REVENUE MEMORANDUM CIRCULAR NO. 10-2018 issued on January 31, 2018 clarifies the time of withholding and remittance of taxes withheld by Withholding Agents including National Government Agencies and Instrumentalities, Local Government Units and Government-Owned and-Controlled Corporations in view of the conflict between the provision of Section 2.57.4 of Revenue Regulation (RR) No. 2-98, as amended by Section 4 of RR No. 12-2001, vis-à-vis the guidelines and procedures provided under the Government Accounting Manual (GAM).

The seeming conflict between the BIR RR and the GAM occurred as a result of the illustrative example of the accounting entries in the GAM itself whereby “Due to BIR” accounts were recognized only upon payment of the accounts payable to the income payee.

Accordingly, and pursuant to the power of the Commissioner of Internal Revenue to interpret tax laws and to decide tax cases provided under Section 4 of the National Internal Revenue Code, as amended, it is hereby clarified that the obligation to withhold arises at the time an income payment is paid or payable, or the income payment is accrued or recorded as expense or asset, whichever is applicable, in the payor’s books, whichever comes first. Stated otherwise, the obligation to withhold taxes already arises when an expense or asset is already recorded, whether or not the same has been paid, pursuant to RR No. 12-2001.

In the case of government projects, the obligation to withhold arises at the time that the government agency books construction of PPE as Construction in Progress with the appropriate asset classification since what RR No. 12-2001 mandates is “whichever comes first”.