



**BANGKO SENTRAL NG PILIPINAS**

**OFFICE OF THE GOVERNOR**

**MEMORANDUM NO. M-2014 - 029**

**To : ALL BANKS AND NON-BANK FINANCIAL INSTITUTIONS WITH QUASI-BANKING FUNCTIONS**

**Subject : Withholding of Percentage Tax - Gross Receipt Tax (GRT)**

Under Revenue Regulations No. 02-98, the Bangko Sentral ng Pilipinas (BSP) is required to deduct and withhold the percentage taxes, GRT due from its payments to all banks and non-bank financial institutions with quasi-banking functions, to quote as follows:

“XXX

**SECTION 5.116. Withholding of Percentage Tax —**

Bureaus, offices and instrumentalities of the government, including government-owned or controlled corporations as well as their subsidiaries, provinces, cities and municipalities making any money payment to private individuals, corporations, partnerships and/or associations are required to deduct and withhold the taxes due from the payees on account of such money payments.

(A) Internal revenue taxes required to be withheld. — Percentage taxes on gross money payments, to the following shall be subjected to withholding at the rates herein prescribed:

XXX

**(5) Banks and non-bank financial intermediaries —**

(a) On interest, commissions and discounts paid or given to banks and non-bank financial intermediaries arising out of lending activities as well as financial leasing, on the basis of the remaining maturities of the instrument —

Short-term maturity (not exceeding 2 years) – 5%

Medium-term maturity (over 2 year but not exceeding 4 years) – 3%

Long-term maturity:

(i) over 4 years but not exceeding 7 years – 1%

(ii) over 7 years – 0%

- (b) On dividends – 0%
- (c) On royalties, rentals of property, real or personal, profits from exchange and all other gross income — Five percent (5%) ”

In light of the above, BSP shall withhold the applicable percentage tax, i.e. gross receipts tax, from **ALL** payments to banks and non-bank financial institutions with quasi banking functions, such as, but not limited to, interest payments pertaining to the following: Special Deposit Account (SDA) - Regular, Special Deposit Account (SDA)-Trust, Government Securities Sold under Agreements to Repurchase (RRP) and Reserve Deposit Liquidity Account (RDLA) on **accrual basis** effective 1 August 2014.

The withholding and the subsequent remittance of taxes withheld shall be without prejudice to available remedies to the BSP and the bank or quasi-bank concerned after final resolution of the issues relating to withholding of the GRT.

**FOR THE MONETARY BOARD:**

  
**VICENTE S. AQUINO**  
Officer-in-Charge

25 July 2014