



06 January 2023

MEMORANDUM CIRCULAR NO. 2
Series of 2023

T O : All Concerned Employees

R E : Updates on Withholding Income Tax Computation

This is to inform all concerned employees that the income tax rates (under the TRAIN Law) to be used effective 2023 has been updated (see attached **Annex A** for the comparison of previous and current tax table used).

In connection to this, the Office of the Head of Accounting has to impose the updated taxes earned by each employee from all taxable compensation. And to avoid large amount of taxes withheld in the monthly payroll, it is proposed that correct taxes should be withheld for all taxable benefits.

Other taxable compensations (e.g., Honorarium, Overtime Pay, Awards/Prizes, Hazard Pay, Night Differential Pay) of Regular, Casual and Contractual employees who exceed the P 250,000.00 annual taxable compensation should be subjected and withheld with the applicable tax rate based on the employees' compensation range. By doing so, the tax related to these other taxable compensations will not be lumped and deducted anymore from the employees' basic salary received per quincena and/or in December as the final month for tax adjustment.

With this, all clerks and personnel who are in charge in the preparation of the disbursement voucher/payroll related to the other taxable compensation mentioned above are advised to coordinate with the following staff of the Office of the Head of Accounting for the updated income tax rate per employee:

Employment Status	Person In-charge
Regular	Ms. Valerie Y. Vergis
Casual/Contractual	Ms. Elizabeth D. Pasa

Moreover, attached herewith are **Annex B** (Summary of Tax Treatment for different types of compensations/benefits), **Annex C** (Sample computation of monthly withholding tax deduction for basic salary) and **Annex D** (Sample computation of monthly withholding tax deduction for basic salary with honorarium and if taxes on honorarium already withheld).

For any concerns, please contact the above-mentioned personnel in-charge.

For your information and strict compliance. Thank you!

DANIEL LESLIE S. TAN
Vice President for Administration and Finance

ANNEX A. Comparison of Previous and Current Income Tax Table under the Train Law

TRAIN		
	2018	2023 onwards
Not over P250,000	0%	0%
Over P250,000 but not over P400,000	20% of the excess over P250,000	15% of the excess over P250,000
Over P400,000 but not over P800,000	P30,000 + 25% of the excess over P400,000	P22,500 + 20% of the excess over P400,000
Over P800,000 but not over P2,000,000	P130,000 + 30% of the excess over P800,000	P102,500 + 25% of the excess over P800,000
Over P2,000,000 but not over P8,000,000	P490,000 + 32% of the excess of P2,000,000	P402,500 + 30% of the excess of over P2,000,000
Over P8,000,000	P2,410,000 + 35% of the excess over P8,000,000	P2,202,500 + 35% of the excess over P8,000,000

Reference: <https://www.bir.gov.ph/index.php/tax-information/withholding-tax.html#wt10>

ANNEX B. Summary of Tax Treatment for different types of compensations/benefits

Types of Compensation	Tax Treatment
Basic Salary	Taxable
Overtime Pay	Taxable
Hazard Pay	Taxable
Honorarium	Taxable
Night-shift Differential Pay	Taxable
Award/Prizes	Taxable
Subsistence Allowance	Part of other benefits P 90,000.00 pool
Mid-Year Bonus	Part of other benefits P 90,000.00 pool
Year End Bonus	Part of other benefits P 90,000.00 pool
Service Recognition Incentive (SRI)	Part of other benefits P 90,000.00 pool
Cultural Allowance	Part of other benefits P 90,000.00 pool
Loyalty Bonus	P 10,000.00 de minimis, excess of P 10,000.00 part of other benefits
Productivity Enhancement Incentive (PEI)	P 5,000.00 de minimis, excess of P 5,000.00 part of other benefits
Collective Negotiation Agreement Incentive (CNA)	P 10,000.00 de minimis, excess of P 10,000.00 part of other benefits
Laundry Allowance	P 300.00/month de minimis, excess of P 300.00 part of other benefits
Christmas Cash Gift	P 5,000.00 de minimis, excess of P 5,000.00 part of other benefits
Clothing Allowance	P 6,000.00 de minimis, excess of P 6,000.00 part of other benefits
ACA PERA	Exempted
Representation Allowance (RA)	Exempted
Transportation Allowance (TA)	Exempted
Representation Expenses	Exempted
Terminal Leave Benefits	Exempted
Monetization	Exempted
Extraordinary and Misc. Expenses	Exempted

Reference: BIR Revenue Regulations No. 11-2018

ANNEX C. Sample computation of monthly withholding tax deduction – Basic Salary

EMPLOYEE 1 - basic salary only

(12 months employed)

	Monthly (P)	TOTAL (P) *multiplied by 12 mos	
Basic	69,963.00	839,556.00	*
Less: Premiums	7,970.84	95,650.05	*
		743,905.95	
Add: Excess of 90k pool	83,426.00	83,426.00	A
Total Taxable Income		827,331.95	
Less: Exemption based on Income range		800,000.00	B
Net Taxable Income after exemption		27,331.95	
Multiplied: Tax rate based on Income range		0.25	B
Net Taxable Income after Tax rate		6,832.99	
Add: Fixed tax based on Income range		102,500.00	B
Tax Due		109,332.99	
Less: Tax Withheld		-	
Remaining Tax Due (P)		109,332.99	divided by 11 months only ; December
Divided : 11 months		11	is for any adjustments to be made ; no
January-November withholding tax deduction if no salary increase		9,939.36	tax deduction if no adjustments

A. Other Benefits under P 90,000.00 pool

Midyear Bonus	69,963.00
Yearend Bonus	69,963.00
C N A	12,000.00
SRI	20,000.00
Cultural Allowance	1,500.00
Total Benefits under P 90,000.00 pool	173,426.00
Less :	(90,000.00)
Excess of P 90,000.00 pool (taxable)	83,426.00

B. Tax Table under Train Law

TRAIN		
	2018	2023 onwards
Not over P250,000	0%	0%
Over P250,000 but not over P400,000	20% of the excess over P250,000	15% of the excess over P250,000
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ANNEX D. Sample computation of monthly withholding tax deduction for basic salary with honorarium and if taxes on honorarium already withheld

EMPLOYEE 1 - with honorarium

(12 months employed)

	Monthly (P)	TOTAL (P) *multiplied by 12 mos	
Basic	69,963.00	839,556.00	*
Less: Premiums	7,970.84	95,650.05	*
		743,905.95	
Add: Honorarium	2,625.00		
Excess of 90k pool	83,426.00	86,051.00	A
Total Taxable Income		829,956.95	
Less: Exemption based on Income range		800,000.00	B
Net Taxable Income after exemption		29,956.95	
Multiplied: Tax rate based on Income range		0.25	B
Net Taxable Income after Tax rate		7,489.24	
Add: Fixed tax based on Income range		102,500.00	B
Tax Due		109,989.24	
Less: Tax Withheld		656.25	C
Remaining Tax Due (P)		109,332.99	divided by 11 months only;
Divided : 11 months		11	December is for any adjustments to
January-November withholding tax deduction if no salary increase		9,939.36	be made ; no tax deduction if no

A. Other Benefits under P 90,000.00 pool

Midyear Bonus	69,963.00
Yearend Bonus	69,963.00
C N A	12,000.00
SRI	20,000.00
Cultural Allowance	1,500.00
Total Benefits under P 90,000.00 pool	173,426.00
Less:	(90,000.00)
Excess of P 90,000.00 pool (taxable)	83,426.00

B. Tax Table under Train Law

TRAIN		
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C. Honorarium and its equivalent tax rate

Honorarium (P)	2,625.00
Multiplied Tax Rate	0.25
Total Honorarium Net (P)	1,968.75