REVENUE MEMORANDUM CIRCULAR NO. 60-2004 issued on September 23, 2004 clarifies the withholding of creditable Value-Added Tax (VAT) by government offices on purchases of goods and services amounting to ₱1,000.00 and below.

Pursuant to Revenue Regulations No. 2-98, the payments by the government or any of its political subdivisions, instrumentalities or agencies, including government-owned or controlled corporations on account of its purchases from VAT-registered suppliers of goods and services shall be subject to withholding tax at the rates specified below.

a) On gross payment for the purchase of goods. ..................... 3%
b) On gross payment for services rendered. ....................... 6%
c) Payments made to government public works contractor. ...... 8.5%
d) Payments for lease or use of property or property rights to non-resident owners. ................................. 10%

Thus, all payments made by government offices, regardless of amount, shall be subject to the appropriate rate of withholding tax on VAT.