REVENUE MEMORANDUM CIRCULAR NO. 49-2011 issued on October 11, 2011 further clarifies RMC No. 38-2011 on Expanded Withholding Tax obligation of Philippine Health Insurance Corporation (PHIC), including the Income Tax Withholding obligation of hospitals/clinics on case rates of PHIC and the matter of 5% Final Withholding VAT for government money payments.

RMC No. 38-2011 covers only Income Tax withholding (Expanded Withholding Tax) on payments made by PHIC for medical benefits availment where benefit payments are made separately to the medical practitioners and hospitals/clinics (facility).

However, for medical cases and surgical procedures where the entire case rate amount is required to be paid directly to the facility pursuant to the New PhilHealth Case Rate under PhilHealth Circular Nos. 011-2011, 011-A-2011 and 011-B-2011, the application of the Expanded Withholding Tax (EWT) rate shall be on the entire case rate payment at the rate of 2%. The hospitals/clinics or facilities, being the party in control of the fund, are the ones under obligation to withhold the 10% or 15% EWT on payments to be made to doctors or medical practitioners for their professional fees.

In addition, PHIC is under obligation to comply with the 5% withholding VAT on government money payments under Revenue Regulations No. 16-2005. It is emphasized that for purposes of VAT exemption, Section 109(G) of the Tax Code covers only medical, dental, hospital and veterinary services, except those rendered by professionals. Thus, PHIC should withhold the 5% VAT on money payments to professionals and other facilities, if any, who are not VAT exempt.