

[BIR (DOF) REVENUE REGULATION NO. 4-93, October 30, 1992]

IMPLEMENTING REPUBLIC ACT NO. 7497, "AN ACT AMENDING PERTINENT PROVISIONS OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, RELATIVE TO THE FINAL WITHHOLDING TAX ON PURELY COMPENSATION INCOME".

Pursuant to Sections 245 and 72 of the National Internal Revenue Code (NIRC), as amended, in relation to Section 15 of Republic Act No. 7497, these regulations are hereby promulgated to implement the provisions of said Act which amended pertinent provisions of the NIRC relative to the final withholding tax on purely compensation income.

SECTION 1. *SCOPE* - These regulations shall govern the collection at source of income tax on compensation income paid on or after January 1, 1992 further amending for the purpose pertinent provisions of Revenue Regulations No. 6-82, as amended, otherwise known as the "Withholding Tax Regulations on Compensation and prescribing Revised Withholding Tax Tables Therefor." These regulations shall cover compensation income from Philippine sources of employed individuals, whether resident citizens and aliens or non-resident citizens or non-resident aliens engaged in trade or business in the Philippines.

SECTION 2. Section 7 of Revenue Regulations No. 6-82, as amended, is hereby further amended to read as follows:

"Sec. 7. Requirement of Withholding XXXXXXXXXXXXX"

I. Withholding of tax on compensation paid to resident employees - (a) In general, every employer making payment of compensation shall deduct and withhold from such compensation income for the entire calendar year, a tax determined in accordance with the prescribed new Withholding Tax Tables effective January 1, 1992 (ANNEX "A").

A. *Legend of Symbols Used and Amount of Exemptions:*

1. The Symbols used in the New Withholding Tax Table represent the following:

- a. Z - Zero exemption for (a) employee with multiple employers simultaneously, with respect to second, third, etc., employer; and (b) for employee who fail to file an exemption certificate (W-4).
- b. S- Single/Legally Separated Spouses/Widow/Widower without any qualified dependents.
- c. ME- Married Employee who is not legally separated
- d. HF- Head of the Family who is either Single/Legally Separated Spouses/Widower or Widow with qualified dependent parent, sister or brother, legitimate, recognized natural or legally adopted child.

2. The numerals (1-4) affixed to the status symbols ME and HF represent the number of qualified legitimate, recognized natural or legally adopted children.

3. The asterisks (**)* under column SAPE represent special additional personal exemption of Four Thousand Pesos (P4,000) to be allowed if the gross compensation income of a single, married or head of family does not exceed the aggregate amount of Twenty Thousand Pesos (P20,000) during the calendar year (Monthly, P1,667.00; Semi-monthly, P833.00; Weekly, P385.00; and Daily P66.00).

4. Exemption - means the amount of exemption in Thousand Pesos an employee is entitled to claim as a deduction from the gross compensation income in accordance with his status, number of qualified dependent children and applicable special additional personal exemption.

B. *Computation of Withholding Tax*

1. In general — The employer shall determine the tax to be withheld and deducted in accordance with the following:

- a. Use the appropriate table for the payroll period: monthly, semi-monthly, weekly or daily, as the case may be.
- b. Determine the total monetary and non-monetary (cash value) compensation paid to an employee.
- c. Segregate the regular compensation from the supplementary compensation except when withholding under the cumulative average method. Regular compensation includes basic salary, fixed allowances for representation, transportation, housing, cost of living and other allowances or benefits (monetary and non-monetary) 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, vacation and sick leave pay, profit sharing, bonus, 13th month pay, etc., with or without regard to a payroll period.
- d. Determine the line (horizontal) to be used corresponding to the status and number of qualified dependents. Use the appropriate status symbol with the corresponding symbol with the corresponding asterisks (**) indicated under the SAPE column if the gross compensation income does not exceed: Monthly, One Thousand Six Hundred Sixty Seven Pesos (P1,667.00); Semi-Monthly; Eight Hundred Thirty Three Pesos (P833.00); Weekly, Three Hundred Eighty Five Pesos (P385.00); and Daily, Sixty Six Pesos (P66.00). If the gross compensation income exceeds the respective foregoing amounts use the status symbol without any asterisks.
- e. Determine the column to be used by fixing the compensation level taking into account only the total amount of regular compensation income. The compensation level is the amount indicated in the line (as predetermined in paragraph B.1. (d) to which the regular compensation income is equal to or in excess, but not exceed the amount in the next column of the same line: Provided, however, That with respect to an employee entitled to a special additional personal exemption, the compensation level is the amount indicated in the line to which the gross compensation income is equal to or in excess, but not to exceed the amount in the next column of the same line.
- f. Compute the withholding tax due by adding the tax predetermined in the compensation level indicated at the top of the column to the product, which is computed by multiplying the excess of the total regular and supplementary compensation over the compensation level by the rate also indicated at the top of the same column".

EXAMPLE I

Mr. A, single, with no qualified dependent receives P1,450.00 as regular monthly compensation.

Computation:

Using the revised monthly Withholding Tax Table, the monthly withholding tax is computed by referring to Table A line 3 S with double asterisks (gross compensation income does not exceed: monthly, P1,667.00) of column 2 which shows a tax of P0.00 on P1,292.00 plus 1% of the excess (P1,450.00-P1,292.00 = P158.00).

Total Compensation	P	1,450.00
Less: Compensation level (line A-3 column 2)		1,292.00

Excess	P	158.00
		=====
Tax on (P1,042.00)	P	0.00
Tax on excess (P158.00 x 1%)		1.58

Monthly Withholding Tax	P	1.58
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EXAMPLE II

Mr. B, head of the family (with qualified dependent parent) receives P2,200.00 as monthly regular compensation and P300.00 as supplementary compensation for January or a total of P2,500.00.

Computation:

Using the Revised Monthly Withholding Tax Table, the withholding tax for January is computed by referring to Table A line 4 HF of column 4 (fix compensation level taking into account only the regular compensation income of P2,200.00) which shows a tax of P14.58 on P1,833.00 plus 7% of the excess P2,500.00 - P1,833.00 = P667.00).

Total Compensation	P	2,500.00
Less: Compensation level (line A-4 column 4)		1,833.00

Excess	P	667.00
		=====
Tax on (P1,833.00)	P	14.58
Tax on excess (P667.00 x 7%)		46.69

Withholding Tax for January	P	61.27

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EXAMPLE III

Mrs. C, married with two (2) qualified dependent children receives P3,500.00 as regular monthly compensation. Mr. C, her husband is also employed and claims for the additional exemptions.

Computation:

Using the Revised Monthly Withholding Tax Table, the withholding tax due is computed by referring to Table 6 ME of column 5 which shows a tax of P72.92 on P3,167.00 plus 11% of the excess (P3,500.00 - P3,167.00 = P333.00).

Total Compensation	P	3,500.00
Less: Compensation level (line A-6 column 5)		3,167.00

Excess	P	333.00
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 Tax on (P3,167.00)	P	72.92
Tax on excess (P333.00 x 11%)		36.63

Monthly Withholding Tax	P	109.55
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EXAMPLE IV

Mr. D, married with two (2) qualified dependent children receives P1,500.00 as regular semi-monthly compensation. Mrs. D, his wife is also employed. Mr. D did not waive his right in favor of the wife to claim for the additional exemptions.

Computation:

Using the Revised Semi-Monthly Withholding Tax Table, the withholding tax is computed by referring to Table C line 2 ME2 of column 3 which shows a tax of P1.04 on P1,375.00 plus the excess (P1,500.00 - P1,375.00 = P125.00).

Total Compensation	P	1,500.00
Less:		
Compensation level (line C-2 column 3)		1,375.00

Excess	P	125.00
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 Tax on (P1,375.00)	P	1.04
Tax on excess (P125.00 x 3%)		3.75

 Semi-Monthly Withholding Tax		P 4.79
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EXAMPLE V

Mr. E, married with two (2) qualified dependent children receives P1,600.00 as regular semi-monthly compensation. Mrs. E, his wife is not employed.

Computation:

Using the revised semi-monthly withholding tax tables, the withholding tax due is computed by referring to Table C line 2 ME2 of column 4 which shows a tax of P7.29 on P1,583.00 plus 7% of the excess (P1,600.00 - P1,583.00 = P17.00).

Total Compensation	P	1,600.00
Less:		
Compensation level (line C-2 column 4)		1,583.00

Excess	P	17.00
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Tax on (P1,583.00)	P	7.29
Tax on excess		
(P17.00 x 7%)		1.19

Semi-Monthly Withholding Tax		P 8.48
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2. Exceptions –

"(a) *Cumulative Average Method* - If in respect of a particular employee, the regular compensation is exempt from withholding, 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, the employer shall determine the tax to be deducted and withheld in accordance with the cumulative average method provided hereunder:

1. Add the amount of regular and supplementary compensation to be paid to an employee for the payroll period to an employee for the payroll period to the sum of regular and supplementary compensation paid since the beginning of the current calendar year.
2. Divide the aggregate amount of compensation computed in No. (1) by the number of payroll period to which the amount relates.
3. Compute the tax to be deducted and withheld on the cumulative average compensation determined in No. (2) in accordance with the appropriate table.
4. Multiply the tax computed in No. (3) by the number of payroll periods to which it relates.
5. Determine the excess, if any, of the amount of tax computed in No. (4) over the total amount of tax already deducted and withheld from the beginning payroll period to the last payroll period. 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 anytime 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 VI