



Bringing In Revenues
for Nation-Building

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE



BAGONG
PILIPINAS

MAR 21 2025

REVENUE MEMORANDUM CIRCULAR NO. 021-2025

SUBJECT : Clarifying the Proper Tax Treatment of Joint Ventures/Consortiums Formed for the Purpose of Undertaking Construction Projects Under Section 22 (B) of the National Internal Revenue Code of 1997, as Amended, in Relation to Revenue Regulations Nos. 10-2012 and 14-2023, and the Administrative Requirements for All Joint Ventures/Consortiums pursuant to Section 236 of the same Code

TO : All Internal Revenue Officers and Others Concerned

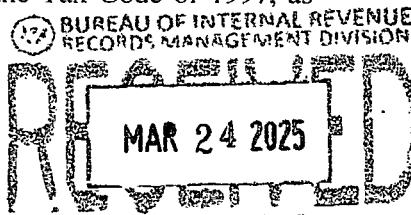
BACKGROUND AND SCOPE

Under Section 236 of the National Internal Revenue Code (Tax Code) of 1997, as amended, all Joint Ventures or Consortiums, whether considered taxable corporation or not, incorporated or not, and regardless of their purpose, are required to register with the BIR.

On the other hand, the tax exemption of joint ventures formed for the purpose of construction projects was pursuant to Presidential Decree (PD) No. 929 (dated 4 May 1976) to assist local contractors in achieving competitiveness with foreign contractors by pooling their resources in undertaking big construction projects, thus, alleviating disadvantages of local contractors in competitive bidding with foreign contractors in view of limited capital and financial resources.

Accordingly, Section 22 (B) of the Tax Code of 1997, as amended, provides that the term '*corporation*' shall include one person corporation, partnerships, no matter how created or organized, joint-stock companies, joint accounts (*cuentas en participacion*), associations, or insurance companies, but does not include general professional partnerships and a joint venture or consortium formed for the purpose of undertaking construction projects or engaging in petroleum, coal, geothermal and other energy operations pursuant to an operating or consortium agreement under a service contract with the Government.

This Circular is being issued to clarify the proper tax treatment of Joint Ventures/Consortiums formed for the purpose of undertaking construction projects under Section 22 (B) of the Tax Code of 1997, as amended, including the imposable taxes of co-venturers/members of a Joint Venture/Consortium not taxable as corporation pursuant to Revenue Regulations (RR) Nos. 10-2012 and 14-2023 and the administrative compliance required of all Joint Ventures/Consortiums under Section 236 of the Tax Code of 1997; as amended.



I. JOINT VENTURE NOT TAXABLE AS A CORPORATION.

A joint venture or consortium formed for the purpose of undertaking construction projects not considered as corporation under Section 22 of the Tax Code of 1997 as amended, should be:

- (1) for the undertaking of a construction project;
- (2) should involve joining or pooling of resources by licensed local contractors; that is, licensed as general contractor by the Philippine Contractors Accreditation Board (PCAB) of the Department of Trade and Industry (DTI);
- (3) these local contractors are engaged in construction business; and,
- (4) the Joint Venture itself must likewise be duly licensed as such by the PCAB of the DTI.

Joint ventures involving foreign contractors may also be treated as a non-taxable corporation only if the member foreign contractor is covered by a special license as contractor by the PCAB of the DTI; and the construction project is certified by the appropriate Tendering Agency (government office) that the project is a foreign financed/internationally-funded project and that international bidding is allowed under the Bilateral Agreement entered into by and between the Philippine Government and the foreign/international financing institution pursuant to the implementing rules and regulations of Republic Act No. 4566 otherwise known as Contractor's License Law.

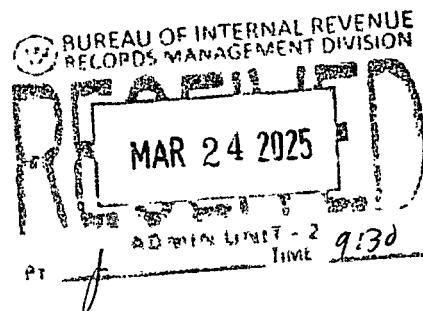
Absent any one of the aforesaid requirements, the joint venture or consortium formed for the purpose of undertaking construction projects shall be considered as taxable corporations.

II. PERSONS/ENTITIES DISQUALIFIED TO BE CONSIDERED AS A JOINT VENTURE/CONSORTIUM NOT TAXABLE AS A CORPORATION.

The joint venture or consortium not taxable as a corporation formed for the purpose of undertaking construction projects, as herein defined, shall not include those who are mere suppliers of goods, services or capital to such project.

Moreover, pursuant to Item I (3) hereof, which requires that parties to the Joint Venture or Consortium should be engaged in construction business, all agreements formed by the following persons/entities are disqualified to be considered as tax-exempt Joint Venture/Consortium:

- a. Between/amongst Real Estate Developer/s (e.g. condominium projects)
- b. Between/amongst Real Estate Developer/s and Land Owner/s (e.g. condominium projects)
- c. Between/amongst Real Estate Developer/s and Local Government Unit/s (e.g. city/township development projects, reclamation projects)
- d. Between/amongst Real Estate Developer/s and Government Owned and Controlled Corporation/s (e.g. township development projects, condominium projects)
- e. Between/amongst Non-Contractors and Non-Contractors
- f. Between/amongst Contractors and Non-Contractors



III. MANDATORY REGISTRATION WITH THE BUREAU OF INTERNAL REVENUE (BIR).

A. Registration

All Joint Ventures or Consortiums formed as a taxable corporation or not, incorporated or not, regardless of purpose, are required to register with the BIR pursuant to Section 236 of the Tax Code of 1997, as amended. A JV shall be issued a separate TIN per JV agreement.

1. Registration of Joint Ventures or Consortiums on a per Joint Venture Agreement (JVA) basis and branch coding on a per project basis.

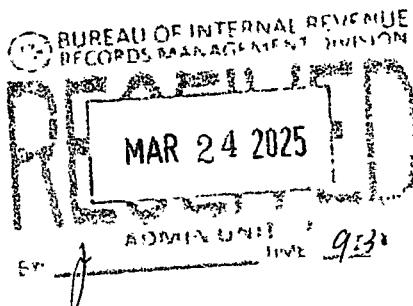
Joint Ventures or Consortiums formed for the purpose of undertaking construction projects, whether taxable or not, incorporated or not, shall be registered with the BIR and be issued a Taxpayer Identification Number (TIN) as Head office separate from the parties or co-ventureres respective TIN at the Revenue District Office having jurisdiction over the place designated as head office of the JV. This shall apply for each and every agreement entered into by any parties or co-ventureres to a Joint Venture or Consortium of which different party/ies is/are involved.

Accordingly, a corresponding branch TIN shall be issued for each project of the Joint Ventures or Consortiums at the Revenue District Office having jurisdiction over the location of the project.

2. Joint Ventures or Consortiums formed other than for the purpose of undertaking construction projects, with the same co-ventureres or parties, shall also be required to register as Head Office. However, each project shall not be registered as Branch. In case a Joint Venture or Consortium change its composition, such as, adding new co-ventureres/parties, or if existing co-ventureres/parties dissolve their involvement or retire, the same shall be considered as a new Joint Venture or Consortium, hence, should register and be issued a new TIN as Head Office. In case a new undertaking or project is formed that is different from the Joint Venture/Consortium's original purpose, but the composition or co-ventureres are the same, said undertaking or project shall be registered as a branch.

B. Registration of Tax Types

1. Joint Ventures or Consortiums shall register the following tax types as may be applicable to Head Office or Branch:
 - a. Income Tax (Annual and Quarterly);
 - b. Value-Added Tax (VAT);
 - c. Percentage Tax;
 - d. Withholding Tax;
 - e. Creditable Withholding Tax on certain income payments;
 - f. Documentary Stamp Tax, if applicable; and
 - g. Excise Tax, if applicable.



IV. TAX TREATMENT OF A JOINT VENTURE/CONSORTIUM NOT TAXABLE AS A CORPORATION.

The gross payments to the Joint Venture/Consortium not taxable as a corporation is not subject to the two percent (2%) creditable withholding tax prescribed under Section 57(B) of the Tax Code of 1997, as amended, as implemented by RR No. 2-98, as amended. However, it is subject to twelve percent (12%) Value-added tax (VAT) pursuant to Section 108 of the Tax Code of 1997, as amended, and consequently to the Creditable Withholding VAT pursuant to Section 114 of the Tax Reform for Acceleration and Inclusion (TRAIN) Law as implemented by Section 4-114-2(a) of RR No. 13-2018, which states that:

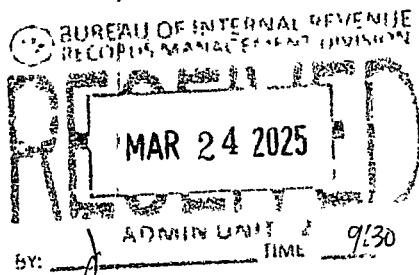
"(a) Withholding of Creditable Value-added Tax. - The Government or any of its political subdivisions, instrumentalities or agencies, including government-owned or -controlled corporations (GOCC's) shall, before making payment on account of each purchase of goods and services which are subject to the value-added tax imposed in Sections 106 and 108 of this Code, deduct and withhold a final value-added tax at the rate of five percent (5%) of the gross payment thereof: Provided, That beginning January 1, 2021, the VAT withholding system under this Subsection shall shift from final to a creditable system: Provided, further, That the payment for lease or use of properties or property rights to nonresident owners shall be subject to twelve percent (12%) withholding tax at the time of payment: Provided, finally, That payments for purchases of goods and services arising from projects funded by Official Development Assistance (ODA) as defined under Republic Act No. 8182, otherwise known as the 'Official Development Assistance Act of 1996', as amended, shall not be subject to the final withholding tax system as imposed in this Subsection. For purposes of this Section, the payor or person in control of the payment shall be considered as the withholding agent." (Emphasis and underscoring supplied)

V. INCOME TAX LIABILITY OF CO-VENTURER/MEMBER OF A JOINT VENTURE/CONSORTIUM NOT TAXABLE AS A CORPORATION.

The co-venturer/member of a Joint Venture or Consortium not taxable as a corporation shall each be responsible in reporting and paying appropriate income taxes on their distributive share, actually or constructively received, based on the Net Income as declared in the Annual Income Tax Return filed by the Joint Venture/Consortium, and not on the actual distribution of the Net Income to the co-venturer/members of a Joint Venture/Consortium.

For purposes of computing the distributive share of the members of a Joint Venture or Consortium not taxable as a corporation, the net income of the Joint Venture or Consortium shall be computed in the same manner as a corporation.

The distributive share of the co-venturer/member on the Net Income, actually or constructively distributed by a Joint Venture/Consortium not taxable as corporation is subject to fifteen percent (15%) creditable withholding tax imposed under Section 57 of the Tax Code of 1997, as amended. Provided, however, That if the Joint Venture/Consortium project, undertaken by a Joint Venture/Consortium not taxable as corporation is funded by Official Development Assistance (ODA) as defined under Republic Act No. 8182, otherwise known as the "Official Development Assistance Act of 1996", as amended, by the Japanese Government as per Exchange of Notes executed by the Japanese Government and the Philippine Government wherein the Government of the Republic of the Philippines shall, by itself



through its executing agency, assume, all fiscal levies and taxes imposed in the Republic of the Philippines on the Japanese companies operating as suppliers, contractors and/or consultants with respect to the payment carried out for and the income accruing from the supply of products and/or services required for the implementation of the Project, and the co-venturer/member to the said funded project is a Japanese Contractor, the distributive share of the co-venturer/member is not subject to the creditable withholding tax system as imposed in Item VI hereof.

In case the Joint Venture or Consortium not taxable as corporation sustains a Net Operating Loss as declared in its Annual Income Tax Return (AITR), the co-venturer/member of the Joint Venture or Consortium shall be entitled to deduct its respective share in the Net Operating Loss from its individual gross income when filing its individual/respective AITR.

VI. CREDITABLE WITHHOLDING TAXES IMPOSED ON SPECIFIC PAYMENTS OF JOINT VENTURES/CONSORTIUMS.

The distributive share of co-venturer/member on the Net Income of a Joint Venture/Consortium not taxable as corporation is subject to fifteen percent (15%) creditable withholding tax on the share of each co-venturer/member from the Net Income of the Joint Venture/Consortium prior to actual or constructive distribution imposed under Section 57 of the Tax Code of 1997, as amended. (RR No. 14-2023)

In addition, income payments made by the Joint Ventures or Consortiums, whether incorporated or not, taxable or non-taxable, to their local/resident supplier of goods and services other than those covered by other rates of withholding tax, shall be subject to the following withholding tax rates: (RR No. 14-2023)

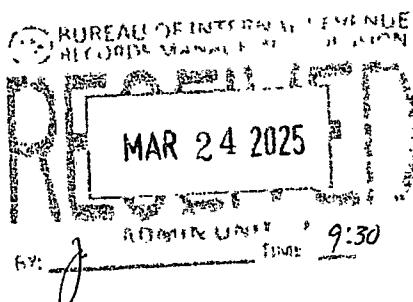
Supplier of Goods -- One percent (1%)
Supplier of Services – Two percent (2%)

VII. MANDATORY ENROLLMENT TO THE BIR'S ELECTRONIC FILING AND PAYMENT SYSTEM (EFPS).

All licensed contractors who are co-venturers/members of a Joint Venture/Consortium not taxable as corporation with a specific subject or undertaking exceeding 12-months are required to enroll to the BIR's eFPS. The enrollment shall be done at the Revenue District Office (RDO) where the licensed contractor is registered as a taxpayer.

VIII. MANDATORY FILING OF AN AITR AND SUBMISSION OF AN AUDITED FINANCIAL STATEMENTS.

Joint Ventures/Consortiums considered as taxable corporations shall file their AITR using either BIR Form No. 1702-RT or 1702-MX, whichever is applicable. However, for Joint Ventures and Consortiums considered not taxable as corporations, they should file their AITR using BIR Form No. 1702-EX. The Income Tax Return filed shall be accompanied with Audited Financial Statements (AFS).



IX. MANDATORY DEREGISTRATION WITH THE BIR.

All Joint Ventures/Consortiums are required to deregister with the BIR after completion of the undertaking construction project, through submission of the complete documentary requirements and full settlement of tax liabilities, if any.

A JV or Consortium whose registration has been cancelled due to retirement from or cessation of business within two (2) years from date of cancellation may apply for a cash refund for any unused input tax pursuant to Section 112(B) of the NIRC of 1997, as amended.

All revenue issuances and BIR rulings inconsistent herewith are hereby considered amended, modified or revoked accordingly.

All internal revenue officers, employees and others concerned are enjoined to give this Circular the widest dissemination and publicity as possible.

This Circular shall take effect immediately.



ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

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