

**REVENUE REGULATIONS NO. 3 - 2001**

**SUBJECT: Granting Moratorium on the Withholding of Income Tax On the Compensation Income of Public Elementary and Secondary School Teachers Employed by the National Government**

**TO : All Internal Revenue Officers and Others Concerned**

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Pursuant to Section 244, in relation to Sections 79(A) and (H) of the National Internal Revenue Code of 1997, these Regulations are hereby promulgated to govern the temporary lifting of the requirement of withholding of income tax on compensation income received by public elementary and secondary school teachers employed by the National Government nationwide.

**SECTION 1. Purpose of Regulations** - The purpose of these Regulations is to alleviate the plight of public elementary and secondary school teachers employed by the National Government. These teachers have pending claims for excess withholding tax covering tax years 1997 to 1999. Subjecting their compensation in the coming months to withholding tax and at the same time not granting these claims for tax refunds will be unfair and inequitable to these lowly paid teachers. These Regulations will suspend the collection of withholding tax on the compensation of these teachers for the period from May 1, 2001 to June 15, 2001 to allow sufficient time to process their claims for refund. These approved claims for refund as evidenced by tax refund notices issued by the Bureau of Internal Revenue shall then be applied or credited against the withholding tax that should have been collected for the period from May 1 to June 15, 2001.

**SECTION 2. Suspension of Withholding Tax** - The withholding of tax on the compensation income of public elementary and secondary school teachers employed by the National Government nationwide corresponding to the period from May 1, 2001 to June 15, 2001 is temporarily suspended; provided, however, that beginning June 16, 2001 and every month thereafter, a tax shall be withheld on the compensation income of the said public school teachers in accordance with the mode of payment prescribed under Section 3 hereof.

**SECTION 3. Mode of Payment of Deferred Withholding Tax** - The amount of tax which should be withheld from May 1, 2001 to June 15, 2001 shall be paid beginning August of 2001 by offsetting the same against the claims for refunds approved by the Bureau of Internal Revenue. If the approved amount of refund exceeds the deferred withholding tax due, the excess shall be processed in accordance with existing procedures in the Bureau of Internal Revenue. If the amount of refund is not sufficient or there is no refund to offset the deferred withholding tax, the deferred withholding tax or the balance thereof may be paid in five (5) equal monthly payments in addition to the regular withholding tax due

beginning August of 2001, to be withheld from the teachers' salary during the said period.

**SECTION 4. Filing of Return and Payment of Taxes Withheld** - The filing of returns and remittance of taxes to be withheld, if any, beginning June 16, 2001 shall be in accordance with the provisions of Revenue Regulations No. 2-98, as amended.

**SECTION 5. Effectivity** - These Regulations shall take effect on May 1, 2001. Provisions of existing rules and regulations not otherwise inconsistent with these regulations shall continue to be in force.

(Original Signed)  
**ALBERTO G. ROMULO**  
Secretary of Finance

Recommending approval:

(Original Signed)  
**RENÉ G. BAÑEZ**  
Commissioner of Internal Revenue