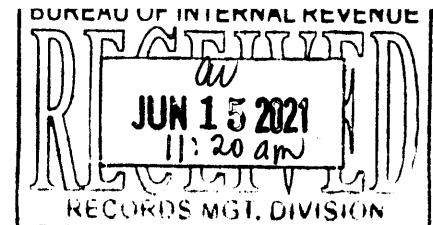




REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City



June 11, 2021

REVENUE MEMORANDUM CIRCULAR NO. 76-2021

SUBJECT : Clarification on the Illustrative Examples in the Computation of Corporate Income Tax Under Section 3(B) and 3(D) of Revenue Regulations No. 5-2021

TO : All Revenue Officers and Employees and Others Concerned

Revenue Regulations (RR) No. 5-2021, which implemented the income tax provisions of Republic Act No. 11534 or the “*Corporate Recovery and Tax Incentives for Enterprises Act*” (CREATE Law), includes illustrative examples on how the income tax of corporation shall be computed. In the illustration under Section 3(B) and 3(D) of RR No. 5-2021 for proprietary educational institution and Regional Operating Headquarters (ROHQ), however, the income tax due and the gross income were inadvertently written to be in the amount of P1,000,000.00 and P58,500,000.00 instead of the correct amount of P100,000.00 and P58,500.000.00, respectively.

Hence, to avoid confusion, this Circular is being issued to clarify the aforesaid amounts, now correctly shown in the tables below:

“B. PROPRIETARY EDUCATIONAL INSTITUTIONS

XXX

XXX

XXX

| | Related activities | Unrelated Activities | Total |
|-----------------------------|--------------------|----------------------|-------------------|
| Gross Receipts/Sales | 10,000,000.00 | 8,000,000.00 | 18,000,000.00 |
| Less: Cost of Service/Sales | 2,000,000.00 | 3,000,000.00 | 5,000,000.00 |
| Gross Income | 8,000,000.00 | 5,000,000.00 | 13,000,000.00 |
| Less: Allowable Deductions | 1,000,000.00 | 2,000,000.00 | 3,000,000.00 |
| NET TAXABLE INCOME | 7,000,000.00 | 3,000,000.00 | 10,000,000.00 |
| REGULAR RATE | | | 1% |
| TAX DUE | | | 100,000.00 |

XXX

XXX

XXX

D. REGIONAL OPERATING HEADQUARTERS

| | TY 2020 | TY 2021 | TY 2022 | TY 2023 |
|------------------|---------------|----------------|----------------|---------------|
| Annual Income | 75,000,000.00 | 120,000,000.00 | 130,000,000.00 | 75,000,000.00 |
| Cost of Services | 41,250,000.00 | 66,000,000.00 | 71,500,000.00 | 41,250,000.00 |
| Gross Income | 33,750,000.00 | 54,000,000.00 | 58,500,000.00 | 33,750,000.00 |

| | TY 2020 | TY 2021 | TY 2022 | TY 2023 |
|--------------------------------------|---------------|---------------|----------------------|----------------|
| Allowable Deductions | 33,625,000.00 | 41,200,000.00 | 42,550,000.00 | 35,125,000.00 |
| | 125,000.00 | 12,800,000.00 | 15,950,000.00 | (1,375,000.00) |
| Computation of Income Tax Due | | | | |
| Net Taxable Income/Gross Income | 125,000.00 | 12,800,000.00 | 15,950,000.00 | (1,375,000.00) |
| Multiply by | 10% | 10% | 25% | 25% |
| Income Tax Due | 12,500.00 | 1,280,000.00 | 3,987,500.00 | 0.00 |
| MCIT: | N/A | N/A | | |
| Gross Income | | | 58,500,000.00 | 33,750,000.00 |
| MCIT Rate | | | 1% | 1.5%* |
| MCIT | | | 585,000.00 | 506,250.00 |
| Income Tax Due | | | P 3,987,500.00 | P 506,250.00 |

XXX

XXX

XXX"

This Circular likewise clarifies that the 1% income tax rate for proprietary educational institutions and the 1% Minimum Corporate Income Tax (MCIT) for ROHQ shall be imposed only for the period July 1, 2020 until June 30, 2023, and January 1, 2022 to June 30, 2023, respectively. Thus, beginning July 1, 2023, the income tax rate for proprietary educational institutions and the MCIT shall revert to ten percent (10%) and 2%, respectively.

All are enjoined to give this Circular a wide publicity as possible.

caesar dulay
CAESAR R. DULAY
 Commissioner of Internal Revenue

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