	16,500	
Other benefits	16,500	13,500	3,000
Totals	P231,000	30,000	P201,000
Less: Personal and additional exemptions (ME2)			<u>100,000</u>
Net taxable compensation income			P 101,000
Tax Due			P14,700.00
Less: Tax withheld from previous months (Jan-Nov)			<u>12,924.23</u>
Amount to be withheld for December 2009			<u>P 1,775.77</u>

**3. Mr. Esleta, Single – Computation of withholding tax for December**

Compensation from previous employer (Jan. to June)	P 36,000.00
Compensation from present employer (July 6 to Dec)	<u>120,000.00</u>
Total Taxable Compensation (Jan. to Dec.)	P156,000.00
Less: Personal and additional exemptions	P50,000.00
Premium payments on health & Hospitalization insurance	<u>2,400.00</u>
Net Taxable Compensation	P103,600.00
Tax Due	P 15,220.00
Less: Taxes Withheld –	
* Previous employer	P 2,899.68
**Present employer	17,500.50
Amount of refund for the month of December	( P 5,180.18)

\* Refer to Employer's Certificate of Compensation Payment /Tax Withheld (BIR Form No. 2316) issued by previous employer.

\*\*Taxes withheld from July 6 to December computed by the present employer using the cumulative computation.

Premium payment on health and/or hospitalization shall be allowed considering that gross compensation amounted to P156,000 only and did not exceed P250,000

**4. Mrs. Valeros, married (computation of tax upon resignation):**

Basic Monthly Salary		P 35,000.00	
Thirteenth Month Pay	8/12 x 35,000	P 23,333.33	
Other Benefits		P 20,000.00	
She resigned effective August 31, 2009.			
Compensation	Received For the Year	Non-Taxable	Taxable
Basic Salary	P280,000.00		P280,000.00
13 <sup>th</sup> month pay	23,333.33	23,333.33	
Other benefits	20,000.00	6,666.67	13,333.33
Totals	P268,500	30,000.00	P266,666.67
Less: Personal and additional exemptions			<u>50,000.00</u>
Net taxable compensation income			P216,666.67
Tax Due (Jan. to August 31, 2009)			P41,666.67
Less: Tax withheld (Jan-August 31, 2009)			<u>57,333.36</u>

Over withheld Tax to be refunded in the month of August P(15,666.69)

The annualized computation done for each employee shall be reflected by the employer at the alphabetical list attached to the BIR Form No. 1604-CF .

**EXAMPLE XII:** (Year-end adjustments computation) – For taxable year 2008, WTD Service Company with the following employees:

New Exemption beginning July 6 2008 per RA 9504 resulting to a apportionment computation for CALENDAR YEAR 2008 as follows:

Single/Married/ Head of the Family: P50,000 x 6mos/12mos (July 6-Dec2008) = P25,000

Qualified Dependent Children (QDC): P25,000 x 6mos/12mos (July 6-Dec2008) = P12,500 each QDC

1. Mr. Dexter Galban, married with two qualified dependent children who received the following compensation for the year:

Basic Monthly Salary (excluding SSS/HDMF/PHIC employee's share)	P45,000
Overtime Pay per month	P 5,000
Hazard Pay per month	P 2,000
Thirteenth Month Pay given Dec 2008	P45,000
Other Benefits given Dec. 2008	P12,000

JANUARY TO JUNE 2008 USING EXEMPTIONS PREVAILING (MARRIED 32,000; HF 25,000; S 20,000; QDC 8,000EACH)	RECEIVED FROM Jan. to June 2008	Non-taxable compensation	Taxable Compensation Jan. to June 2008	
Basic 45,000 x 6 mos.	270,000		270,000	
Overtime Pay 5000 x 6mos	30,000		30,000	
Hazard Pay	12,000		12,000	
<b>TOTAL</b>	<b>312,000</b>		<b>312,000</b>	
LESS: Personal Exemption 32,000x6/12= 16,000			16,000	
Additional Exemption 8,000x 6/12=4,000x2QDC			8,000	
<b>TOTAL TAXABLECOMPENSATION</b>			<b>288,000</b>	
TAX DUE				61,4.00
TAX WITHHELD (WITHHOLDING TAX TABLES EFFECTIVE JAN 1, 2006) 52,000/MO= 12,443.23/MO WITHHOLDING TAX				74,659.38
TAX REFUND TO BE CARRIED OVER AS ADVANCE INCOME TAX FROM July 6 to December 2008				<b>(13,259.38)</b>

JULY TO DECEMBER 2008 USING EXEMPTIONS PER RA 9504 (S/HFMARRIED 50,000; QDC 25,000EACH) Basic 45,000 x 6 mos.	RECEIVED FROM JULY 6 to DEC 2008	Non-taxable compensation	Taxable Compensation JULY 6 to DEC 2008	
Basic 45,000 x 6 mos.	270,000		270,000	
Overtime Pay 5000 x 6mos	30,000		30,000	
Hazard Pay	12,000		12,000	
13 <sup>th</sup> MONTH PAY	45,000	30,000	15,000	
OTHER BENEFITS	12,000		12,000	
<b>TOTAL</b>	<b>369,000</b>	<b>30,000</b>	<b>339,000</b>	
LESS: Personal Exemption 50,000x6/12= 25,000			25,000	
Additional Exemption 25,000x 6/12 =12,500 x2QDC			25,000	
<b>TOTAL TAXABLECOMPENSATION</b>			<b>289,000.00</b>	
TAX DUE				<b>61,700.00</b>
TAX WITHHELD (REVISED TRANSITIONAL WITHHOLDING TAX TABLES EFFECTIVE JULY 6 6, 2008) 52,000/MO= 11,056.67/MO X 6MOS				55,283.35
TAX REFUND TO BE CARRIED OVER AS ADVANCE INCOME TAX FROM July 6 to December 2008				13,259.38
TOTAL WITHHOLDING TAX INCLUDING REFUND CARRIED OVER FROM JUNE 2008				<b>68,542.73</b>
TOTAL REFUND TO BE GIVEN BY THE EMPLOYER TO THE EMPLOYEE ON OR BEFORE JANUARY 25, 2009				<b>(6,842.73)</b>

NOTE: Name of Dexter shall be shown twice in the alphalist of employees

Dexter Jan-June  
Dexter July 6-Dec

(show 1604CF format)

2. Mr. Philippe Jacobson, minimum wage earner, married, whose wife is also employed, with two qualified dependent children. No withholding tax was deducted from January to June 2008. He received for the year, the following :

Jan to June, 2008 (362/day)	July 6 to Dec, 2008 (382/day)
Statutory Minimum Wage P 8,688/mo	9,168/mo

Overtime pay 3,000/mo 4,000/mo  
 Hazard Pay 1,000/mo 1,000/mo  
 Thirteenth Month Pay given Dec. 2008 9,168  
 Other Benefits 46,500

JANUARY TO JUNE 2008 USING EXEMPTIONS PREVAILING (MARRIED 32,000; HF 25,000; S 20,000; QDC 8,000EACH)	RECEIVED FROM Jan. to June 2008	Non-taxable compensation	Taxable Compensation Jan. to June 2008	
Statutory minimum wage 8,688 x 6 mos.	52,128		52,128	
Overtime Pay 3000 x 6mos	18,000		18,000	
Hazard Pay 1,000 x 6mos 8688	6,000		6,000	
TOTAL	76,128		76,128	
LESS: Personal Exemption 32,000x6/12= 16,000			16,000	
Additional Exemption 8,000x 6/12=4,000x2QDC			8,000	
TOTAL TAXABLECOMPENSATION			52,128	
TAX DUE				5,819.20
NO TAX WITHHELD but subject to income tax				0
TAX DUE TO BE DEDUCTED BEGINNING July 6 2008 UNTIL FULLY COLLECTED				5,819.20

**Note: Minimum Wage Earners are not subject to withholding tax but subject to income tax on income earned from January to June 2008.**

JULY 6 TO DECEMBER 2008 USING EXEMPTIONS PER RA 9504 (S/HFMARRIED 50,000; QDC 25,000EACH)	RECEIVED FROM JULY 6 to DEC 2008	Non- taxable/exempt compensation	Taxable Compensation JULY 6 to DEC 2008	
Statutory minimum wage 8,688 x 6 mos.		52,128		
Overtime Pay 3000 x 6mos		18,000		
Hazard Pay 1,000 x 6mos 8688		6,000		
TOTAL		76,128		
13 <sup>th</sup> MONTH PAY	9,168	9,168		
OTHER BENEFITS	46,500	20,832	25,668	
TOTAL		30,000	25,668	
LESS: Personal Exemption 50,000x6/12= 25,000			25,000	
Additional Exemption 25,000x 6/12 = 12,500 x2QDC			25,000	
TOTAL TAXABLECOMPENSATION				
TAX DUE				5,819.20
TAX DUE for income earned from Jan to June 2008 TO BE DEDUCTED BEGINNING July 6 2008 (within 3 months beginning July 6 2008)				5,819.20
TAX to be WITHHELD 5,819.12/ 3mos (July 6, Aug, Sept) = 19 39.73/mo				1,939.73
July 6 2008 withholding tax				
August 2008 withholding tax				1,939.73
Sept 2008 withholding tax				1,939.74

**Note: Minimum Wage Earners are not subject to withholding tax and income tax on income earned from July 6, 2008 to December 2008 per RA 9504. Transitory procedures are undertaken for calendar year 2008.**

- (3) If the compensation is paid other than daily, weekly, semi-monthly or monthly, compute the tax to be deducted and withheld as follows:
- (a) Annually – refers to computation on annualized income;
  - (b) Quarterly and semi-annually – divide the compensation by three (3) or six (6), respectively, to determine the average monthly compensation. Use the monthly withholding tax table to compute the tax, and the tax so computed shall be multiplied by three (3) or six (6), accordingly;
  - (c) Bi-weekly – divide the compensation by two (2) to determine the average weekly compensation. Use the weekly withholding tax table to compute the tax, and the tax so computed shall be multiplied by two (2);
  - (d) Miscellaneous – if compensation is paid irregularly, or for a period other than those mentioned above, divide the compensation by the number of days from last payment to date of payment (excluding Sundays and holidays). Use the daily tax table, the tax so computed shall be multiplied by the number of days.

- (C) xxx xxx xxx  
 (D) xxx xxx xxx  
 (E) xxx xxx xxx

**(F) Requirement for Deductibility.** - The provisions of Sec 2.58.5 of RR 2-98, as amended, shall apply. Provided, that compensation income where no income taxes were withheld pursuant to Section 2.79(A) of these regulations, shall be allowed as deduction from an employer's gross income when the required employees withholding statement (BIR Form No. 2316) have been issued to subject employees in accordance with Sec. 2.83.1 of RR 2-98. Provided, further, that the Alphabetical List **of Employees whose Compensation Income are Exempt from Withholding Tax but subject to Income Tax** of the subject employees shall be submitted under Schedule 7.2 of BIR Form 1604-CF in accordance with Sec. 2.83.2 of RR 2-98. **Provided, the employee submitted duly filed and/or paid ITR not later than April 20 to their last employer/s for the year. Provided, further, that employees with previous/successive employer/s within the taxable year shall furnish his new employer with BIR Form No. 2316 issued by the previous employer/s and/or ITR filed in the previous year for substantiation/verification purposes during audit and/or investigation.**

- (G) xxx xxx xxx  
 (H) xxx xxx xxx

**(I) Right to claim Withholding Exemptions.** - An employee receiving compensation shall be entitled to withholding exemptions as provided in the Code, as amended. In order to receive the benefit of such exemptions, the employee must file the Application for Registration for Individuals (BIR Form No. 1902), upon employment and a Withholding Compensation and **Certificate of Update of Exemption and of Employer's and Employee's Information** (BIR Form No. 2305), in case of updates on changes in his exemptions. The withholding exemptions to which an employee is entitled depends upon his status as single, married, head of the family and the number of dependents qualified for additional exemptions. Each employee shall be allowed to claim the following amount of exemptions, with respect to compensation paid on or after **July 6, 2008**.

**(1) Personal and additional exemptions. -**

**(a) Basic personal exemptions. -**

- (i) For single/ **widow/ widower** individual or married individual judicially decreed as legally separated/ with no qualified dependents, the amount of personal exemption allowed is **Fifty Thousand Pesos (P50,000.00)**;
- (ii) For each legally married employee, the amount of personal exemption allowed is **Fifty Thousand Pesos (P50,000.00)**. A married individual deriving income within the Philippines whose spouse is unemployed or is a non-resident citizen deriving income from foreign sources, shall be entitled to a personal exemption of **Fifty Thousand Pesos (P50,000.00) only. In the case of married individuals where only one of the spouses is deriving gross income, only such spouse shall be allowed the personal exemption;**
- (iii) For head of a family, the amount of personal exemption allowed is **Fifty Thousand Pesos (P50,000.00)**. Head of the family means an unmarried or legally separated man or woman with one or both parents or one or more brothers or sisters whether of the whole or half blood or with one or more legitimate or illegitimate, recognized natural or legally adopted children living with and dependent upon him for their chief support, where such brothers or sisters or children are not more than twenty one (21) years of age, unmarried and not

gainfully employed or where such children, brothers, or sisters, regardless of age are incapable of self-support because of mental or physical defect. The term also includes an unmarried or legally separated man or woman who is the benefactor of a qualified senior citizen.

A senior citizen is any resident citizen of the Philippines of at least sixty (60) years old, including those who have retired from both government offices and private enterprises, and has an income of not more than sixty thousand pesos (P60,000) per annum subject to the review of the National Economic Development Authority (NEDA) every three years (definition taken from Republic Act No. 7432).

**(b) Additional exemptions for taxpayers with dependents.** – A married individual or a head of family shall be allowed an additional exemption of **Twenty Five Thousand Pesos (P25,000)** for each qualified dependent child, provided that the total number of dependents for which additional exemptions may be claimed shall not exceed four (4) dependents. The additional exemptions for qualified dependent children shall be claimed by only one of the spouses in the case of married individuals.

A dependent means a legitimate, illegitimate or legally adopted child chiefly dependent upon and living with the taxpayer if such dependent is not more than twenty-one (21) years of age, unmarried and not gainfully employed or if such dependent, regardless of age, is incapable of self-support because of mental or physical defect.

The husband shall be the proper claimant of the additional exemption for qualified dependent children unless he explicitly waives his right in favor of his wife in the Application for Registration for Individuals (BIR Form No. 1902) or in the withholding Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305). Provided, however, that where the spouse of the employee is unemployed or is a non-resident citizen deriving income from foreign sources, the employed spouse within the Philippines shall be automatically entitled to claim the additional exemptions for children."

**SECTION 3.** Section 2.79 (1) to (6) of RR 2-98, as amended, is hereby amended to read as follows:

**"Sec. 2.79.1 Application for Registration for Individuals Earning Compensation Income (BIR Form No. 1902).** – The application for registration of employees shall be accomplished by both employer and employee relating to the following information and other requirements:

(A) **Employee** -

- (1) Name/Taxpayer's Identification Number (TIN)/ Address of employee/other information required by the form;
- (2) Status of employee whether SINGLE/ legally separated/ widow or widower with no dependent child, married, or head of the family;
- (3) Status of spouse of the employee. – If the employee is legally married, the Name/ TIN, if any, of the spouse and whether said spouse is employed, unemployed, employed abroad, or is engaged in trade or business should be indicated on the application;

- (4) Qualified dependents – Name and date of birth of qualified dependent/s (children, parent/s, brother/s, sister/s or senior citizens);
- (5) Claimant of exemption for children. – The husband is the proper claimant of additional exemptions for qualified children. However, the wife shall claim full additional exemption for children in the following cases:
- (a) Husband is unemployed;
  - (b) Husband is a non-resident citizen deriving income from foreign sources;
  - (c) The husband waives his right to claim the exemptions of children (waiver should be for all children) in a sworn statement to be attached to his **Employee's Application for Registration** (BIR Form No. 1902) and that of his wife's, in accordance with the procedures prescribed in this Section;
- (6) **Required forms and attachments** – Upon filing the **Employee's Application for Registration** (BIR Form No. 1902) or **Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305)**, the taxpayer is required to attach any of the following documents to establish the status of the taxpayer, if applicable, to the application:
- (a) Marriage contract **certified by the National Statistics Office (NSO)**;
  - (b) Court decision of legal separation;
  - (c) Birth Certificate of each qualified dependent brother, sister or child, **certified by the National Statistics Office (NSO): Birth certificate of the employee showing the name of the father/mother certified by the NSO. in case parent is the claimed dependent.**
  - (d) Certificate of employment of the husband if he is working abroad;
  - (e) Waiver of Exemptions (**Annex C**) of children by the husband in case wife is claiming the additional exemptions of the children;
  - (f) Waiver from exemption on withholding tax of taxpayers whose total compensation income in a year does not exceed **P120,000.00 (Annex D)**;
  - (g) Medical Certificate of dependent brother, sister or child, if physically or mentally incapacitated;
  - (h) Court decision of legal adoption of children;
  - (i) Death Certificate **certified by the Local Civil Registry Office/NSO**;
  - (j) Current certificate of income tax exemption of qualified senior citizen ;
  - (k) Other documentary evidence, where the above documents are not available.
- (7) **Concurrent multiple employments.** – An employee who is employed concurrently by two or more employers within the same period of time during the taxable year shall file the **Employee's Application of Registration** (BIR Form No. 1902) with his main employer (employer paying the higher/est wage) and shall furnish a copy of the duly received Application with his secondary employers (2<sup>nd</sup>, 3<sup>rd</sup>, etc. employers). The employed husband and wife shall each file a separate application with their respective employers;
- (8) **Successive multiple employment** – An employee who transferred to another employer during the taxable year, shall furnish his new Employer with an **Certificate of Update of Exemption and of Employer's and Employee's Information** (BIR Form No. 2305) indicating therein his previous employments during the taxable year (name of employer/s, address/es, TIN/s and the date/s of his separation) and attach to the said certificate, a copy of the **Employer's Certificate of Compensation Payment /Tax Withheld** (BIR Form No. 2316) for the calendar year issued by previous employer/s;
- (9) **Mixed income.** – An individual receiving a combination of compensation and business/professional income shall first deduct the allowable personal and additional

exemptions from compensation income only the excess therefrom can be deducted, from business or professional income. In the case of husband and wife, the husband shall be the proper claimant of the exemptions unless he waives it in favor of his wife.

- (B) **Employer.** – The employer with whom the Employee's Application for Registration for Individuals (BIR Form No. 1902) is filed must indicate the date of receipt thereon and accomplish Part V of the said Application pertaining to Employer's Information such as TIN, Employer's Registered Name, and other relevant information.
- (C) **Procedures for the filing of the Application for Registration for Individuals (BIR Form No. 1902)-**
- (1) All employers shall require their employees to accomplish in **Triplicate** the Application for Registration for Individuals (**Original copy- RDO: Duplicate-employer: Triplicate-employee**) described above as follows:
- (a) **For taxable year 2008, all employees shall accomplish and file the Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305) / Application for Registration (BIR Form No. 1902) for those with no TIN reflecting the claimed exemption, together with the required documents / evidence of exemption and must be submitted to their employers not later than September 30, 2008. The employers shall transmit both the original & duplicate copies (after accomplishing the portion of Employer's information of either forms) to the Revenue District Office (RDO) of the City or Municipality where the employer has his legal residence or place of business on or before October 31, 2008;**
- (b) New employees shall accomplish and file the Application of Registration within ten (10) days from the commencement of employment;
- (c) In case of changes in the information data in the Application of Registration for Individuals (BIR Form No. 1902) previously submitted by the employee, consisting of changes in personal and additional exemptions, employment/working status of the spouse of the employee, multiple employment status and amount of compensation income, an Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305) reflecting the changes, together with the required documents/ evidence of changes must be submitted to the employer within ten (10) days after such change. The employer shall then make the necessary adjustments on the withholding tax of the employee based on the new information;
- (2) The employer shall transmit both the original and duplicate copies of the **Application or Certificate of Update of Exemption and of Employer's and Employee's Information** (after accomplishing the portion of Employer's information of either forms) to the Revenue District Officer of the City or Municipality where the employer has his legal residence or place of business within thirty (30) days following its receipt from the employee. The duplicate copy duly stamped received by the BIR shall be given to the employee.
- (3) The employer shall review the exemptions of the employees and shall, in the computation of taxes required to be withheld on the compensation of employees, apply the correct and applicable exemptions as provided in these regulations.
- (4) In case the husband waives his right to claim the additional exemptions of children in favor of his wife, he shall accomplish **a waiver form (Annex C)** in accordance with the following procedures:

- (a) Fill up three (3) copies of the prescribed waiver form (Annex C)
- (b) Submit to his employer within ten (10) days from employment, together with the BIR Form No. 1902 said waiver form for acknowledgement in the space provided for that purpose.

The employer of the husband shall:

- (i) After filling up the acknowledgement portion of the waiver form, retain the duplicate copy of the form and furnish the employee the original and triplicate copies for submission to the employer of the wife and for file of the employee, respectively.
- (ii) Stop deductions of exemptions of children from the husband's compensation income starting the following month.

The employer of the wife shall:

Upon receipt of copy of the waiver form duly acknowledged by the employer of the husband, start deducting exemptions of children from the wife's income on the month when the employer of the husband stopped deducting the exemptions of children from the husband's income.

- (c) The employed husband and wife shall apply the waiver in the computation of their respective taxable income in the income tax return required to be filed by them following the procedure for filing the waiver under Section 2.79.1 (C)(4) of these regulations, that is, the husband shall not deduct exemptions of children from his compensation income because he has waived the same (exemptions of children) in favor of his wife who will now deduct said exemptions from her income in computing her tax due.

Waiver exercised during the calendar year shall be made only once in a calendar year and shall take effect for the present calendar year and succeeding year/s until revoked by the husband. Any waiver/ revocation of such waiver shall take effect only starting the succeeding calendar year. In no case should an employer of the wife deduct exemptions of children from the wife's income unless the waiver by the husband has been duly acknowledged by the employer of the husband.

**Sec. 2.79.2 Failure to file Application for Registration for Individuals (BIR Form No. 1902) or Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305).** – Where an employee, in violation of these regulations either fails or refuses to file an Application for Registration for Individuals (BIR Form No. 1902) together with the required attachments, the employer shall withhold the taxes prescribed under the Schedule for Zero Exemption of the Revised Withholding Tax Table effective January 1, 2006 for income earned January 1 to June, 2008, Revised Transitional Withholding Tax Table effective 6, 2008 to December 31, 2008 for income earned July 6 to December 31, 2008 and Revised Withholding Tax Table effective January 1, 2009 on income earned beginning January 1, 2009. In case of failure to file the Certificate of Update of Exemption and of Employer's and Employee's Information (BIR Form No. 2305) together with the attachments, the employer shall withhold the taxes based on the reported personal exemptions existing prior to the change of status and without reflecting any change. Any refund or underwithholding that shall arise due to the violations shall be covered by the penalties prescribed in Section 80 of the NIRC, as amended (Liability for Tax).

**Sec. 2.79.3. Withholding on the basis of average compensation** – The employer may withhold the tax under the NIRC, as amended, on the basis of the employee's average estimated compensation, with the necessary adjustments, for any month/ quarter/year.

**Sec. 2.79.4. Husband and wife.** - Where both husband and wife are each recipients of compensation either from the same or different employers, taxes to be withheld shall be determined on the following basis:

- (A) The husband shall be deemed the proper claimant of the additional exemption in respect to any dependent children, unless he explicitly waives his right in favor of his wife in the application for registration or in the withholding exemption certificate. The waiver may be done any time during the year.
- (B) In general, taxes shall be withheld from the wages of the wife in accordance with the schedule for a married person without any qualified dependent.

**Sec. 2.79.5. Non-resident aliens. –**

xxx xxx xxx

**Sec. 2.79.6. Year-End Adjustment.** – On or before the end of the calendar year, and prior to the payment of the compensation for the last payroll period, the employer shall determine the sum of the taxable regular and supplementary compensation paid to each employee for the entire year, including the last compensation to be paid and compute for the amount of income tax on the annualized gross compensation income; Provided however, that the taxable fringe benefits received by employees except those given to the rank and file shall be subject to a final fringe benefits tax.

**Transitional Year End Adjustment shall be conducted for income earned from January 1 to June 20, 2008 due to the initial implementation of RA 9504.**

**Section 4. Section 2.80 of RR 2-98, as amended, is hereby amended to read as follows:**

**“Section 2.80. LIABILITY FOR TAX**

**(A) Employer. -**

- (1) In general, the employer shall be responsible for the withholding and remittance of the correct amount of tax required be deducting and withholding from the compensation income of his employees. If the employer fails to withhold and remit the correct amount of tax, such tax shall be collected from the employer together with the penalties or additions to the tax otherwise applicable.
- (2) The employer who required to collect, account for and remit any tax imposed by the NIRC, as amended, who willfully fails to collect such tax, or account for and remit such tax or will fully assist in any manner to evade any payment thereof, shall in addition to other penalties provided for in the Code, as amended, be liable, upon conviction, to a penalty equal to the amount of the tax not collected nor accounted for or remitted.
- (3) Any employer/ withholding agent who fails, or refuses to refund excess withholding tax not later than January 25 of the succeeding year shall, in addition to any penalties provided in Title X of the Code, as amended, be liable to a penalty equal to the total amount of refund which was not refunded to the employee resulting from any excess of the amount withheld over the tax actually due on their return.

- (B) **Employee.** – Where an employee fails or refuses to file the **Employee’s Application of Registration or Certificate of Update of Exemption and of Employer’s and Employee’s Information (BIR Form No. 2305) together with the attachments** or willfully supplies false or inaccurate information thereunder after due written notice by the employer, the tax otherwise to be withheld by the employer shall be collected from him including penalties or

additions to the tax from the due date of remittance until the date of payment. On the other hand, where the employee, after due written notice from the employer, willfully fails or refuses to file the Application for Registration for Individuals or the certificate or willfully supplies false and accurate information, the excess taxes withheld by the employer shall not be refunded to the employee but shall be forfeited in favor of the government.

(C) **Additions to Tax.** –

xxx    xxx    xxx

(D) **Failure to File Certain Information Returns (Sec. 250 of the Code).** – In the case of each failure to file an information return, statement or list, or keep any record, or supply any information required by this Code or by the Commissioner on the date prescribed therefor, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall, upon notice and demand by the Commissioner, be paid by the person failing to file, keep or supply the same, one thousand pesos (P1,000) for each such failure: Provided, however, that the aggregate amount to be imposed for all such failures during a calendar year shall not exceed twenty-five thousand pesos (P25,000).

(E) **Specific Penalties.** –

xxx            xxx            xxx “

**Section 5. Section 2.83 of RR 2-98, as amended, is hereby amended to read as follows:**

“**Section 2.83.1. Employees Withholding Statements (BIR Form No. 2316).** – In general, every employer or other person who is required to deduct and withhold the tax on compensation including fringe benefits given to rank and file employees, shall furnish every employee from whom compensation taxes have been withheld the **Employer’s Certificate of Compensation Payment /Tax Withheld** (BIR Form No. 2316) on or before January 31 of the succeeding calendar year, or if employment is terminated before the close of such calendar year, on the day on which the last payment of compensation is made. Failure to furnish the same shall be a ground for the mandatory audit of payor’s income tax liabilities (including withholding tax) upon verified complaint of the payee.

The employer shall furnish each employee with the original and duplicate copies of BIR Form No. 2316 showing the name and address of the employer; employer’s TIN; name and address of the employee; employee’s TIN; amount of exemptions claimed **(for taxable year 2008 where two (2) exemptions prevail, indicate the both exemptions (Jan to June (old amount) and July 6 to December31, 2008 (exemptions per RA 9504))**; amount of premium payments on medical insurance not exceeding P2,400.00, if any; the sum of compensation paid including the non-taxable benefits; the amount of tax due; the amount of tax withheld during the calendar year and such other information as may be required. The statement must be signed by both the employer or other authorized officer and the employee, and shall contain a written declaration that it is made under the penalties of perjury. If the employer is the Government of the Philippines, its political subdivision, agency or instrumentality or government-owned or controlled corporation, the statement shall be signed by the duly designated officer or employee.

The **Certificate of Compensation Payment/Tax Withheld** (BIR Form No. 2316) shall contain a certification to the effect that the employer’s filing of BIR Form No. 1604-CF shall be considered as a substituted filing of the employee’s income tax return to the extent that the amount of compensation and tax withheld appearing in BIR Form No. 1604CF as filed with the BIR is consistent with the corresponding amounts indicated in BIR Form No. 2316. It shall be signed by both the employee and employer attesting to the fact that the information stated therein has been verified and is true and correct to the best of their knowledge. However, the withholding agents/employers are required to retain copies of the duly signed BIR Form No. 2316 for a period of three (3) years as required under the NIRC.

**Where the employee is a minimum wage earner defined under RA 9504 who shall not be subjected to withholding tax and consequently to income tax, BIR Form No. 2316 shall show the sum of non-taxable statutory minimum wage paid including the non-taxable benefits such as holiday pay, overtime pay, night shift differential pay and hazard pay (minimum wage earners only) earned during the calendar year and such other information as may be required. Provided further, that the applicable box for minimum wage earners under BIR Form No. 2316 (2008 enhanced version) are sufficiently filled-up. This serves as proof of financial capacity for purposes of loans, and for other purposes with various government agencies.**

The employee who is qualified for substituted filing of income tax return under these regulations shall no longer be required to file income tax return (BIR Form No. 1700) since BIR Form No. 1604-CF **with alphalists of employees** shall be considered a substituted return filed by the employer. BIR Form No. 2316, duly certified by both employee and employer, shall serve the same purpose as if a BIR Form No. 1700 had been filed, such as proof of financial capacity for purposes of loan, credit card, or other applications, or for the purpose of availing tax credit in the employee's home country and for other purposes with various government agencies. This may be used for purposes of securing travel tax exemption, when necessary.

However, information referring to the certification, appearing at the bottom of BIR Form No. 2316, shall not be signed by both the employer and the employee if the latter is not qualified for substituted filing. In which case, BIR Form No. 2316 furnished by the employer to the employee shall be attached to the employee's Income Tax Return (BIR Form Nos. 1700/ **1701 in the case of mixed income earners**) to be filed on or before April 15 of the following year.

For the implementation of these regulations, BIR Form No. 2316 herein referred to shall be BIR Form No. 2316 version **June 2008 Encs** or any later version. Thus, the old version cannot be used for this purpose although may be used for those taxpayers still required to file BIR Form No. 1700.

In case of successive employments during the taxable year, an extra copy of BIR Form No. 2316 shall be furnished by the employee, **duly certified by his previous employer/s and** by him, to his new employer.

**Section 2.83.2. Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF)** – The payor is required to file with the BIR-Large Taxpayers Assistance Division, Large Taxpayers District Office or the Excise Taxpayers Assistance Division, or the Revenue District Office where the payor/employer is registered as Withholding Agent on or before January 31 of the said year an Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (**BIR Form No. 1604-CF, June, 2008 Encs.**), showing among others, the following information:

- (A) The Annual Information Return of Income Taxes Withheld on Compensation must show among others, the following:
- (1) Withholding Agent's registered name, address and Taxpayer's Identification Number (TIN);
- (B) The alphabetical list of employees must show the following:
- (1) Name and TIN of employees;
  - (2) Gross compensation paid by present and previous employers for the calendar year;
  - (3) (a) Taxable 13<sup>th</sup> month pay/ other benefits for the rank and file employees  
(b) Taxable fringe benefits for managerial employees
  - (4) Non-taxable 13<sup>th</sup> month pay/ other benefits (Present employer)
  - (5) Non-taxable statutory minimum wage (minimum wage earners only)

- (6) Non-taxable holiday pay, overtime pay, night shift differential pay and hazard pay (minimum wage earners only)
  - (7) Amount of Exemptions (Jan to July 5, 2008)
  - (8) Amount of Exemptions (July 6 to December 31, 2008)
  - (9) Amount of Exemptions (January 1, 2009 and beyond)
  - (10) Amount of premium payments on medical insurance not exceeding P2,400.00, if any;
  - (11) Tax required to be withheld computed in accordance with Sec. 24 (A) of the Code;
  - (12) Tax withheld by all present employers for the calendar year; and
  - (13) Adjustment, if any.
- (C) The alphabetical list of employees shall be prepared indicating, among others, separate listings of the following:
- (1) Employees as of Terminated before December 31 of the taxable year;
  - (2) Employees whose compensation income are exempt from withholding tax BUT subject to income tax;
  - (3) Employees whose compensation income are exempt from withholding tax and NOT subject to income tax (Minimum Wage Earners);
  - (4) Employees as of December 31 of the taxable year without previous employment during the year;
  - (5) Employees as of December 31 of the taxable year with previous employment within the year;
  - (6) Employees who were terminated prior to the year-end adjustment computation showing the month of termination/ month of last payment of compensation during the year of termination; and
  - (7) Employees who received Fringed Benefits subjected to Fringed Benefit Tax
  - (8) Alien employees subject to final withholding tax.

In cases where no information was provided by a previous employer, such fact should be annotated in BIR Form No. 1604-CF and the present employer shall not be liable to any penalties.”

**Section 2.83.3 Requirement for list of payees** – In addition to the manually prepared alphabetical list of employees and list of payees and income payments subject to creditable and final withholding taxes which are required to be attached as integral part of the Annual Information Returns (BIR Form No. 1604CF/ 1604E), the Withholding Agent may, at his option, submit **soft copy** 3.5 inch floppy diskettes/ **CD or email: esubmission@bir.gov.ph**, containing the said alphabetical lists.

However, taxpayers whose number of employees or income payees are ten (10) or more, are mandatorily required to submit the said lists in a 3.5 inch floppy diskettes/**CD or , email: esubmission@bir.gov.ph** using the existing CSV data file format, together with the manually prepared alphabetical list. In order to comply with this format, the withholding agents shall have the option to use any of the following:

1. the Excel format provided under Revenue Regulations No. 7-2000 with technical specifications to be prescribed in a Revenue Memorandum Circular (RMC) to be issued by the BIR;
2. their own extract program that shall meet the requirements specified in the above-mentioned RMC; or
3. the Data Entry Module using Visual FoxPro that will be available upon request or by downloading from the BIR's web site at <http://www.bir.gov.ph> with the corresponding job aid to be provided in the above-mentioned RMC.

For taxable year 2008 being the initial year of implementation for RA 9504, where two (2) exemptions for the year prevail (January to June (e.g. married P32,000) and July 6 to December 31, 2008 per RA 9504 (e.g. married P50,000)), hence there will be two computation and alphalists presentation respectively.

For those who would choose either option 1 or 2, such taxpayers shall use a validation module developed by the BIR, which can be downloaded from the BIR website.

In any case, the withholding agents are required to save the same to a secondary storage as back up for a period of three (3) years from submission of the diskette, as aforementioned, for future reference.

For withholding agents classified as large taxpayers and excise taxpayers falling within the jurisdiction of the Large Taxpayers Service and/or Large Taxpayers District Office, the Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF) and the Annual Information Return of Creditable Income Taxes Withheld (Expanded)/ Income Payments Exempt from Withholding Tax (BIR Form No. 1604-E) shall be submitted to the Large Taxpayers Assistance Division, Large Taxpayers District Offices or Excise Taxpayers Assistance Division, as the case may be. For other withholding agents, the aforesaid annual returns shall be submitted to their respective Revenue District Offices. BIR Form No. 1604-CF shall be submitted on or before January 31 of the succeeding year while BIR Form No. 1604-E shall be filed on or before March 1 of the following year. Only diskettes/**CD/esubmission** readable files upon submission shall be considered as duly filed "Alphabetical List of Employees/ Payees" by the employer. Violation hereof, shall be a ground for the mandatory audit of violator's income tax liabilities (including withholding tax).

The manually prepared (hard copy) alphabetical list of employee shall be filed in triplicate copies (two copies for the BIR) to be stamped "received" by the BIR-Large Taxpayers Assistance Division, Large Taxpayers District Office or the Excise Taxpayers Assistance Division, or the Revenue District Office where the payor/employer is registered as Withholding Agent.

xxx    xxx    xxx

**Section 2.83.4. Substituted Filing of Income Tax Returns by Employees Receiving Purely Compensation Income.** – Individual taxpayers receiving purely compensation income, regardless of amount, from only one employer in the Philippines for the calendar year, the income tax of which has been withheld correctly by the said employer (tax due equals tax withheld) shall not be required to file BIR Form No. 1700. In lieu of BIR Form No. 1700, the Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF) (hard copy) filed by their respective employers, duly stamped "received" by the BIR, shall be tantamount to the substituted filing of income tax returns by said employees.

The following individuals, however, are not qualified for substituted filing and therefore, still required to file BIR Form No. 1700 in accordance with existing regulations:

- (A) xxx    xxx    xxx  
(B) xxx    xxx    xxx

(C) Employees whose monthly gross compensation income does not exceed **TEN Thousand Pesos (P10,000.00)**, including employees of the government of the Philippines, or any political subdivisions, agencies or instrumentalities, with Salary Grades 1 to 3.

- (D) xxx    xxx    xxx  
(E) xxx    xxx    xxx  
(F) xxx    xxx    xxx

Comments/suggestions please email: [marivic.galban@bir.gov.ph](mailto:marivic.galban@bir.gov.ph)

MARIVIC A. GALBAN, Chief, Withholding Tax Division, Rm 207 BIR, National Office Building, Diliman, Quezon City, Telefax: 926-9328

In case of married individuals who are still required to file returns under existing provisions of the law, i.e., in those instances not covered by the substituted filing of returns, only one return for the taxable year shall be filed by either spouse to cover the income of the spouses, which return shall be signed by the husband and wife unless it is physically impossible to do so, in which case signature of one of the spouses would suffice.

**Section 2.83.5. Registration as withholding agent.** – Any person who makes payment or expects to make payment of compensation in the amount exceeding the statutory minimum wage or **Hundred Twenty Thousand Pesos (P120,000.00)** a year or **(Ten Thousand Pesos [P10,000] monthly)**, whichever is higher, to any single employee shall register by filing in duplicate, with the Revenue District Office (RDO) of the city or municipality where his legal residence or place of business is located, an Application for Registration for Individuals as a withholding agent using the form prescribed by the Bureau not later than ten (10) days after becoming an employer.

**Section 2.83.6.           xxx   xxx   xxx**  
**Section 2.83.7.           xxx   xxx   xxx ”**

## SECTION 6. TRANSITORY PROVISIONS

For Calendar year 2008, two (2) year end adjustments computation shall be undertaken.

1. Compute Year end adjustment for payroll period July 6 2008 on for in come earned January 1 to July 6, 2008), using the old personal and additional personal exemption apportioned over a period of 6 month for the calendar year and considering the provisions for minimum wage earners.
2. Compute Year end adjustment for payroll period November 2008 on for income earned July 6 6 to December 31, 2008), using the increased personal and additional personal exemption per RA 9504 apportioned over a period of 6 month for the calendar year and considering the provisions for minimum wage earners.

Employers are required ensure that tax due is equal to tax withheld for each year end adjustment computation and submit BIR Form No. 1604-CF with two (2) alphalists of employees:

1. Alphalist of employees from January to June 2008
2. Alphalist of employees from July 6 to December 31,2008

**If in the computation of year end adjustment for income earned January to June 2008 results to a refund, the employer is entitled to deduct the amount refunded to the employees from the remittable amount of taxes withheld from compensation income beginning July 6, 2008 and in the succeeding months thereafter until the amount is fully repaid. Otherwise, if it results to collectible, it shall be deducted beginning July 6, 2008 and immediately succeeding months ensuring that end of the year results to tax due equals tax withheld.**

**Minimum Wage Earners are not subject to withholding tax but subject to income tax for income earned from January 1 to July 6, 2008. For Minimum Wage Earners whose compensation earned from January to June 2008 are not subjected to withholding tax but subject to income tax, it shall result to a collectible amount to be deducted beginning July 6 2008 payroll period and ensure that at year end results to tax due equals tax withheld in order to effect no filing of income tax return. Otherwise, for compensation earned from January to June 2008 that were subjected to withholding tax, compute transitional year end adjustment for July 6 2008 to ensure tax due equals tax withheld (if refundable, it shall be added to the take home pay of the employee beginning July 6 2008 and employers may offset total amount refunded for the month from the remittable withholding tax beginning the month of July 6, 2008 and succeeding months until fully refunded; if collectible, deduct from income earned beginning July 6 2008 and succeeding months**

**until fully paid). Hence, for Calendar year 2009 and beyond, minimum wage earners shall no longer be subjected to withholding tax and consequently income tax.**

For the computation of correct withholding tax and preparation of alphalists for calendar year 2008 being the initial year of implementing RA 9504 and two (2) exemption for the year prevail, alphalists shall show the exemptions from January to June (Single P20,000; head of the family P25,000,married P32,000; qualified dependent child at P8,000 each but not exceeding four (4) and July 6 to December 31, 2008 per RA 9504 (single/head of the family/ married P50,000; qualified dependent child at P25,000 each but not exceeding four (4)). The prevailing exemption (old exemption) from January to June 2008 shall be apportioned over the number of months over the calendar year. The exemption per RA 9504 effective July 6 to December 31, 2008 shall likewise be apportioned over the number of months over the calendar year. Hence, two (2) alphalist shall be prepared for: 1) income earned from Jan 1 to June 30, 2008 with prevailing personal and additional exemptions and 2) income earned from July 6 to December 31, 2008 with personal and additional exemptions per RA 9504 which shall be both submitted on or before January 31, 2009 following prescribed technical specification for 2008 only. Exemptions shall be shown as follows in the case for married employee (ME):

**EXAMPLE:** (Transitional Year-end adjustments computation for calendar year 2008).

**Exemption from January 1 to July 5, 2008:**

New Exemption from January 1 to July 5, 2008 resulting to an apportionment computation for CALENDAR YEAR 2008 as follows:  
 Single 20,000/Married 32,000/ Head of the Family 25,000. ME 32,000 x 6mos/12mos (Jan-June 2008) = P16,000  
 Qualified Dependent Children (QDC): P8,000 x 6mos/12mos (Jan- June 2008) = P4,000 each QDC

**Exemption from July 6, to December 2008:**

New Exemption beginning July 6, 2008 per RA 9504 resulting to an apportionment computation for CALENDAR YEAR 2008 as follows:  
 Single/Married/ Head of the Family: P50,000 x 6mos/12mos (July 6-Dec2008) = P25,000  
 Qualified Dependent Children (QDC): P25,000 x 6mos/12mos ( July 6-Dec2008) = P12,500 each QDC

Mr. Dexter Galban, married with two qualified dependent children who received the following compensation for the year:

Basic Monthly Salary (excluding SSS/HDMF/PHIC employee's share)	P45,000
Overtime Pay per month	P 5,000
Hazard Pay per month	P 2,000
Thirteenth Month Pay given Dec 2008	P45,000
Other Benefits given Dec. 2008	P12,000

JANUARY TO July 5, 2008 USING EXEMPTIONS PREVAILING (MARRIED 32,000; HF 25,000; S 20,000; QDC 8,000EACH)	RECEIVED FROM Jan. to June 2008	Non-taxable compensation	Taxable Compensation Jan. to June 2008	
Basic 45,000 x 6 mos.	270,000		270,000	
Overtime Pay 5000 x 6mos	30,000		30,000	
Hazard Pay	12,000		12,000	
<b>TOTAL</b>	<b>312,000</b>		<b>312,000</b>	
LESS: Personal Exemption 32,000x6/12= 16,000			16,000	
Additional Exemption 8,000x 6/12=4,000x2QDC			8,000	
<b>TOTAL TAXABLE COMPENSATION</b>			<b>288,000</b>	
TAX DUE				61,400.00
TAX WITHHELD (WITHHOLDING TAX TABLES EFFECTIVE JAN 1, 2006) 52,000/MO= 12,443.23/MO WITHHOLDING TAX				74,659.38
TAX REFUND TO BE CARRIED OVER AS ADVANCE INCOME TAX FROM July 6 to December 2008				<b>(13,259.38)</b>

JULY 6 TO DECEMBER 31, 2008 USING EXEMPTIONS PER RA 9504 (S/HFMARRIED 50,000; QDC 25,000EACH)	RECEIVED FROM JULY 6 to DEC 2008	Non-taxable compensation	Taxable Compensation JULY 6 to DEC 2008	
Basic 45,000 x 6 mos.	270,000		270,000	
Overtime Pay 5000 x 6mos	30,000		30,000	
Hazard Pay	12,000		12,000	
13 <sup>th</sup> MONTH PAY	45,000	30,000	15,000	
OTHER BENEFITS	12,000		12,000	
<b>TOTAL</b>	<b>369,000</b>	<b>30,000</b>	<b>339,000</b>	
LESS: Personal Exemption 50,000x6/12= 25,000			25,000	
Additional Exemption 25,000x 6/12 = 12,500 x2QDC			25,000	

TOTAL TAXABLE COMPENSATION			289,000.00	
TAX DUE				<b>61,700.00</b>
TAX WITHHELD (REVISED TRANSITIONAL WITHHOLDING TAX TABLES EFFECTIVE JULY 6, 2008) 52,000/MO= 11,056.67/MO X 6MOS				55,283.35
TAX REFUND TO BE CARRIED OVER AS ADVANCE INCOME TAX FROM July 6 to December 2008				13,259.38
TOTAL WITHHOLDING TAX INCLUDING REFUND CARRIED OVER FROM JUNE 2008				<b>68,542.73</b>
TOTAL REFUND TO BE GIVEN BY THE EMPLOYER TO THE EMPLOYEE ON OR BEFORE JANUARY 25, 2009				<b>(6,842.73)</b>

The name of Dexter Galban shall be shown twice in the alphalist of employees to be submitted on or before January 31, 2009.

Dexter Jan-July 5  
 Dexter July 6-Dec 31

Note\*: For minimum wage earner on income earned from January 1 to July 5, 2008, no withholding tax to be deducted but subject to income tax, hence, tax due shall be collected through withholding tax from income earned July 6 to December 2008 considering that they are subject to income tax and are no longer required to file income tax return for calendar year 2008.

In cases where, several changes in exemptions happens within calendar year 2008, it shall likewise be apportioned as shown in the example below:

Married May 1, 2008 to June 30, 2008 6/12mos x 32,000 = 16,000  
 ME1 July 6, 2008 to December, 2008 6/12mos x (P50,000 + P25,000) = 37,500

Apportioned exemption prevailing as of July 5, 2008 shall be applied for the first semester and apportioned exemption prevailing as of December 31, 2008 shall be applied for the second semester.

**SECTION 7. REPEALING CAUSE**

All existing rules and regulations or parts thereof which are inconsistent with the provisions of these Regulations are hereby revoked.

**SECTION 8. EFFECTIVITY**

These Regulations shall take effect beginning July 6, 2008.

**MARGARITO B. TEVES**  
 Secretary of Finance

**RECOMMENDING APPROVAL:**

**LILIAN B. HEFTI**  
 Commissioner of Internal Revenue

J-2  
 MAG6/18/2008 1:23 PM