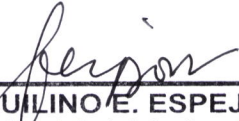


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**TRANQUILINO E. ESPEJON**  
 IC Supervising Administrative Officer  
 Administrative Division  
 Insurance Commission

Circular Letter (CL) No.:	2020-89
Date:	3 September 2020
Supersedes:	None

Date: \_\_\_\_\_

**CIRCULAR LETTER**

**TO : ALL INSURANCE AND REINSURANCE COMPANIES AUTHORIZED TO TRANSACT BUSINESS IN THE PHILIPPINES**

**SUBJECT : GUIDELINES IN THE TREATMENT OF CREDITABLE WITHHOLDING TAXES (CWTs)**

**WHEREAS**, Section 202 (k) of the Amended Insurance Code provided the admission of other assets, to wit: ***“Other assets, not inconsistent with the provisions of paragraphs (a) to (j) hereof, which are deemed by the Commissioner to be readily realizable and available for the payment of losses and claims at values to be determined by him in a circular, rule or regulation.” (Emphasis supplied.)***

**WHEREAS**, it was noted that significant number of insurance companies have recorded in their books unutilized or excess creditable withholding tax and thus, form part of companies’ hard-earned assets.

**WHEREAS**, Creditable Withholding Taxes represent the taxes withheld at source by the counterparty which can be applied against future income tax liability. These CWTs are initially recorded at cost under “Other Assets” account.<sup>1</sup>

**WHEREAS**, supported by the Statutory Issue Paper No. 83 issued by the National Association of Insurance Commissioners<sup>2</sup>, which stated that

*“The criteria for admissibility of current income tax recoverables is also modified by admitting them if they are reasonably expected to be recovered.”*

**NOW, THEREFORE**, pursuant to the powers of the Insurance Commissioner under Sections 437 of the Republic Act No. 10607 (Amended Insurance Code) and in consideration of the regulated industries’ request to consider Creditable Withholding Tax as admitted assets, the following guidelines are issued and promulgated:

<sup>1</sup> Definition by [www.bir.gov.ph > index.php > Tax-Information](http://www.bir.gov.ph/index.php)  
<sup>2</sup> 1 Statutory Issue Paper No. 83: Accounting for Income Taxes, issued by the National Association of Insurance Commissioners, 16 March 1998. See [https://www.naic.org/sap\\_app\\_updates/app\\_e\\_issues.htm](https://www.naic.org/sap_app_updates/app_e_issues.htm)