

Withholding Taxes: A comprehensive guide to Understanding and Navigating Transactions subjected to Withholding.

Withholding taxes for corporations and individuals in the Philippines

Final Withholding Tax

- Deducted from payments to Non-resident Foreign Corporations (NRFCs) and passive income payments.
- Represents the final tax due on these payments.
- BIR Form 2306 (Certificate of Final Tax Withheld At Source) is issued by the income payor to the income recipient.

Expanded Withholding Tax

- Deducted from payments to local suppliers/vendors of the income payor/withholding agent
- Can be credited against the taxpayer's income tax due.
- BIR Form 2307 (Certificate of Creditable Tax Withheld At Source) is issued by the income payor to the income recipient.

Withholding Tax on Compensation

- Deducted and withheld from employees' salaries and wages.
- Pre-payment of the employee's income tax.
- BIR Form 2316 (Certificate of Compensation Payment/Tax Withheld for Compensation Payment with or Without Tax Withheld) is issued by the employer to the employee.

Final Withholding Tax

Income subject to FWT Under Section 2 of Revenue Regulation 11-2018

For payments to Non-resident Foreign Corporation (NFRC)

- For transactions performed within the Philippines.



25%
FWT



20%
FWT

Interest

- Earned from any peso bank deposit.
- Yields or similar monetary benefits from deposit substitutes & trust funds.
- On foreign loans payable to NRFCs

Royalties, Prizes, & Winnings

- Earned within the Philippines, except royalties related to books, literary works, and musical compositions (taxed at 10%).

Dividends

Cash or property payouts from:

- domestic corporations, joint stock companies, insurance or mutual fund companies; & regional operating headquarters of multinational companies.

Share of Distributable Net Income

- An individual's portion of the taxable income after tax, received from any corporate entities (except general professional partnerships) taxable.

Net Income Share

- An individual's portion of the net income after tax, received from an association, joint account, joint venture, or consortium taxable as a corporation.



10%
FWT



15%
FWT

Capital Gains from Unlisted Shares

- Tax is imposed on the net profit earned during the year from selling, bartering, exchanging, or otherwise disposing of shares in a domestic corporation that are not traded on the stock exchange.

Branch Profit Remittance

- all corporations except PEZA/SBMA/CDA registered

Expanded Withholding Tax

Professional Fees and Management & Technical Consultants, Business & Bookkeeping Agents:

Individually engaged professionals

Corporations

5%

EWT

< ₱3M annual gross income

10%

EWT

> ₱3M or VAT-registered:

15%

EWT

< ₱720,000 annual gross income

10%

EWT

> ₱720,000 annual gross income

Directors' Fees:

Rentals:

5%

EWT

< ₱3M annual gross income

10%

EWT

> ₱3M or VAT-registered:

5%

EWT

Real property on gross income

5%

EWT

> ₱10,000 annual income of personal property

Payment to Contractors

Credit Card Companies

2%

EWT

on gross income, including various specific contractor categories.

0.5%

EWT

on gross amount paid to businesses for cardholder sales.

Top Withholding Agents (TWAs)

Other Service Providers:

2%

for purchase of services

1%

for purchase of goods

- Specific rates for printers, advertising agencies, independent producers, etc.