

**[ REVENUE REGULATIONS NO. 1-2006, December 29, 2005 ]**

**AMENDMENTS TO SECTIONS 2.78.1 (B), SECTION 2.79 (A) AND (F), 2.83.4 (C) AND 2.83.5 OF REVENUE REGULATIONS NO. 2-98, AS AMENDED**

Pursuant to Section 244 in relation to Section 79 (A) of the National Internal Revenue Code of 1997, as amended, these Regulations are hereby promulgated to amend Sections 2.78.1 (8), 2.79) (A) and (F), 2.83.4 (C) and 2.83.5 of Revenue Regulations No. 2-98, as amended, with respect to the withholding of income tax on compensation income received by minimum wage earners.

*SECTION 1.* Section 2.78.1(B) of Revenue Regulations No. 2-98, as amended, is hereby amended to read as follows:

“SECTION 2.78.1 Withholding of Income Tax on Compensation Income. –

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“(B) Exemptions from withholding tax on compensation - The following income payments are exempted from the requirement of withholding tax on compensation:

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“(13) COMPENSATION INCOME OF INDIVIDUALS THAT DO NOT EXCEED THE STATUTORY MINIMUM WAGE OR FIVE THOUSAND PESOS (PHP 5,000.00) PER MONTH (SIXTY THOUSAND PESOS [PHP60,000.00] A YEAR),, WHICHEVER IS HIGHER.”

(14) COMPENSATION INCOME OF EMPLOYEES OF THE GOVERNMENT OF THE PHILIPPINES, OR ANY OF ITS POLITICAL SUBDIVISIONS, AGENCIES OR INSTRUMENTALITIES, WITH SALARY GRADES 1 TO 3.”

*SECTION 2.* Section 2.79 (A) and (F) of Revenue Regulations No. 2-98, as amended, is hereby amended to read as follows:

"SECTION 2.79. Income Tax Collected at Source on Compensation Income.

"(A) Requirement of Withholding - Every employer must withhold from compensations paid, an amount computed in accordance with these regulations. PROVIDED, THAT COMPENSATION INCOME OF (1) INDIVIDUALS THAT DO NOT EXCEED THE STATUTORY MINIMUM WAGE OR FIVE THOUSAND PESOS (PHP5,000.00) PER MONTH (SIXTY THOUSAND PESOS [PHP60,000.00] A YEAR), WHICHEVER IS HIGHER, AND (2) EMPLOYEES OF THE GOVERNMENT OF THE PHILIPPINES, OR ANY OF ITS POLITICAL SUBDIVISIONS, AGENCIES OR INSTRUMENTALITIES, WITH SALARY GRADES 1 TO 3, 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.

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"(F) Requirement for Deductibility - The provisions of Sec. 2.58.5 of these Regulations 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 A 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 SECTION 2.83.1 OF RR 2-98. PROVIDED, FURTHER, THAT THE ALPHABETICAL LIST OF THE SUBJECT EMPLOYEES SHALL BE SUBMITTED UNDER SCHEDULE 7.2 OF BIR FORM NO. 1604-CF IN ACCORDANCE WITH SECTION 2.83.2 OF RR 2-98."

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SECTION 3. Section 2.83.4 (C) of Revenue Regulations No. 2-98, as amended, is hereby amended to read as follows:

"SECTION 2.83.4 Substituted Filing of Income Tax Returns by Employees Receiving Purely Compensation Income. --xxx.