REVENUE MEMORANDUM CIRCULAR NO. 1-2018 issued on January 5, 2018 prescribes the procedures on the use of Withholding Tax Table on Compensation Income and advises on the change of Creditable Withholding Tax Rate on certain income payments to individuals.

In general, every employers paying compensation to its employee/s shall deduct and withhold from such compensation a tax determined in accordance with the prescribed revised Withholding Tax table, version 2 (Annex A of the Circular) using the following steps:

Step 1 Determine the total amount of monetary and non-monetary compensation paid to an employee for the payroll period: monthly, semi-monthly, weekly or daily, as the case may be, segregating non-taxable benefits and mandatory contributions;

Step 2 Use the appropriate table (in Annex A) for the applicable payroll period;

Step 3 Determine the compensation range of the employee and apply the applicable tax rates prescribed thereon; and

Step 4 Compute the Withholding Tax due by adding the tax predetermined in the compensation range indicated on the column used and the tax on the excess of the total compensation over the minimum of the compensation range.

Sample computations using the Withholding Tax Table are provided in the Circular.

The following income payments to self-employed individuals or professionals shall be subject to eight percent (8%) Creditable Withholding Tax:

a. Professional fees, talent fees, commissions, etc. for services rendered by individuals;
b. Income distribution to beneficiaries of Estates and Trusts;
c. Income payment to certain brokers and agents;
d. Income payment to partners of general professional partnership;
e. Professional fees paid to medical practitioners; and
f. Commission of independent and/or exclusive sales representatives, and marketing agents of companies.