REVENUE REGULATIONS NO. 16-2018


TO: All Withholding Agents, Internal Revenue Officers, Employees and Others Concerned.

SECTION 1. SCOPE. – Pursuant to the provisions of Section 244, in relation to Section 34(K) of the National Internal Revenue Code of 1997, as amended, these regulations are hereby promulgated to revoke RR No. 12-2013, relative to the requirements for deductibility of certain expenses, thereby reinstating the provisions of Section 2.58.5 of RR No. 14-2002, as amended by RR No. 17-2003.

SECTION 2. REQUIREMENTS FOR DEDUCTIBILITY OF CERTAIN EXPENSES. – RR No. 12-2013 is hereby revoked, in effect, reinstating the provisions stated under RR No. 14-2002, as amended by RR No. 17-2003 to read as follows:

“Sec. 2.58.5. Requirements for Deductibility. – Any income payment which is otherwise deductible under the Code shall be allowed as a deduction from the payor’s gross income only if it is shown that the income tax required to be withheld has been paid to the Bureau in accordance with Secs. 57 and 58 of the Code.

A deduction will also be allowed in the following cases where no withholding of tax was made:

(A) The payee reported the income and pays the tax due thereon and the withholding agent pays the tax including the interest incident to the failure to withhold the tax, and surcharges, if applicable, at the time of the audit/investigation or reinvestigation/reconsideration.

(B) The recipient/payee failed to report the income on the due date thereof, but the withholding agent/taxpayer pays the tax, including the interest incident to the failure to withhold the tax, and surcharges, if applicable, at the time of audit/investigation or reinvestigation/reconsideration.

(C) The withholding agent erroneously underwithheld the tax but pays the difference between the correct amount and the amount of tax withheld including the interest, incident to such error, and surcharges, if applicable, at the time of the audit/investigation or reinvestigation/reconsideration.
Items of deduction representing return of capital such as those pertaining to purchases of raw materials forming part of finished product or purchases of goods for resale, shall be allowed as deductions upon withholding agent’s payment of the basic withholding tax and penalties incident to non-withholding or underwithholding."

SECTION 3. REPEALING CLAUSE. - All existing rules and regulations or any revenue issuances or parts thereof which are inconsistent with the provisions of these Regulations are hereby revoked or amended accordingly.

SECTION 4. EFFECTIVITY. - These Regulations shall take effect after fifteen (15) days following publication in any newspaper of general circulation.

CARLOS G. DOMINGUEZ
Secretary of Finance
JAN 05 2018

Recommending Approval:

CAESAR R. DULAY
Commissioner of Internal Revenue

BUREAU OF INTERNAL REVENUE
RECORDS MGT. DIVISION
4:18 P.M.
JAN 19 2018