20 JUL 2026

REVENUE MEMORANDUM CIRCULAR NO. 079-2026

SUBJECT : Clarifying the Provisions of Revenue Regulations No. 24-2025 on the Imposition of Creditable Withholding Tax on Top Withholding Agents

TO : All Internal Revenue Officers and Others Concerned

This Circular is hereby issued to clarify the provisions of Revenue Regulations (RR) No. 24-2025 and to address certain issues relative to its implementation.

Q1: **When is the effectivity of RR No. 24-2025?**

A1: RR No. 24-2025 took effect on October 10, 2025, that is fifteen (15) days following its publication in the BIR official website on September 25, 2025.

Q2: **Does the phrase *"gross payments to manufacturers and direct importers"* under the said RR mean that one-half percent (1/2%) creditable withholding tax (CWT) applies only if the supplier is both a manufacturer and a direct importer, or if the supplier is either a manufacturer or an importer?**

A2: The 1/2% CWT rate shall apply if the supplier is either a manufacturer or a direct importer of the covered goods. It is not required that the supplier be both. Accordingly, a local manufacturer that produces and sells the specified goods, even without import activity; or a direct importer that brings in such goods for sale in the Philippines, are both subject to the 1/2% withholding tax rate, provided that the goods are among those enumerated under RR No. 24-2025 and are intended for wholesale.

Q3: **What documentary or registration requirements may be used to establish that a supplier is a manufacturer or direct importer?**

A3: For purposes of presenting proof of the taxpayer's nature of business as a manufacturer or direct importer, the following documents, among others, may be presented: BIR Certificate of Registration; DTI or SEC Registration Documents; Mayor's/Business Permit; and BOC Importer Accreditation.

Q4: **The 1/2% CWT is imposed on gross payments to manufacturers and direct importers of certain goods intended for wholesale. How should the phrase *"intended for wholesale"* be interpreted?**

A4: For purposes of RR No. 24-2025, the phrase "intended for wholesale" shall refer to the nature of the sale as ordinarily undertaken by the manufacturer or direct importer in the regular course of its business, where the goods are sold primarily for resale, distribution, or further commercial disposition, and not for final consumption by the end-user.

A sale shall be considered wholesale when it is made by a manufacturer or direct importer that, based on its BIR registration, business permits, and established business practice, does not ordinarily engage in retail sales of the covered goods, and where the transaction is consistent with sales to dealers, distributors, resellers, or other commercial buyers. In the absence of clear evidence that the transaction is retail in character, the seller's regular course of business shall be the controlling consideration.

Conversely, a sale shall be considered retail where the manufacturer or direct importer ordinarily engages in retail selling, or where the transaction is clearly made to an end-user for final consumption. In such cases, the preferential 1/2% rate under RR No. 24-2025 shall not apply, and the applicable one percent (1%) CWT rate for suppliers of goods under Section 2.57.2(I) of RR No. 2-98, as amended, shall govern.

Q5: If a Top Withholding Agent (TWA) purchases covered goods from a manufacturer or direct importer whose regular course of business is wholesale, but the goods are acquired for the buyer's own use or consumption and not for resale, will the 1/2% CWT rate still apply?

A5: Yes. The 1/2% CWT rate under RR No. 24-2025 shall apply to purchases made from a manufacturer or direct importer whose regular course of business is predominantly wholesale in character, regardless of whether the goods are acquired by the buyer for its own use or consumption and not for resale.

The controlling factor in determining the applicability of the preferential 1/2% CWT rate is the status and regular course of business of the seller as a manufacturer or direct importer engaged primarily in wholesale transactions, and not the purpose for which the buyer acquires the goods.

Conversely, where the manufacturer or direct importer ordinarily engages in retail sales, or where the transaction is clearly retail in character, the preferential 1/2% rate shall not apply. In such cases, the applicable 1% CWT rate for suppliers of goods under Section 2.57.2(I) of RR No. 2-98, as amended, shall govern.

Q6: RR No. 24-2025 mentions that the 1/2% CWT applies to purchases of motor vehicle in Completely Built Unit (CBU) or Semi-Knocked Down (SKD) unit. Does this mean that motor vehicles imported or manufactured in Completely Knocked Down (CKD) condition are excluded?

A6: No. Motor vehicles imported or manufactured in CKD units are likewise subject to the 1/2% CWT under RR No. 24-2025. For this purpose, the term "CKD" shall be interpreted in accordance with its legal definition under BOC Memorandum Order No. 4-2003 which defines CKD as "completely knocked down parts and components, including sub-parts/parts and sub-assemblies/assemblies of motor vehicles for assembly into a complete unit."

Accordingly, CKD units are considered motor vehicle parts and accessories. Purchases thereof from a manufacturer or direct importer fall within the scope of "motor vehicle parts and accessories" contemplated under RR No. 24-2025 and shall therefore be subject to the 1/2% CWT, provided that the sale of such goods is made in the ordinary course of the seller's trade or business.

Q7: **Under the term *"motor vehicles"*, are motorcycles likewise included for purposes of the 1/2% CWT rate?**

A7: Yes. The term *"motor vehicles"* under RR No. 24-2025 shall be construed in accordance with its legal definition under Section 3(a) of Republic Act (RA) No. 4136, otherwise known as the *Land Transportation and Traffic Code*, which defines a motor vehicle as "any vehicle propelled by any power other than muscular power, using the public highways."

Based on the foregoing definition, motorcycles are considered a type of motor vehicle. Hence, purchases of motorcycles from a manufacturer or direct importer fall within the scope of "motor vehicles" contemplated under RR No. 24-2025, and shall therefore be subject to the 1/2% CWT, provided that the sale of such goods is made in the ordinary course of the seller's trade or business.

Q8: **A motor company manufactures CBU motorcycle units using CKD parts intended for wholesale. Relative to this, how should the phrase *"manufacturing of motor vehicles in CBU or SKD units"* be interpreted? Does it refer to the manufacturing of motor vehicles forming into CBU or SKD units, or the manufacturing of motor vehicles using CKD or SKD units?**

A8: The phrase *"manufacturing of motor vehicles in CBU or SKD units"* refers to the manufacturing activity resulting in motor vehicles that are in CBU or SKD form, not to the use of CKD or SKD units as manufacturing inputs. In other words, the term pertains to the output or end product of the manufacturing process (i.e., motor vehicles which, upon completion, are classified as either CBU or SKD units) and not to the assembly or manufacture of motor vehicle using CKD or SKD components.

Q9: **What products are covered by the term *"pharmaceutical products"* as used in RR No. 24-2025?**

A9: For purposes of RR No. 24-2025, the term *"pharmaceutical products"* shall refer to those products covered under RA No. 3720, as amended by RA No. 9711, otherwise known as "Food and Drug Administration (FDA) Act of 2009". It includes medicines, drugs, and other pharmaceutical preparations intended for use in the diagnosis, cure, mitigation, treatment, or prevention of diseases in humans or animals, as classified and regulated by the Food and Drug Administration (FDA).

The term shall cover pharmaceutical products sold by manufacturers or direct importers whose primary or principal business activity, as indicated in their BIR registration and other relevant government registrations, is the manufacture or importation of pharmaceutical products, including finished dosage forms and pharmaceutical raw materials intended for use in the manufacture of such pharmaceutical products.

Products not classified or regulated by the FDA as drugs or pharmaceutical preparations shall not be considered "pharmaceutical products" for purposes of RR No. 24-2025.

Q10: **A pharmaceutical company manufactures and sells milk. Is milk classified as a *"pharmaceutical product"* for purposes of RR No. 24-2025, and therefore subject to the 1/2% withholding tax rate?**

A10: Milk is generally not classified as a *"pharmaceutical product"* as defined above in A9 of Q9. Milk is primarily classified as a food or nutritional product under Administrative Order No. 2014-0029, issued by the Department of Health, which governs the registration and regulation of processed food products. Hence, it does not fall within the scope of pharmaceutical products unless specifically formulated and registered as such.

However, milk may be regarded as medicinal if it is formulated, labeled and registered with the FDA as a therapeutic or pharmaceutical preparation. This classification typically applies to specialized or fortified milk products that are prescribed or recommended by physicians for specific medical condition.

Accordingly, only milk products duly registered with the FDA as drugs or therapeutic preparations shall be considered *"pharmaceutical products"* for purposes of RR No. 24-2025, and shall therefore be subject to the 1/2% CWT rate.

Q11: **What does *"solid or liquid fuels and related products"* mean?**

A11: For purposes of RR No. 24-2025, the following terms shall be construed in relation to the petroleum products contemplated under Chapter V (Excise Tax on Petroleum Products), particularly Section 148 (Manufactured Oils and other Fuels), of the National Internal Revenue Code of 1997, as amended, and the regulatory framework governing petroleum products under RA No. 8479, otherwise known as the "Downstream Oil Industry Deregulation Act" and its implementing rules and regulations, including DOE Department Circular No. 98-03-004:

a. Solid fuels - refer to petroleum-derived or processes fuel products in solid or semi-solid form that are intended for combustion, energy generation, or industrial use. These shall include, but not limited to, petroleum coke (petcoke), asphalt (whether in solid or semi-solid form), greases, waxes, and petrolatum.

b. Liquid fuels – refer to liquid petroleum products and similar substances used directly as fuel or energy sources, including but not limited to bunker fuel oil, diesel fuel oil, kerosene, lubricating oil, naphtha & other similar products of distillation, regular gasoline, premium gasoline, aviation gasoline, aviation turbo jet fuel, processed gas, Liquified Petroleum Gas (LPG), and LPG for motive power.

c. Related products - refer to products derived from, blended with, or used in connection with solid or liquid fuels, whether or not such products are directly consumed as fuel, and which are commercially or functionally related to fuel formulation, energy systems, or industrial application. These shall include, but not limited to, process oils, lubricants (whether natural or synthetic), coolants, solvents and thinners, biofuels (such as anhydrous ethanol and coconut methyl ester), and other additives or blending components.

Q12: **What are the appropriate actions or corrective measures to be undertaken by a TWA who subsequently determines that the 1/2% CWT rate was erroneously imposed and should have been subject to a different rate, or that such rate was actually applicable but was not imposed on its transactions?**

A12: The TWA shall make the necessary adjustments on the tax withheld and apply the correct withholding tax rate on the corresponding transaction upon filing of the Quarterly Remittance Return of Creditable Income Taxes Withheld (BIR Form No. 1601EQ), not later than the last day of the month following the close of the quarter; provided, however, that such adjustments shall be made only within the same taxable year (e.g. for the 4^{th} quarter of the taxable year 2025, the deadline is January 31, 2026), pursuant to the provisions of RR No. 11-2018, as amended.

All revenue officials, employees and other concerned are hereby enjoined to give this Circular as wide a publicity as possible.

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CHARLITO MARTIN R. MENDOZA
Commissioner of Internal Revenue

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