

PAGBA 2nd Quarterly Seminar and Meeting

May 2-5, 2018

The Crown Legacy Hotel, Baguio City

Theme: "ASEAN Integration and
Public Financial Management
Reforms Towards Sustainable
Shared Growth"



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Withholding Tax and Tax Updates

May 2, 2018 | 1:00 p.m.



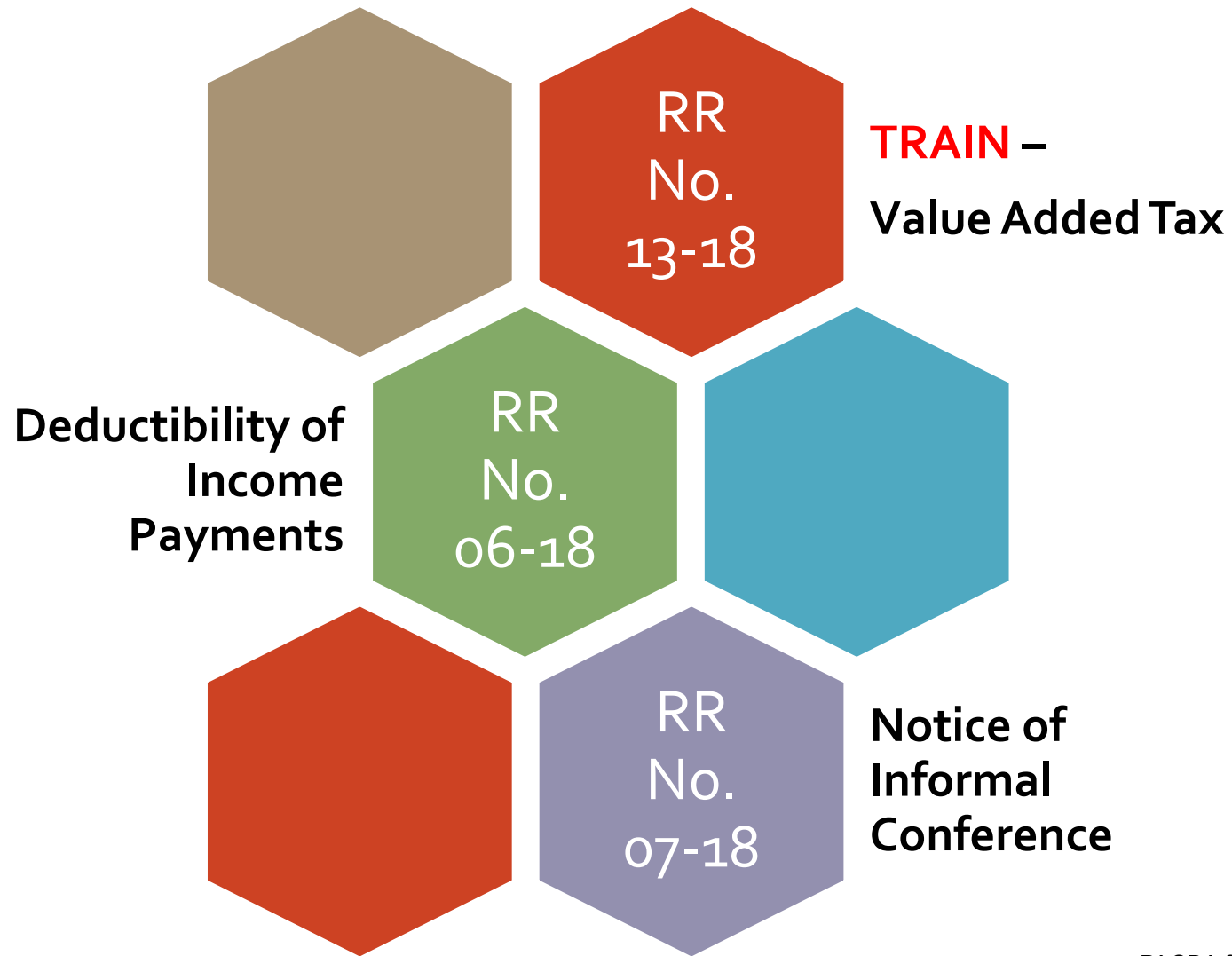
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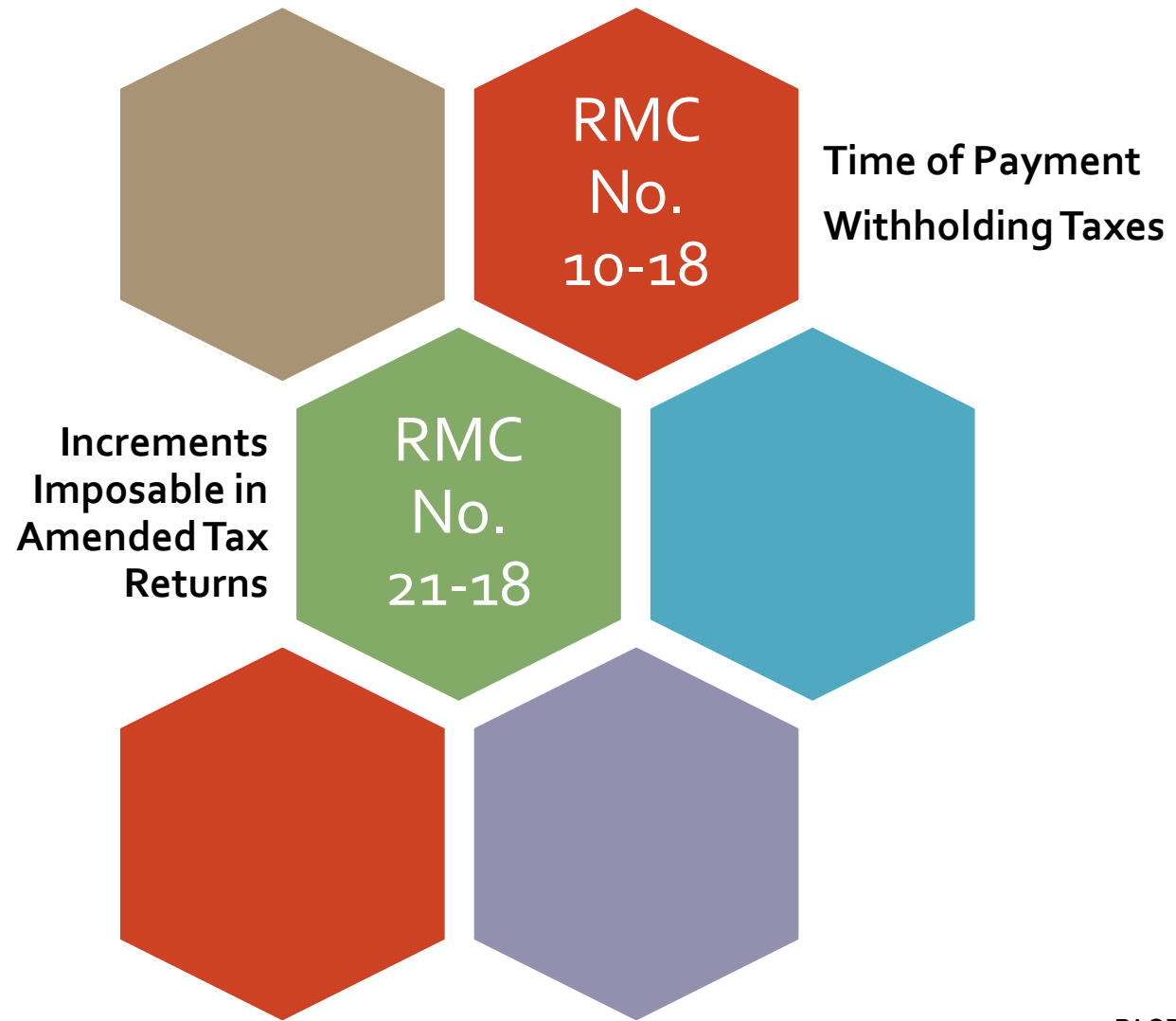
Marina C. De Guzman

Regional Director

Revenue Region No. 7 – Quezon City







Update No. 1

Revenue Regulations No. 11-18

Date: January 31, 2018
(Withholding Tax)



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Sec. 2.57.2
Income
Payments
Subject to
Creditable
Withholding
Tax

A. Professional fees, talent fees, etc. for services rendered:

- *Individual payee:*
 - Gross income of P3M and below – 5%
 - Gross income above P3M/VAT-registered TP - 10%
- *Non-Individual Payee:*
 - Gross income P720,000 and below – 10%
 - Gross income above P720,000 – 15%

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Sec. 2.57.2
Income
Payments
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Withholding
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Included under this section are payments previously under the following subsections:

- Subsection B – professional fees, talent fees, etc. for services rendered by juridical persons
- Subsection G – payments to certain brokers and agents
- Subsection I – payment to medical practitioners
- Subsection O – Commissions of independent and/or exclusive sales representatives

Sec. 2.57.2
Income
Payments
Subject to
Creditable
Withholding
Tax

How the Withholding Agent Determine the Applicable Withholding Tax Rates to be Applied to the Payee?

- The individual payee shall execute a sworn declaration ([Annex B-1](#) of the RR) and, together with a copy of COR, provide all income payors every January 15 of each year, or prior to the initial income payment
- Withholding agent shall likewise execute sworn statement ([Annex C](#) of the RR) declaring the number of payees who have executed sworn declaration (Annex B-1, B-2, B-3 of the RR), and submit the same not later than **January 30 of each year or within fifteen (15) days** following the month when new recipient of income have submitted a sworn declaration with a copy of COR

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**INCOME PAYEE'S SWORN DECLARATION OF GROSS RECEIPTS/SALES
(For Self-Employed and/or Engaged in the Practice of Profession with Several Income Payors)**

I, _____, of legal age, single/ married to _____, permanently residing at _____, with Taxpayer Identification Number (TIN) _____, after having been duly sworn in accordance with law hereby depose and state:

1. That I derived my _____ income from various income payors, and my registered business address is at _____;
2. That for the current year _____, my gross receipts will not exceed Three Million Pesos (P3,000,000) and that I am a non-VAT registered taxpayer. For this purpose, I opt to avail of either one of the income tax regime as follows:
 - Graduated Income Tax Rates under Section 24(A)(2)(a) of the Tax Code, as amended, based on the taxable income. With this selection, I acknowledge that I am subject to creditable withholding tax at the prescribed rate; subject to percentage tax and will file the required percentage tax returns or subject to withholding percentage tax, in case of government money payments.
 - Eight Percent (8%) income tax rate under Section 24(A)(2)(b) of the Tax Code, as amended, based on gross receipts/sales and other non-operating income - with this selection, I understand that this is in lieu of the graduated income tax rates and the Percentage Tax under Section 116 of the Tax Code, as amended; thus, only the creditable income withholding tax based on the prescribed rate shall be made;
3. That based on my selection above, if my gross sales/receipts and other non-operating income exceeds P3,000,000, my income payor /withholding agents shall automatically withhold the higher rate of withholding of ten percent (10%) in the case of income items with two (2) prescribed creditable withholding tax rate depending on the total amount of income payment received:
 - a. In case of Graduated Income Tax Rates, I acknowledge that aside from income tax, I am subject to business tax (VAT) unless expressly exempted; and consequently subject to withholding of income. Moreover, if the payor is a government entity, business tax withholding applies; OR.
 - b. In case of Eight Percent (8%) income tax rate, I acknowledge that I am no longer qualified to avail of this option since my income exceeds P3,000,000 and thus, the graduated income tax rates above shall automatically apply together with the consequent liability for business tax/es;
4. That I duly execute this **SWORN DECLARATION** in compliance with the requirement prescribed under Section ____ of Revenue Regulations No. _____;
5. That I declare, under the penalties of perjury, that this declaration has been made in good faith, and to the best of my knowledge and belief to be true and correct.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 20__ at _____, Philippines

Signature over Printed Name of Individual Taxpayer

SUBSCRIBED AND SWORN to before me this ____ day of _____, 20__ in _____ Applicant exhibited to me his/her _____ issued at _____ on _____
(Government-Issued ID and No.)

NOTARY PUBLIC

Doc. No.:
Page No.:
Book No.:
Series of

AMIX P30.00
Disciplinary
Stamp Tax

(To be filled-out by the withholding agent/one payor)

Date Received: _____
(MM-DD-YYYY-00001)

Received by:

Signature over Printed Name of the Withholding Agent/ Payor or Authorized Officer

Designation/Position of Authorized Officer

Name of Withholding Agent/One Payor

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ANNEX B 1 .

**INCOME PAYEE'S SWORN DECLARATION OF GROSS RECEIPTS/SALES
(For Self-Employed and/or Engaged in the Practice of Profession with Lone Income Payor)**

I, _____, of legal age, single/ married to _____, permanently residing at _____, with Taxpayer Identification Number (TIN) _____, after having been duly sworn in accordance with law hereby depose and state:

1. That I derived my _____ income only from _____ with Taxpayer Identification Number _____ and business address at _____;
2. That for the current year _____, my gross receipts will not exceed Two Hundred Fifty Thousand Pesos (P250,000.00) and that I am registered as a non-VAT taxpayer; that whatever is the amount of income received, I will comply with the requirement to file my Income Tax Return on the prescribed due date. For this purpose, I opt to avail of either one of the following:
 - Graduated Income Tax Rates under Section 24(A)(2)(a) of the Tax Code, as amended, based on the taxable income. With this selection, I acknowledge that I am subject to 0% income tax, thus, not subject to creditable withholding tax, subject to percentage tax, if applicable, and will file the required percentage tax returns or subject to withholding percentage tax, in case of government money payments.
 - Eight Percent (8%) income tax rate under Section 24(A)(2)(b) of the Tax Code, as amended, based on gross receipts/sales and other non-operating income - with this selection, I understand that this is in lieu of the graduated income tax rates and the Percentage Tax under Section 116 of the Tax Code, as amended; thus, no withholding tax shall be made;
3. That based on my selection above, if my gross sales/receipts and other non-operating income exceeds P250,000.00 but not over P3,000,000.00, my afore-stated lone income payor shall automatically withhold the prescribed rate of withholding tax:
 - a. In case of Graduated Income Tax Rates, I acknowledge that aside from income tax, I am subject to business tax (Percentage Tax, if applicable) and creditable withholding of income in excess of P250,000.00, and business tax withholding, if any, are applicable on the entire income payment; OR
 - b. In case of Eight Percent (8%) income tax rate, I acknowledge that I am only subject to income tax and thus, to the creditable withholding income tax in excess of P250,000.00;
4. That I duly execute this **SWORN DECLARATION** in compliance with the requirement prescribed under Section ____ of Revenue Regulations No. _____;
5. That I declare, under the penalties of perjury, that this declaration has been made in good faith, and to the best of my knowledge and belief to be true and correct.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 20__ at _____, Philippines

Signature over Printed Name of Individual Taxpayer

SUBSCRIBED AND SWORN to before me this ____ day of _____, 20__ in _____ Applicant exhibited to me his/her _____ issued at _____ on _____
(Government Issued ID and No.)

NOTARY PUBLIC

Doc. No.:
Page No.:
Book No.:
Series of:

AFTER P30.00
Documentary
Stamp Tax

(To be filled-out by the withholding agent/lone payor)

Date Received: _____
(MM-DD-YYYY-0000I)

Received by: _____

Signature over Printed Name of the Withholding Agent/Owner or Authorized Officer

Designation/Position of Authorized Officer

Name of Withholding Agent/Lone Payor

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ANNEX B 2

**INCOME PAYEE'S SWORN DECLARATION OF GROSS RECEIPTS/SALES
(For Non-Individual Taxpayer with Several Income Payors)**

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I, _____, _____, authorized officer of _____ with registered address at _____ with Taxpayer Identification Number (TIN) _____, after having been duly sworn in accordance with law hereby depose and state:

- 1. That for the current year _____, the gross receipts of the aforesaid non-individual payee will not exceed Seven Hundred Twenty Pesos (₱720,000);
- 2. That I duly execute this **SWORN DECLARATION** in compliance with the requirement prescribed under Section ____ of Revenue Regulations No. _____;
- 3. That I declare, under the penalties of perjury, that this declaration has been made in good faith, and to the best of my knowledge and belief to be true and correct.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 20__ at _____, Philippines

Signature over Printed Name of Individual Taxpayer

SUBSCRIBED AND SWORN to before me this ____ day of _____, 20__ in _____ Applicant exhibited to me his/her _____ issued at _____ on _____
(Government Issued ID and No.)

NOTARY PUBLIC

Doc. No.: _____
Page No.: _____
Book No.: _____
Series of _____

Affix ₱30.00
Documentary
Stamp Tax

(To be filled-out by the withholding agent/lone payor)

Date Received: _____
(MM-DD-YYYY-00001)

Received by:

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Signature over Printed Name of the Withholding Agent/Payor or Authorized Officer

Designation/Position of Authorized Officer

Name of Withholding Agent/Lone Payor

INCOME PAYOR/WITHHOLDING AGENT'S SWORN DECLARATION

I, _____, of legal age, single/
married, the designated _____ of _____
with Taxpayer Identification Number (TIN) _____, after having been duly sworn in
accordance with law hereby depose and state:

- 1. That there are _____ income payees (self-employed individuals) where no withholding is made, consisting of the following:

Type of withholding NOT withheld	Number of income payees
Expanded WT only	
WT on VAT/Percentage Tax only	
Both expanded and VAT/Percentage tax	
Total	

- 2. That the above payees where no withholding tax is deducted from their income payment/s have executed the required Income Payee's Sworn Declarations on the amount of gross receipts which they expect to receive for the year _____, and these sworn declarations are duly received together with copies of their Certificate of Registration (COR);
- 3. That there are _____ individual income payees withheld five percent (5%) withholding tax rate due to their submission of "Payee's Sworn Declaration of Gross Receipts/Sales" stating that their gross receipts/sales shall not exceed ₱3,000,000 (₱3M) for the current year, while _____ non-individual payees submitted "Income Payee's Sworn Declaration" stating that their gross receipts/sales shall not exceed P720,000 for the current year;
- 4. That I am attaching with this sworn declaration the list of individual payees subject of items 1 and 2 above consisting of _____ number of pages, the list of individual payees subject of item 3 above with _____ number of pages, and the list of non-individual payees subject also of item 3 above with _____ number of pages;
- 5. That the submission is in compliance with the requirements prescribed under Section _____ of Revenue Regulations No. _____.
- 6. That this declaration, including the attached list/s, is made in good faith, to the best of my knowledge and belief, to be true and correct, under the penalties of perjury.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 20__ at _____, Philippines

Signature over Printed Name of Withholding Agent/Authorized Officer of the Withholding Agent

Designation/Position of Authorized Officer

Name of Withholding Agent/Issued Paper

SUBSCRIBED AND SWORN to before me this ____ day of _____, 20__ in
_____ Applicant exhibited to me his/her _____ issued at
_____ on _____
(Government Issued ID and No.)

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Series of



(To be filled-out by the concerned Revenue Officer)

Date Received: _____
(MM-DD-YYYY-00001)

Received by: _____
Signature over Printed Name of Revenue Officer

Designation/Position of Revenue Officer

RDO No.

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Sec. 2.57.2
Income
Payments
Subject to
Creditable
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What Shall be the Applicable Withholding Tax Rates If the Individual Payee Did Not Submit Any Sworn Declaration to the Payor?

- The withholding agent shall withhold the **higher** rate of withholding TAX WHICH IS **10%**

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Sec. 2.57.3 Persons Required to Deduct and Withhold

Amendments pertain to:

- **Refusal** of seller/payee to be subjected to withholding tax – may be imposed penalties pursuant to Section 275 of the Tax Code (in addition to the conduct of audit)
- Inclusion of provisions regarding **non-withholding** of tax from individuals whose gross income in a year does not exceed P250,000 from a lone payor subject to certain requirements

Sec. 2.57.3 Persons Required to Deduct and Withhold

Requirements:

- Individual shall execute a sworn declaration of gross income (with provided **format-Annex B-2** of the RR);
- The sworn declaration shall be **submitted to the lone payor**;
- The **lone payor** shall likewise execute a sworn declaration (format also provided –Annex C of the RR) which shall be **submitted to the concerned BIR** office, together with the list of payees who shall not be subjected to withholding tax

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**Sec. 2.57.3
Persons
Required
to Deduct
and
Withhold**

What if the individual did not submit the sworn declaration and a copy of COR to the lone payor?

- The lone payor is required to withhold the prescribed rate of withholding on the **entire payments** made

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**Sec. 2.57.3
Persons
Required
to Deduct
and
Withhold**

What if the income payments exceed P250,000 but the individual payee submitted the sworn declaration?

- The lone payor is required to withhold the prescribed rate of withholding only on the excess over P250,000

Illustration 1

Ms. Tina supplies special cupcakes on a regular basis to RPSV Supermarket, a top withholding agent pursuant to Section 2.57.2 (I) of these regulations. Prior to 2018, her annual sales to RPSV Supermarket never exceeded ₱250,000. She only bakes cupcakes upon order. RPSV Supermarket is her lone payor of income; thus, she executed the sworn declaration of gross receipts stating that her gross expected receipts shall not exceed ₱250,000 for the year from RPSV Supermarket. However, in the latter part of 2018, RPSV Supermarket noted that its purchase of cupcakes shall exceed ₱250,000. As expected, in 2018 the total purchase of cupcakes by RPSV Supermarket from Ms. Tina amounted to ₱300,000. **Compute for the amount to be withheld.**

Sec. 2.57.3 Persons Required to Deduct and Withhold

Illustration 1: Computation

Gross Receipts	₱ 300,000.00
Less: Amount not subject to withholding tax	<u>250,000.00</u>
Income subject to withholding tax	₱ 50,000.00
Multiply by EWT rate	<u>X 1%</u>
Amount of withholding tax	<u>₱ 500.00</u>

*RPSV Supermarket is included as “Top Withholding Agent,” thus, the rate of income tax withholding is 1% for the payments made to Ms. Tina, the supplier of goods

Sec. 2.57.5 Exemption from Withholding of CWT Withhold

- A. National government agencies and instrumentalities, except GOCCs
- B. Persons enjoying exemption from income tax, as follows:

- Sale of real property by person engaged in social housing project where the SP does not exceed the socialized housing price applicable to the area as prescribed by HLURB/HUDCC
- Corporations duly registered with the Board of Investments (BOI), Philippine Export Processing Zones and Subic Bay Metropolitan Authority enjoying exemption from income tax pursuant to E.O. 226;
- Corporations exempt from income tax under Section 30 of the Tax Code as amended and GOCCs, namely: GSIS; SSS; PHIC and LWDs;
- GPPs;
- Joint Ventures or consortium formed for the purpose of undertaking construction project...
- **Individuals who earn P250,000 and below from a lone payor subject to compliance with some requirements**

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Section 2.58 Returns and Payment of Taxes Withheld at Source

Manual

Not later than the last day of the month following the close of the quarter

But, withheld taxes are required to be remitted not later than the 10th day following the close of the month (for the first two months of the quarter)

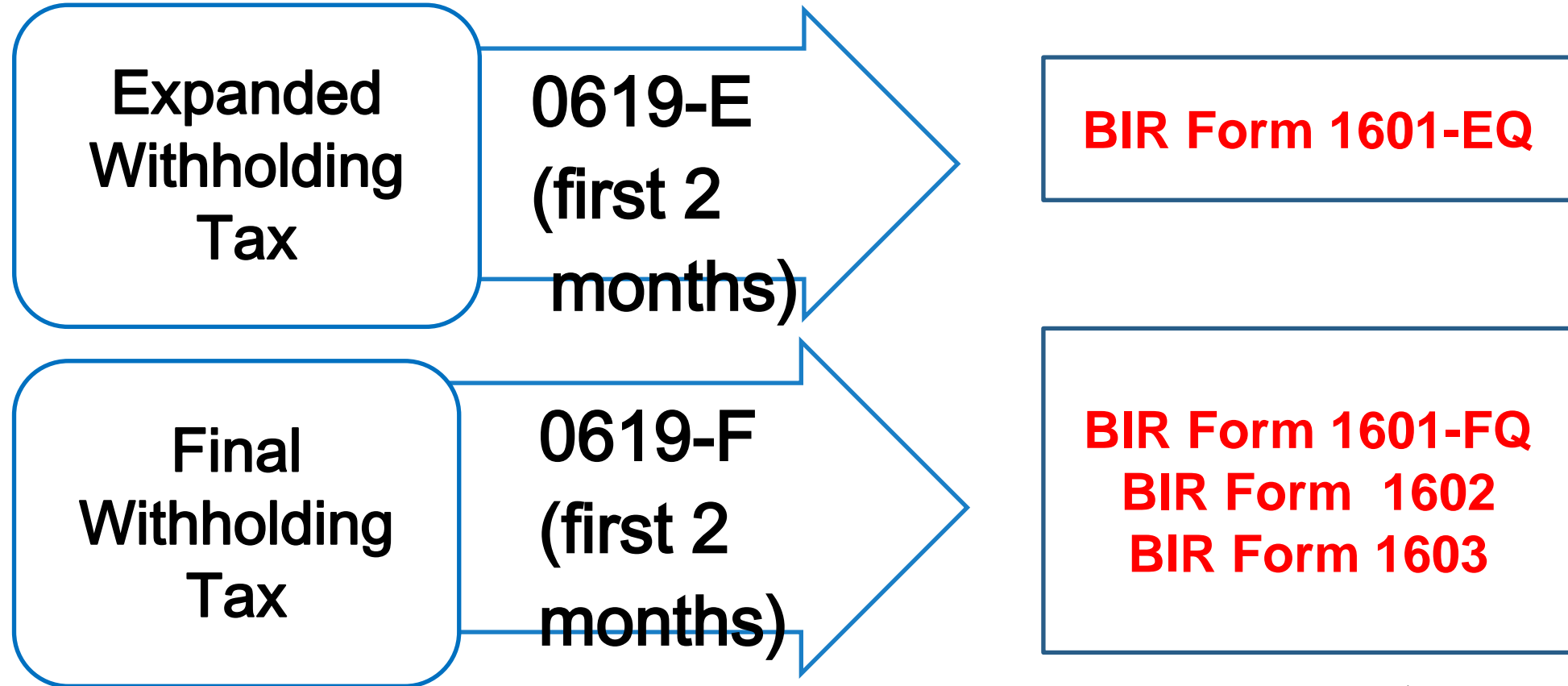
Section 2.58 Returns and Payment of Taxes Withheld at Source

eFPS

Not later than the last day of the month following the close of the quarter

But, withheld taxes are required to be remitted not later than the 15th day following the close of the month (for the first two months of the quarter)

Section 2.58 Returns and Payment of Taxes Withheld at Source



Section 2.58 Returns and Payment of Taxes Withheld at Source

For Sale of Real Property Considered Capital Asset and Shares of Stock Not Traded Thru a Local Stock Exchange

- **Due date** is within thirty (30) days from the date of transactions
- **BIR Form to be used:**
 - BIR Form 1706 – Sale of Real Property Considered Capital Asset
 - BIR Form 1707 – Sale of Shares of Stocks Not Traded in Local Stock Exchange

For Sale of Real Property Considered Ordinary Asset

- **Due date** is on or before the tenth (10TH) day following the month of transaction
- **BIR Form to be used:**
BIR FORM NO. 1606

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Section 2.58 Returns and Payment of Taxes Withheld at Source

Certificate/Statement of Tax Withheld at Source

Expanded/Creditable
Withholding Tax

- BIR Form 2307 (20 days from the close of the quarter or upon demand of the payee)

Final Withholding Tax

- BIR Form 2306 (20 days from the close of the quarter or upon demand of the payee)

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Section 2.58 Returns and Payment of Taxes Withheld at Source

Annual Information Return

Expanded
Withholding Tax

- BIR Form 1604-E (March 1)

Final Withholding
Tax

- BIR Form 1604-F (January 31)

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Section 2.78.1 Withholding of Income Tax on Compensation

Amendments Pertain to:

“De Minimis” Benefits

- Increase in Medical Cash Allowance to dependents of employee to P1,500 per semester or P250 per month
- Increase in Rice Subsidy to P2,000 per month
- Increase in uniform and clothing allowance

Exemption from Withholding Tax on Compensation

- Increase in threshold of the “13th month pay and other benefits” to P90,000
- Income payment paid to Minimum Wage Earner (MWE) by the same employer, other than the basic SMW, Holiday pay, Hazard pay, Overtime pay, Night-Shift differential pay – shall be taxable and subject to WT;
- Compensation during the year not exceeding P250,000

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Illustration 2

Ms. Alona is employed in CSO Corporation. She received the SMW for 2018 in the total amount of ₱175,000, inclusive of the 13th month pay. In the same year, she also received overtime pay of ₱40,000 and night-shift differential of ₱25,000. She also received commission income from the same employer of ₱20,000, thus, total income received amounted to ₱260,000.

Compute for the withholding tax due.

Sec. 2.78.1 Withholding Tax on Compensation

Illustration 2: Computation

The employer of Ms. Alona shall determine the nature of income payments. The amount to be subjected to income tax withholding shall be computed as follows:

Total Income received		₱ 260,000.00
<i>Less:</i> Income exempt from tax		
Basic SMW	₱175,000.00	
Overtime Pay	40,000.00	
Night Shift Differential	<u>25,000.00</u>	
Total Exempt Income as MWE		<u>240,000.00</u>
Taxable Income- Commission		<u>₱ 20,000.00</u>
Tax Due:		
On not over P250,000.00 (₱20,000.00 x 0%)		<u>₱ 0.00</u>

- * Taxpayer's income of SMW, overtime pay, and night shift differential pay are expressly exempt from income tax under the law and consequently from withholding tax.
- * Commission income from the same employer is taxable, however, under the graduated income tax rates since it is less than ₱250,000, there is no tax due.

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Illustration 3

Ms. Cyril is employed in MAFD Corporation and is also a part-time real estate agent for a real estate broker. In addition to the SMW of ₱180,000 she received from her employer, she likewise received ₱75,000 as commissions from her real estate dealings for the year 2018.

Compute for the tax due.

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Illustration 3: Computation

The amount subject to income tax and withholding tax shall be computed depending on the income tax regime selected by Ms. Cyril, since she is qualified to avail of such option (income from business/practice of profession did not exceed ₱3,000,000) and such option was reflected in the payee's sworn declaration given by the taxpayer to the payor/withholding tax agent-real estate broker, as follows:

Illustration 3: Computation

1. Under the graduate income tax (IT) regime:

Total Income received	₱ 255,000.00
<i>Less:</i> Income exempt from income tax – SMW	<u>180,000.00</u>
Taxable Income- Commission	<u>₱ 75,000.00</u>
▸ Tax Due	
▸ On not over ₱250,000.00 (₱75,000.00 x 0%)	<u>₱ 0.00</u>

2. Under the 8% IT regime:

Total Income received	₱ 255,000.00
<i>Less:</i> Income exempt from income tax- SMW	<u>180,000.00</u>
Taxable Income- Commission	<u>₱ 75,000.00</u>
▸ Tax Due	
▸ ₱75,000.00 x 8%	<u>₱ 6,000.00</u>

Section 2.79 Income Tax Collected at Source on Compensation Income

Amendments Pertain to:

Withholding Tax Table

- No reference to number of dependents due to removal of personal and additional exemptions
- Change in Income tax rates
- Change in compensation range
- Applicability of the withholding table to employees of Area or Regional Headquarters of Multinational companies, ROHQ, OBUs, and Petroleum Service contractors and sub-contractors

Fringe Benefits Rate

- Increase to 35% for citizen, resident alien and alien engaged in trade or business in the Philippines

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Withholding Tax Rates (January 1, 2018 Until December 31, 2022)

Range of Taxable Income		Tax Due = a + (b x c)		
Over	Not Over	Basic Amount (a)	Additional Rate (b)	Of Excess Over (c)
-	250,000.00	-	-	-
250,000.00	400,000.00	-	20%	250,000.00
400,000.00	800,000.00	30,000.00	25%	400,000.00
800,000.00	2,000,000.00	130,000.00	30%	800,000.00
2,000,000.00	8,000,000.00	490,000.00	32%	2,000,000.00
8,000,000.00	-	2,410,000.00	35%	8,000,000.00

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Withholding Tax Table (To be used until Dec. 31, 2022)

REVISED WITHHOLDING TAX TABLE

Effective January 1, 2018 to December 31, 2022

DAILY	1	2	3	4	5	6
Compensation Range	P 685 and below	P685 – P1,095	P1,096 – P2,191	P2,192 – P5,478	P5,479 – P21,917	P21,918 and above
Prescribed Withholding Tax	0.00	0.00	P 82.19	P 356.16	P 1,342.47	P 6,602.74
		+ 20% over P 685	+ 25% over P 1,096	+ 30% over P2,192	+ 32% over P 5,479	+ 35% over P21,918
WEEKLY	1	2	3	4	5	6
Compensation Range	P 4,808 and below	P 4,808 – P 7,691	P 7,692 – P15,384	P 15,385 – P 38,461	P 38,462 – P153,845	P 153,846 and above
Prescribed Withholding Tax	0.00	0.00	P 576.92	P 2,500.00	P 9,423.08	P 46,346.15
		+ 20% over P 4,808	+ 25% over P 7,692	+ 30% over P 15,385	+ 32% over P 38,462	+ 35% over P 153,846
SEMI-MONTHLY	1	2	3	4	5	6
Compensation Range	P 10,417 and below	P 10,417 – P16,666	P 16,667 – P 33,332	P 33,333 – P 83,332	P 83,333 – P333,332	P 333,333 and above
Prescribed Withholding Tax	0.00	0.00	P 1,250.00	P 5,416.67	P 20,416.67	P 100,416.67
		+ 20% over P 10,417	+ 25% over P 16,667	+ 30% over P 33,333	+ 32% over P 83,333	+ 35% over P 333,333
MONTHLY	1	2	3	4	5	6
Compensation Range	P 20,833 and below	P 20,833 – P 33,332	P 33,333 – P 66,666	P 66,667 – P 166,666	P 166,667 – P666,666	P 666,667 and above
Prescribed Withholding Tax	0.00	0.0	P 2,500.00	P 10,833.33	P 40,833.33	P 200,833.33
		+ 20% over P 20,833	+ 25% over P 33,333	+ 30% over P 66,667	+ 32% over P 166,667	+35% over P 666,667

Withholding Tax Rates (Starting January 1, 2023)

Range of Taxable Income		Tax Due = a + (b x c)		
Over	Not Over	Basic Amount (a)	Additional Rate (b)	Of Excess Over (c)
-	250,000.00	-	-	-
250,000.00	400,000.00	-	15%	250,000.00
400,000.00	800,000.00	22,500.00	20%	400,000.00
800,000.00	2,000,000.00	105,000.00	25%	800,000.00
2,000,000.00	8,000,000.00	402,500.00	30%	2,000,000.00
8,000,000.00	-	2,202,500.00	35%	8,000,000.00

Withholding Tax Table (Starting Jan. 1, 2023)

REVISED WITHHOLDING TAX TABLE						
Effective January 1, 2023 and onwards						
DAILY	1	2	3	4	5	6
Compensation Range	P 685 and below	P 685 – P 1,095	P 1,096 – P 2,191	P 2,192 – P 5,478	P 5,479 – P 21,917	P 21,918 and above
Prescribed Withholding Tax	0.00	0.00	P 61.65	P 280.85	P 1,102.60	P 6,034.00.30
		+ 15% over P 685	+ 20% over P 1,096	+ 25% over P2,192	+ 30% over P 5,479	+ 35% over P 21,918
WEEKLY	1	2	3	4	5	6
Compensation Range	P 4,808 and below	P 4,808 – P 7,691	P 7,692 – P 15,384	P 15,385 – P 38,461	P 38,462 – P 153,845	P 153,846 and above
Prescribed Withholding Tax	0.00	0.00	P 432.60	P 1,971.20	P 7,740.45	P 42,355.65
		+ 15% over P 4,808	+ 20% over P 7,692	+ 25% over P 15,385	+ 30% over P 38,462	+ 35% over P 153,846
SEMI-MONTHLY	1	2	3	4	5	6
Compensation Range	P 10,417 and below	P 10,417 – P 16,666	P 16,667 – P 33,332	P 33,333 – P 83,332	P 83,333 – P 333,332	P 333,333 and above
Prescribed Withholding Tax	0.00	0.00	P 937.50	P 4,270.70	P 16,770.70	P 91,770.70
		+ 15% over P 10,417	+ 20% over P 16,667	+ 25% over P 33,333	+ 30% over P 83,333	+ 35% over P 333,333
MONTHLY	1	2	3	4	5	6
Compensation Range	P 20,833 and below	P 20,833 – P 33,332	P 33,333 – P66,666	P 66,667 – P 166,666	P 166,667 – P666,666	P 666,667 and above
Prescribed Withholding Tax	0.00	0.00	P 1,875.00	P 8,541.80	P 33,541.80	P 183,541.80
		+ 15% over P 20,833	+ 20% over P 33,333	+ 25% over P 66,667	+ 30% over P 166,667	+ 35% over P 666,667

Illustration 4

Ms. Lyn, an employee of MAG Corp. is receiving regular monthly compensation in the amount of ₱165,000, net of mandatory contributions, with supplemental compensation in the amount of ₱5,000 for the month.

Computation:

By using the monthly withholding tax table, the withholding tax beginning January 2018 is computed by referring to compensation range under column 4 which shows a predetermined tax of ₱10,833.33 on ₱66,667 plus 30% of the excess of Compensation Range (Minimum) amounting to ₱103,833 ($₱165,000.00 - ₱66,667.00 + ₱5,000$), which is ₱30,999.90. As such, the withholding tax to be withheld by the employer shall be ₱41,833.23.

Compute for the amount to be withheld.

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Sec. 2.79 Income Tax Collected at Source on Compensation Income

Illustration 4: Computation

▶ Total taxable compensation	₱ 165,000.00
▶ <i>Less:</i> Compensation Range (Minimum)	<u>66,667.00</u>
▶ Excess	₱ 98,333.00
▶ <i>Add:</i> Supplemental Compensation	<u>5,000.00</u>
▶ Total	<u>₱ 103,333.00</u>
▶ Withholding tax shall be computed as follows:	
▶ On ₱66,667.00	₱ 10,833.33
▶ On Excess (₱165,000.00 - ₱66,667.00 +	
▶ Supplemental compensation of ₱5,000.00) x 30%	<u>30,999.90</u>
▶ Total monthly withholding tax	<u>₱ 41,833.23</u>

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Section 2.79.1 Application for Registration for Individuals Earning Compensation Income

Amendments Pertain to:

Require Information

- Name/Taxpayer's identification Number/residential address
- Civil status of employee, whether single, married, legally separated, widow or widower
- Occupational status of the spouse

Required Forms and Attachments

- Reduced requirements to 2, namely:
- Any identification issued by any government body
- Copy of marriage contract, if married

Section 2.79.1 Application for Registration for Individuals Earning Compensation Income

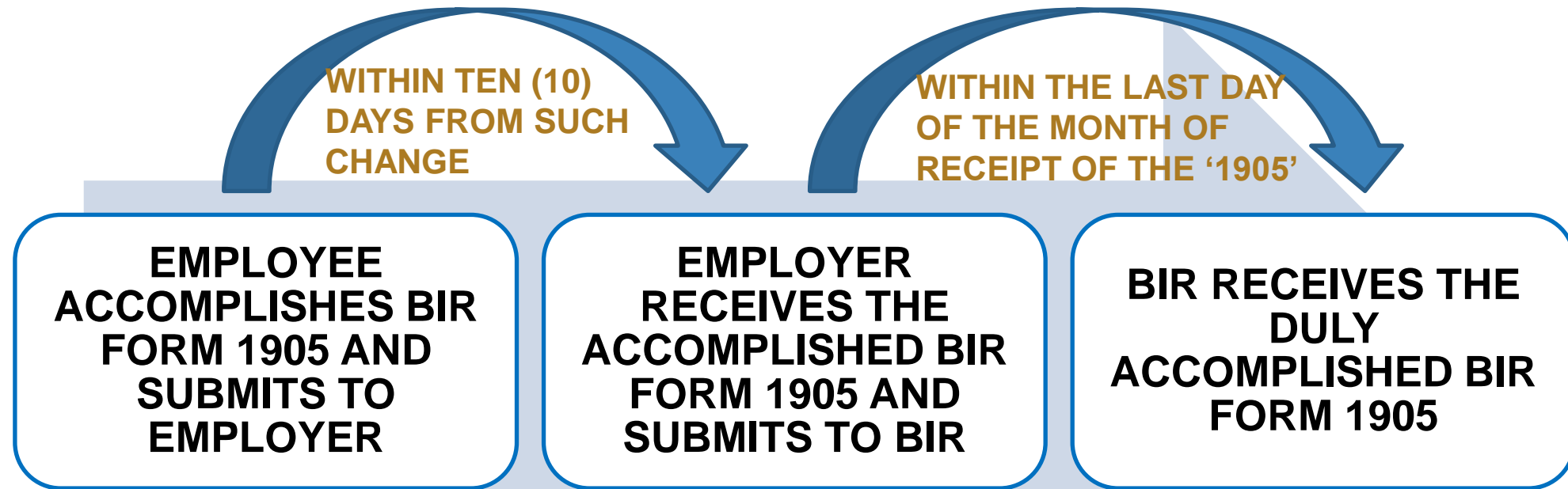
**EMPLOYEE
ACCOMPLISHES BIR
FORM 1902 AND
SUBMITS TO
EMPLOYER**

**EMPLOYER FILL-OUT
PART IV OF THE BIR
FORM 1902 AND
SUBMITS TO BIR**

**BIR RECEIVES THE
DULY ACCOMPLISHED
BIR FORM 1902**

**Within Ten (10) Days From Date of
Employment**

Section 2.79.1 Application for Registration for Individuals Earning Compensation Income



In Case of Update of Registration Information

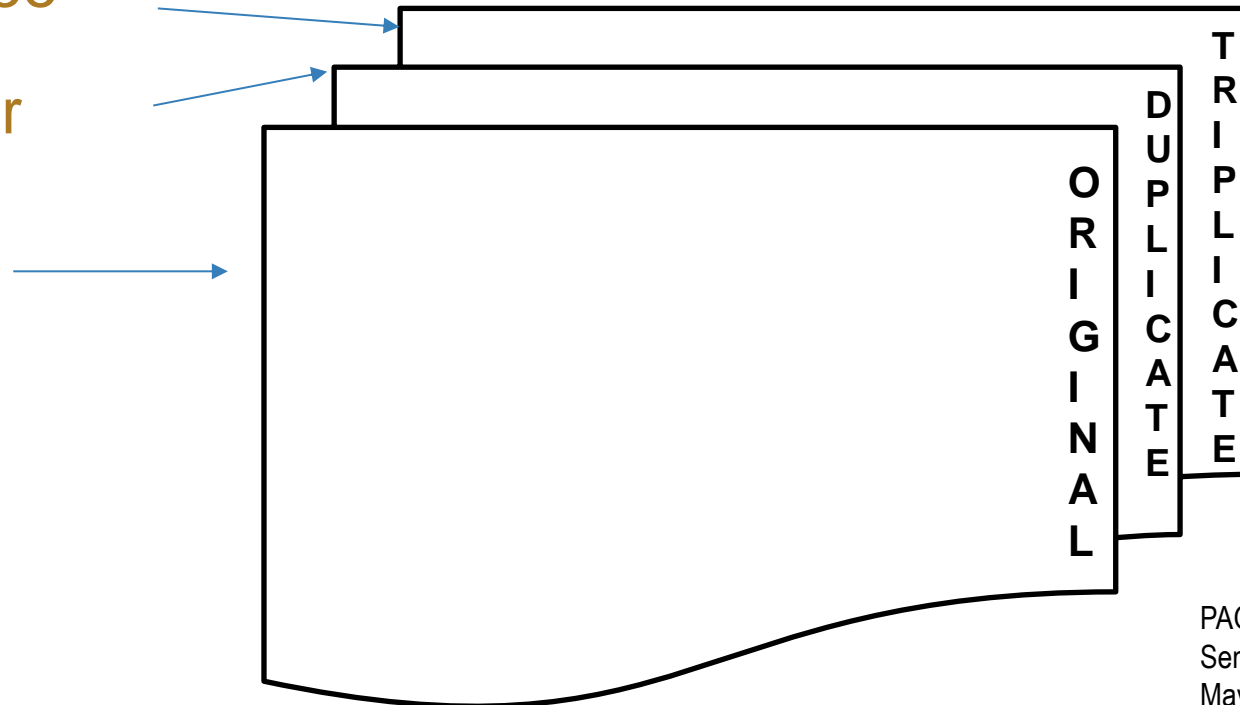
Section 2.79.1 Application for Registration for Individuals Earning Compensation Income

Distribution of BIR Form Nos. 1902/1905

Copy For Employee

Copy for Employer

Copy for BIR



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Section 2.79.1 Failure to File Application for Registration

SECTION 2.79.2. Failure to file Application for Registration (BIR Form No. 1902) – Where an employee, in violation of these regulations either fails or refuses to file an Application for Registration (BIR Form No. 1902) together with the required attachments, the employer shall **withhold the taxes prescribed** under the revised withholding tax table (Annex “D” or “E”, whichever is applicable).”

Section 2.79.4 Husband and Wife

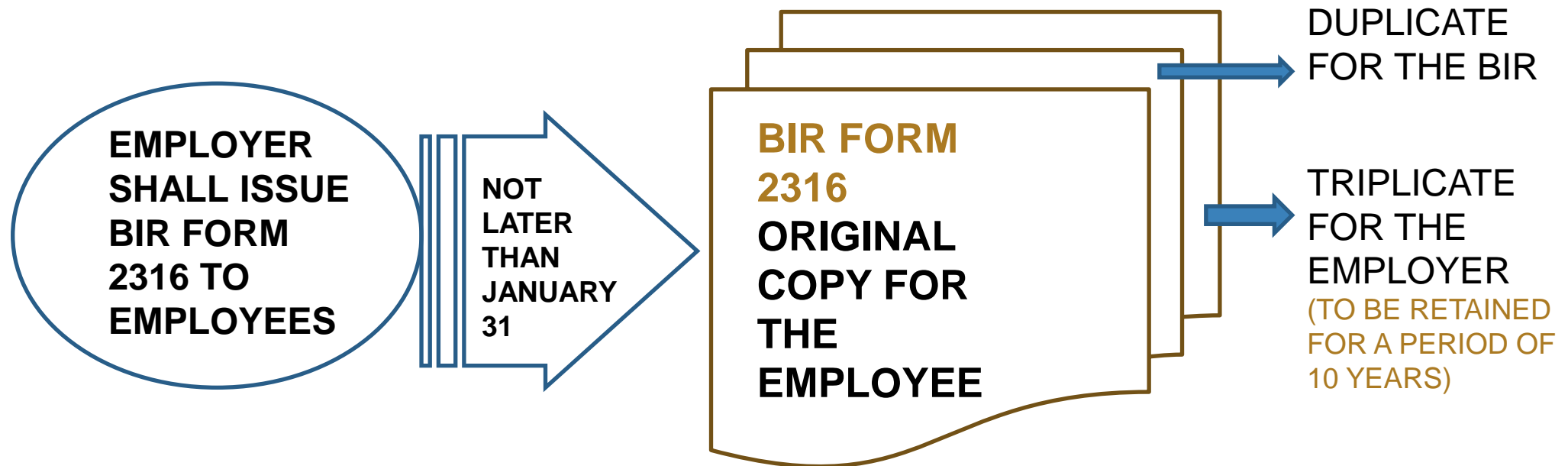
SECTION 2.79.4. Husband and Wife – Where both husband and wife are each recipients of compensation either from the same or different employers, taxes shall be withheld separately in accordance with the applicable revised withholding tax table (Annex “D” or “E”).”

Section 2.80 Liability for Tax

Interest – There shall be assessed and collected on any unpaid amount of tax, interest at the rate of double the legal interest rate for loans or forbearance of any money in the absence of an express stipulation set by the Bangko Sentral ng Pilipinas from the date prescribed for payment until the amount is fully paid. Provided, that in no case shall the deficiency and the delinquency interest prescribed under Subsections (B) and (C) of Section 249 of the Tax Code, be imposed simultaneously.

Deficiency Interest – Any deficiency in the tax due, as the term is defined in this Code, shall be subject to the interest prescribed in Subsection (A) of Section 249 of the Tax Code, which interest shall be assessed and collected from the date prescribed for its payment until the full payment thereof, or upon issuance of a notice and demand by the Commissioner of Internal Revenue, whichever comes earlier.

Section 2.83.1 Employees Withholding Statement (BIR Form 2316)

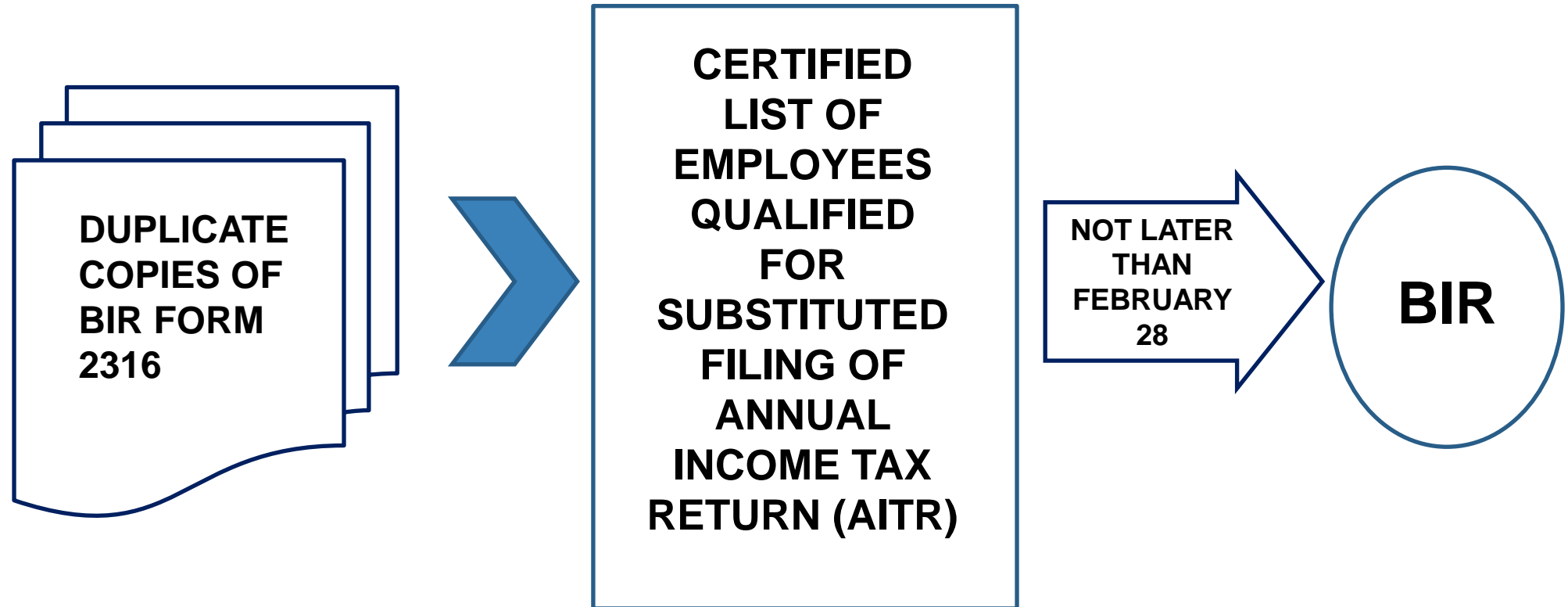


Section 2.83.1 Employees Withholding Statement (BIR Form 2316)

The Certificate shall indicate the following information:

- a. Name and address of the employee;
- b. Employee's Taxpayer Identification Number (TIN);
- c. Name and Address of the Employer;
- d. Employer's TIN;
- e. The sum of compensation paid, including the non-taxable benefits;
- f. The amount of statutory minimum wage received if employee is MWE;
- g. Overtime pay, holiday pay, night shift differential pay, and hazard pay received if employee is MWE;
- h. The amount of tax due, if any; and
- i. The amount of tax withheld, if any.

Section 2.83.1 Employees Withholding Statement (BIR Form 2316)



Section 2.83.4 Substituted Filing of Income Tax Returns by Employees Receiving Purely Compensation Income

**CERTIFIED LIST
OF
EMPLOYEES
QUALIFIED FOR
SUBSTITUTED
FILING OF
ANNUAL
INCOME TAX
RETURN (AITR)**

**NOT LATER
THAN
FEBRUARY
28**

**CONCERNED BIR OFFICE
SHALL STAMP
"RECEIVED" THE
CERTIFIED LIST OF
EMPLOYEES QUALIFIED
TO AVAIL OF THE
SUBSTITUTED FILING OF
AITR, WHICH SHALL BE
TANTAMOUNT TO BIR
FORM 1700 (AITR) OF
THE QUALIFIED
EMPLOYEES**

Section 2.83.4 Substituted Filing of Income Tax Returns by Employees Receiving Purely Compensation Income

Individual **not qualified** for Substituted Filing of AITR :

1. Those deriving compensation from two or more employers concurrently or successively
2. Those income tax of which has not been withheld correctly;
3. Those deriving other non-business, non-professional-related income in addition to compensation income not otherwise subject to a final tax.
4. Individuals receiving purely compensation from a single employer with income tax due has been correctly withheld, but whose spouse falls any of the aforesaid items under (1), (2) and (3);
5. Non-resident aliens engaged in trade or business in the Philippines, deriving purely compensation income, or compensation income and other non-business, non-professional-related income.

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Transitory Provisions

For individuals subject to expanded withholding tax under Section 2.57.2 of RR No. 2-98, as amended, but availing to be exempt from the said withholding must satisfy the following:

- A. The gross receipts/sales in a year must not exceed P250,000;
- B. The income of the said individual comes only from a lone payor;
- C. The individual must submit the “Sworn Declaration of Gross Receipts/Sales” not later than April 20, 2018, to his/her lone payor.

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Transitory Provisions

What the income payor should do in case of receipt from individual payees of the “Sworn Declaration of Gross Receipts/Sales” ?

1. Execute Sworn Declaration and submit the same to the concerned RDO, with the List of Payees who submitted the “Sworn Declaration of Gross Receipts/Sales”;
2. Refund to the individual the excess tax withheld on income payments made prior to the issuance of RR 11-2018;
3. Issue the correct Certificate of Tax Withheld (BIR Form 2307); and
4. The list of payees who were refunded shall also be attached to the 1st Quarterly Withholding Tax Return

REGA 7th Quarterly
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Sworn Declarations

1. **Annex A:** Affidavit-Declaration that No Professional Fee Has Been Charged by Medical Practitioner
2. **Annex B-1:** Income Payee's Sworn Declaration of Gross Receipts/Sales (For Self-Employed and/or Engaged in the Practice of Profession with Several Income Payors)
3. **Annex B-2:** Income Payee's Sworn Declaration of Gross Receipts/Sales (For Self-Employed and/or Engaged in the Practice of Profession with Lone Income Payor)
4. **Annex B-3:** Income Payee's Sworn Declaration of Gross Receipts/Sales (For Non-Individual Taxpayer with Several Income Payors)
5. **Annex C:** Income Payor/Withholding Agent's Sworn Declaration
6. **Annex F:** Certification

**AFFIDAVIT-DECLARATION THAT NO PROFESSIONAL FEE
HAS BEEN CHARGED BY MEDICAL PRACTITIONER**

We, _____, _____, of legal age, single/ married
(Name of Patient/Authorized Representative) (Citizenship)
 permanently residing at _____
 and _____, _____, of legal age, single/ married
(Medical Practitioner) (Citizenship)
 permanently residing at _____ with
 Taxpayer Identification Number (TIN) _____, after having been duly sworn in accordance with law
 hereby depose and state:

1. That _____ is a patient in the _____
(Name of Patient) (Name of Hospital/Clinic)
 having been confined from _____ to _____ due to _____;
2. That _____ is the authorized representative/guardian of the herein-mentioned patient;
3. That _____ is the attending physician of the herein-mentioned patient for the duration of the stay in the herein-mentioned hospital;
4. That no professional fee was charged by the aforesaid physician, the patient being his/her _____;
5. That we duly execute this **SWORN DECLARATION** in compliance with the requirement prescribed under Section ____ of Revenue Regulations No. _____;
6. That I declare, under the penalties of perjury, that this declaration has been made in good faith, and to the best of my knowledge and belief to be true and correct.

IN WITNESS WHEREOF, we have hereunto set my hand this ____ day of _____, 20__ at _____, Philippines

Signature over Printed Name of Patient/Guardian

Govt. ID _____
 Issued at _____
 Issued on _____

Signature over Printed Name of Medical Practitioner

Govt. ID _____
 Issued at _____
 Issued on _____

SUBSCRIBED AND SWORN to before me this ____ day of _____, 20__ in _____.

NOTARY PUBLIC

ANNEX A

Update No. 2

Revenue Regulations No. 8-18

**Date: January 25, 2018
(Income Tax)**



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59 NIRC Provision	NIRC	TRAIN
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<p><u>Section 24</u> Income tax rates on individual citizen and individual resident alien of the Philippines</p>	<p>Taxable income of individuals are subject to the following graduated rates:</p>	<p>Revised personal income tax brackets of 2018-2022:</p>	
	<p>Tax Schedule</p>		<p>Tax Schedule effective January 1, 2018 to December 31, 2022</p>
	<p>Not over P10,000</p>	<p>5%</p>	<p>Not over P250,000</p> <p>0%</p>
	<p>Over P10,000 but not over P30,000</p>	<p>P500 + 10% of over P10,000</p>	
	<p>Over P30,000 but not over P70,000</p>	<p>P2,500 + 15% of over P30,000</p>	
	<p>Over P70,000 but not over P140,000</p>	<p>P8,500 + 20% of over P70,000</p>	
	<p>Over P140,000 but not over P250,000</p>	<p>P22,500 + 25% of over P140,000</p>	

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NIRC Provision

NIRC

TRAIN

Section 24
Income tax rates on individual citizen and individual resident alien of the Philippines

Taxable income of individuals are subject to the following graduated rates:

Tax Schedule

Over P250,000 but not over P500,000	P50,000 + 30% of the excess over P250,000
Over P500,000	P125,000 + 32% of the excess over P500,000

Revised personal income tax brackets of 2018-2022:

Tax Schedule effective January 1, 2018 to December 31, 2022

Over P250,000 but not over P400,000	20% of the excess over P250,000
Over P400,000 but not over P800,000	P30,000 + 25% of the excess over P400,000
Over P800,000 but not over P2million	P130,000 + 30% of the excess over P800,000
Over P2Million but not over P8Million	P490,000 + 32% of the excess over P2Million
Over P8Million	P2,410,000 + 35% of the excess over P8Million

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61 NIRC Provision	NIRC	TRAIN	
<p><u>Section 24</u> Income tax rates on individual citizen and individual resident alien of the Philippines</p>		For 2023 onwards:	
		Tax Schedule effective January 1, 2023 onwards	
		Not over P250,000	0%
		Over P250,000 but not over P400,000	15% of the excess over P250,000
		Over P400,000 but not over P800,000	P22,500 +20% of the excess over P400,000
		Over P800,000 but not over P2,000,000	P102,500 + 25% of the excess over P800,000
		Over P2Million but not over P8Million	P402,500 + 30% of the excess over P2Million
		Over P8Million	P2,202,500 + 35% of the excess over P8Million

Sec. 3 Income Tax Rates on Individual Citizen & Individual Resident Alien

- Individuals Earning *Purely Compensation Income*
 - Taxed based on the **graduated income tax rates** prescribed.
 - **Taxable income** is the gross compensation income less non-taxable income/benefits such as but not limited to:
 1. 13th month pay and other benefits (subject to limitations)
 2. de minimis benefits
 3. employee's share in the SSS, GSIS, PHIC, Pag-ibig contributions
 4. union dues.

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Sec. 3
Income Tax
Rates on
Individual
Citizen &
Individual
Resident
Alien

- Individuals Earning **Purely Compensation Income**.
1. **Minimum wage earners (MWE)** shall be **exempt** from income tax:
 - statutory minimum wage
 - holiday pay
 - overtime pay
 - night shift differential pay and
 - hazard pay
 2. Husband & wife shall **compute** their individual income tax **separately** based on their respective taxable income;

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NIRC Provision	NIRC	TRAIN
<p><u>Section 24</u> Income tax of self-employed and/or professionals</p>	<p>Taxable income is subject to the same graduated rates</p>	<p>For purely self-employed and/or professionals whose gross sales/receipt and other non-operating income do not exceed the VAT threshold of P3Million, the tax shall be, at the taxpayer's option, either:</p> <ol style="list-style-type: none"> 1. Income tax based on the graduated income tax rates for individuals; OR 2. 8% income tax on gross sales/receipts and other non-operating income <u>in excess of P250,000</u> in lieu of the graduated income tax rates and the <u>percentage tax under Sec. 116</u>

Sec. 3
Income Tax
Rates on
Individual
Citizen &
Individual
Resident
Alien

- Taxpayer shall be **considered as having availed of the graduated income tax rates**
 - unless signifies the intention to elect the 8% income tax rate in the **1st Quarter** Percentage and/or Income Tax Return or on the **initial quarter** return;
 - election shall be **irrevocable** and **no amendment of option** shall be made

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Sec. 3 Income Tax Rates on Individual Citizen & Individual Resident Alien

- The option to be taxed at 8% income tax rate is **NOT available to:**
- individuals with gross sales/receipts and other non-operating income which **exceeded** ₱3,000,000.00
 - a **VAT-registered taxpayer**
 - those subject to **Other Percentage Taxes** under Title V of the Tax Code, as amended, except under Section 116
 - **partners** of a General Professional Partnership (**GPP**)
 - have not signified intention to avail of this

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**Sec. 3
Income Tax
Rates on
Individual
Citizen &
Individual
Resident
Alien**

A taxpayer who signifies the intention to **avail of the 8%** income tax rate option, and is **conclusively qualified** for said option at the **end** of the taxable year:

- shall compute the final annual income tax due based on the **actual annual** gross sales/receipts and other non-operating income
- Income tax is **in lieu** of the graduated rates of income tax **and** the percentage tax under Sec. 116
- Financial Statements (FS) is **not** required
- **Bookkeeping and invoicing/** receipting rules still apply

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Sec. 3
Income Tax
Rates on
Individual
Citizen &
Individual
Resident
Alien

- **Automatically subject to the graduated rates** even if initially selected the 8% income tax rate option:
 - if taxpayer's gross sales/receipts and other non-operating income **exceeded** the VAT threshold of P3,000,000 at **any time**
 - allowed a tax credit for the **previous quarter/s income tax payment/s** under the 8% income tax rate option

Sec. 3 Income Tax Rates on Individual Citizen & Individual Resident Alien

- **Automatically** be subjected to the **graduated rates**
- A taxpayer subject to the graduated income tax rates (either selected this or failed to signify chosen intention or failed to qualify) is **also subject to the applicable business tax, if any.**
- **FS** shall be required
- **Audited FS** mandatory for those with gross sales/receipts of more than the VAT threshold

Sec. 3
Income Tax
Rates on
Individual
Citizen &
Individual
Resident
Alien

- **Taxable income** - self-employment/
practice of profession:
- **net income**, if opted to be taxed at graduated rates or failed to signify the chosen option
 - the **gross sales/receipts and other** non-operating income if option availed is the 8% IT rate

NIRC Provision	NIRC	TRAIN
<p><u>Section 24</u> Income tax of mixed income earners</p>	<p>Taxable income is subject to the same graduated rates</p>	<p>For mixed income earners (earning both compensation income and income from business and/or practice of profession), their income taxes shall be:</p> <ol style="list-style-type: none"> 1. For income from compensation: based on graduated income tax rates for individuals, AND 2. For income from business and/or practice of profession: <ol style="list-style-type: none"> a. Gross sales/receipts and other non-operating income which do not exceed the VAT threshold of P3Million – income tax based on graduated income tax rates on taxable income OR 8% income tax on gross sales/receipts and other non-operating income, at the taxpayer's OPTION b. Gross sales/receipts and other non-operating income which exceeds the VAT threshold of P3Million – income tax based on graduated tax rates for individuals

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Sec. 3
Income Tax
Rates on
Individual
Citizen &
Individual
Resident
Alien

- Under Section 24(A)(2)(b) on option of **8%** income tax rate on gross sales/receipts and other non-operating income **in excess of P250,000.00** –
 - only to **purely** self-employed individuals and/or professionals.
 - **not** applicable to **mixed** income earners

Sec. 3 Income Tax Rates on Individual Citizen & Individual Resident Alien

Mixed Income (Continuation) under 8%...

- The excess of the P250,000.00 over the actual taxable compensation income is **not a reduction** against the taxable income from business/practice of profession under the 8% income tax rate option.
- The **total tax due** shall be the **sum** of:
 - (1) **tax due** from **compensation** computed using the **graduated** income tax rates; and
 - (2) **tax due** from **self-employment/practice of profession** (product of 8% IT rate multiply with the total gross sales/receipts and other non-operating income)

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Mixed Income (Continuation) graduated...

- option to be taxed under the graduated income tax rates for income from business/practice of profession, tax due shall be based on the total taxable income:

combine the taxable income from both compensation and business/practice of profession multiply by the graduated tax rate

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Sec. 12 Registration Updates

A taxpayer who **initially presumed** that the gross sales/receipts for the taxable year and other non-operating income will not exceed the ₱3,000,000.00 VAT threshold but has **actually exceeded** the same during the taxable year, shall

- immediately **update registration** from non-VAT to a VAT taxpayer
- update registration immediately **within the month** following the month the sales/receipts exceeded the VAT threshold
- be liable to VAT **prospectively** starting on the first day following the month when the threshold is breached

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Sec. 12 Registration Updates

A taxpayer who initially presumed that the gross sales/receipts for the taxable year and other non-operating income will not exceed the P3,000,000.00 ..., shall:

(continuation)

- pay the required **percentage tax** from the beginning of the taxable year or commencement of business/practice of profession until the time the taxpayer becomes liable for VAT - **without imposition of penalty if timely paid** on the immediately succeeding month/quarter.

Thus, there may be an instance when a taxpayer **files two (2) business tax returns** in a month/quarter – i.e., percentage and VAT returns.

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Sec. 12 Registration Updates

A VAT taxpayer who **did not exceed** the VAT threshold within the immediately preceding three (3) year period, **may opt to be a non-VAT** taxpayer and avail of the 8% income tax rate option:

- **update the registration** records on or before the first quarter of a taxable year
- **remain liable for VAT** for as long as there is no update of registration and VAT-registered **invoices/receipts are continuously** issued
- updates shall be **subject to existing rules and regulations**

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Sec. 12 Registration Updates

A non-VAT taxpayer who **volunteers** to be a VAT taxpayer knowing that sales/receipts and other non-operating income will exceed the VAT threshold, shall **update** registration records - becomes **liable to VAT** on the day when updating is made.

- **automatically be subject to the graduated IT rates if the 8% IT rate** option is initially selected; any income tax paid previously shall be deducted from the income tax due under the graduated IT rates; **percentage tax due** from the beginning shall be due on the month/quarter immediately following registration update.
- However, **if the graduated income tax rates** is selected from the beginning - **ceases to be liable** to percentage tax and instead is now liable to VAT.

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Sec. 13 Transitory Provisions

In connection with the provision on the 8% income tax rate option under Section 24(A)(2)(b) and Section 24(A)(2)(c)

- All existing VAT registered taxpayers whose gross sales/receipts and other non-operating income in the **preceding year** did not exceed the VAT threshold of ₱3,000,000.00:
 - **option to update their registration to non-VAT on or before March 31, 2018 (now April 30, 2018)**
 - existing procedures on registration updates, and the inventory and surrender/cancellation of unused VAT invoices/receipts shall apply

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Update No. 3

Revenue Regulations No. 12-18

Date: January 25, 2018
(Estate & Donor's Tax)



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Estate Tax

Title:

Consolidated Revenue Regulations on Estate Tax and Donor's Tax Incorporating the Amendments Introduced by Republic Act No. 10963, Otherwise Known as the "Tax Reform for Acceleration and Inclusion (TRAIN) Law"

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Sec. 2 Rate of Estate Tax

The transfer of the net estate of every decedent, whether resident or non-resident of the Philippines, as determined in accordance with the NIRC, shall be subject to an estate tax at the rate of **six percent (6%)**.

Sec. 3 The Law that Governs the Imposition of Estate Tax

It is a well-settled rule that estate taxation is governed by the statute in force at the time of death of the decedent. The estate tax accrues as of the death of the decedent and the accrual of the tax is distinct from the obligation to pay the same. Upon the death of the decedent, succession takes place and the right of the State to tax the privilege to transmit the estate vests instantly upon death.

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Estate Tax

Computation of Estate Tax – Citizen/Resident

Gross estate:

- ✓ Real property
- ✓ Personal property

Conjugal

Exclusive

Total

Less: Deductions:

- ✓ Standard deduction (P5 M)
- ✓ Claims against the estate – debt instrument was notarized; statement showing disposition of proceeds of loan, if contracted within 3 years from date of death
- ✓ Claims of the deceased against insolvent persons
- ✓ Unpaid mortgages, taxes and casualty losses
- ✓ Properties previously taxed (vanishing deduction)
- ✓ Transfers for public use
- ✓ Family home (not to exceed P10 M)
- ✓ Amount received by heirs (RA 4917) amount is included in gross estate of decedent
- ✓ Share of the surviving spouse (50% of net conjugal estate)

Net Taxable Estate

❖ Estate tax (6%)

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Estate Tax

Computation of Estate – Non-resident Alien

Gross estate:

- ✓ Real property
- ✓ Personal property

Conjugal

Exclusive

Total

Less: Deductions:

- ✓ Standard deduction (P500 K)
- ✓ Proportion of the following:
 - a) Claims against the estate – debt instrument was notarized; statement showing disposition of proceeds of loan, contracted within 3 years from date of death
 - b) Claims of the deceased against insolvent persons
 - c) Unpaid mortgages, taxes and casualty losses
- ✓ Properties previously taxed (vanishing deduction)
- ✓ Transfers for public use
- ✓ Share of the surviving spouse (50% of net conjugal estate)

Net Taxable Estate Tax (6%)

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Sec. 9 Time and Place of Filing Estate Tax Return and Payment of Estate Tax Due

When to file and pay?

File estate tax return and pay tax within one (1) year from date of death.

When is CPA certification required?

If gross estate exceeds P5 million, attach to estate tax return a certified statement of assets and itemized deductions.

How about installment payments?

If case the available cash of the estate is insufficient to pay the total estate tax due, payment by installment shall be allowed within two (2) years from the statutory date for its payment without civil penalty and interest.

Estate Tax

Payment of the Estate Tax by Installment

In case of insufficiency of cash for the immediate payment of the total estate tax due, the estate may be allowed to pay the estate tax due through the following options, including the corresponding terms and conditions:

1. Cash installment
2. Partial disposition of estate and application of its proceeds to the estate tax due

Estate Tax

Sec. 10 Payment of Tax Antecedent to the Transfer of Shares, Bonds, or Rights and Bank Deposits Withdrawal

Tax clearance is required before any transfer of shares may be made in the name of new owners, however,

- ✓ If a bank has knowledge of the death of a person, who maintained a bank deposit account alone, or jointly with another, it shall allow any withdrawal from the said deposit account, subject to a final withholding tax of six percent (6%), without such certification from the CIR.
- ✓ The bank is required to withhold and remit the tax withheld from the withdrawal of heirs from the decedent's cash deposit. A corresponding BIR Form No. 2306(Certificate of Final Tax Withheld at Source) shall be issued to the heir/administrator.

Estate Tax

- ✓ The executor, administrator, or any of the legal heirs, withdrawing from the deposit account shall provide the bank, where such withdrawal shall be made, with the TIN of the estate of the decedent. For this purpose, the bank shall require the presentation of BIR Form No. 1904 of the estate, duly stamped received by the BIR prior to such withdrawal.
- ✓ Further, all withdrawal slips shall contain the following terms and conditions: (a) a sworn statement to the effect that all of the joint depositors are still living at the time of withdrawal by any one of the joint depositors; and, (b) a statement that the withdrawal is subject to the final withholding tax of 6%.

Estate Tax

Illustrative examples to properly present the manner of deducting family home, standard deduction, and other allowable deductions from the gross estate in accordance with the provisions of the NIRC.

Illustrations :

1. Decedent is unmarried, family home more than P10,000,000
2. Decedent is married, the family home is conjugal property, more than P10,000,000
3. Decedent is married, the family home exclusive property, more than P10,000,000
4. Decedent is an unmarried, the family home is below P10,000,000
5. Decedent is married, the family home is conjugal property and is below 10,000,000
6. Decedent is married, the family home exclusive property and below P10,000,000

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Illustration No. 1

Decedent is unmarried, family home has a FMV of P30M. In addition he has other real and personal properties amounting to P14M. Decedent has an unpaid mortgage/unpaid taxes amounting to P2M

Compute the taxable estate.

Estate Tax

Solution

Real and personal properties	P 14,000,000	
Family Home	30,000,000	
Gross Estate		P44,000,000
Less: Deductions		
Ordinary Deductions	2,000,000	
Special Deductions		
Family Home	10,000,000	
Standard Deduction	5,000,000	
Total Deductions		(17,000,000)
NET TAXABLE ESTATE		P27,000,000

Illustration No. 2

Decedent is married, family home which is conjugal has a FMV of P30M, other conjugal properties are real and personal properties amounting to P14M. In addition, he has an exclusive properties amounting to P5M. Decedent has an unpaid mortgage/unpaid taxes amounting to P2M

Compute the taxable estate

Estate Tax

Solution

	<u>Exclusive</u>	<u>Conjugal</u>	<u>Total</u>
Conjugal Properties:			
Family Home		P30,000,000	P30,000,000
Real and personal properties		14,000,000	14,000,000
Exclusive Properties:	5,000,000		5,000,000
Gross Estate	----- 5,000,000	----- 44,000,000	----- P49,000,000
Less:			
Ordinary Deductions			
Conjugal Ordinary Deductions		(2,000,000)	(2,000,000)
Net Conjugal Estate		----- 42,000,000	-----
Special Deductions			
Family Home			(10,000,000)
Standard Deduction			(5,000,000)
Total Deductions			----- (17,000,000)
Net Estate			----- 32,000,000
Less: ½ Share of Surviving Spouse			(21,000,000)
Conjugal Property	P44,000,000		
Conjugal Deductions	(2,000,000)		
Net Conjugal Estate	P42,000,000		
(P42,000,000/2)			
NET TAXABLE ESTATE			P11,000,000

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Illustration No. 3

Decedent is married, the estate includes conjugal real and personal properties amounting to P14M and a family home with FMV of P30M, which is exclusive. Decedent has an unpaid mortgage/unpaid taxes amounting to P2M

Compute the taxable estate.

Solution

	<u>Exclusive</u>	<u>Conjugal</u>	<u>Total</u>
Conjugal Properties			
Real and personal properties		14,000,000	14,000,000
Exclusive properties			
Family Home	30,000,000		30,000,000
Gross Estate	30,000,000	14,000,000	44,000,000
Less:			
Ordinary Deductions			
Conjugal Ordinary Deductions		<u>(2,000,000)</u>	(2,000,000)
Net Conjugal Estate		12,000,000	
Special Deductions			
Family Home			(10,000,000)
Standard Deduction			<u>(5,000,000)</u>
Total Deductions			<u>(17,000,000)</u>
Net Estate			27,000,000
Less: 1/2 Share of Surviving Spouse			(6,000,000)
Conjugal Property	P14,000,000		
Conjugal Deductions	<u>(2,000,000)</u>		
Net Conjugal Estate	12,000,000		
(P12,000,000/2)			
NET TAXABLE ESTATE			P21,000,000

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P21,000,000



Illustration No. 4

Decedent is unmarried, family home is P9M. In addition he has other real and personal properties amounting to P14M. Decedent has an unpaid mortgage/unpaid taxes amounting to P2M

Compute the taxable estate.

Solution

Real and personal properties	P14,000,000	
Family Home	<u>9,000,000</u>	
Gross Estate		<u>P23,000,000</u>
Less: Deductions		
Ordinary Deductions		2,000,000
Special Deductions		14,000,000
Family Home	9,000,000	
Standard Deduction	5,000,000	
Total Deductions		<u>(16,000,000)</u>
NET TAXABLE ESTATE		<u>P7,000,000</u>

Illustration No. 5

Decedent is married, family home which is conjugal has a FMV of P9M, other conjugal properties are real and personal properties amounting to P14M. In addition, he has exclusive properties amounting to P5M. Decedent has an unpaid mortgage/unpaid taxes amounting to P2M

Compute the taxable estate.

Solution

	<u>Exclusive</u>	<u>Conjugal</u>	<u>Total</u>
Conjugal Properties			
Family Home		9,000,000	9,000,000
Real and personal properties		14,000,000	14,000,000
Exclusive Properties	<u>5,000,000</u>		5,000,000
Gross Estate	5,000,000	23,000,000	<u>28,000,000</u>
Less:			
Ordinary Deductions			
Conjugal Ordinary Deductions		<u>(2,000,000)</u>	<u>(2,000,000)</u>
			26,000,000
Net Conjugal Estate		21,000,000	
Special Deductions			
Family Home			(4,500,000)
Standard Deduction			<u>(5,000,000)</u>
Total Deductions			<u>9,500,000</u>
Net Estate			16,500,000
Less: 1/2 Share of Surviving Spouse			(10,500,000)
Conjugal Property	P23,000,000		
Conjugal Deductions	<u>(2,000,000)</u>		
Net Conjugal Estate	21,000,000		
(P21,000,000/2)			
NET TAXABLE ESTATE			P6,000,000

Illustration No. 6

Decedent is married, the estate includes conjugal real and personal properties amounting to P14M and a family home with a FMV of P9M, which is exclusive. Decedent has an unpaid mortgage/unpaid taxes amounting to P2M.

Compute the taxable estate.

Solution

	<u>Exclusive</u>	<u>Conjugal</u>	<u>Total</u>
Conjugal Properties			
Real and personal properties		14,000,000	14,000,000
Exclusive Properties			
Family Home	<u>9,000,000</u>		9,000,000
Gross Estate	9,000,000	14,000,000	<u>23,000,000</u>
Less:			
Ordinary Deductions			
Conjugal Ordinary Deductions		<u>(2,000,000)</u>	<u>(2,000,000)</u>
			21,000,000
Net Conjugal Estate		12,000,000	
Special Deductions			
Family Home			(9,000,000)
Standard Deduction			<u>(5,000,000)</u>
Total Deductions			14,000,000
Net Estate			<u>7,000,000</u>
Conjugal Property	P14,000,000		
Conjugal Deductions	<u>(2,000,000)</u>		
Net Conjugal Estate	12,000,000		<u>6,000,000</u>
(P12,000,000/2)			
NET TAXABLE ESTATE			P1,000,000

Donor's Tax

Sec. 11 Rate of Donor's Tax

The donor's tax for each calendar year shall be **six percent 6%** computed on the basis of the total gifts in excess of P250,000 exempt gift made during the calendar year. This will be imposed regardless of the relationship between the donor and the donee.

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Donor's Tax

Sec. 12 The Law that Governs the Imposition of Donor's Tax

- ✓ The donor's tax is not a property tax, but is a tax imposed on the transfer of property by way of gift inter vivos. (*Lladoc vs. Commissioner of Internal Revenue*, L-19201, June 16, 1965; 14 SCRA, 292)
- ✓ The donor's tax shall not apply unless and until there is a completed gift. The transfer of property by gift is perfected from the moment the donor knows of the acceptance by the donee; it is completed by the delivery, either actually or constructively, of the donated property to the donee.

Donor's Tax

Sec. 12 The Law that Governs the Imposition of Donor's Tax

- ✓ Thus, the law in force at the time of the perfection/completion of the donation shall govern the imposition of the donor's tax.

Sec. 17 Exemption of Certain Gifts

Gifts Made by a Resident or by a Nonresident not a Citizen of the Philippines

- ✓ Gifts made to or for the use of the National Government or any entity created by any of its agencies which is not conducted for profit, or to any political subdivision of the said Government; and
- ✓ Gifts in favor of an educational and/or charitable, religious, cultural or social welfare corporation, institution, accredited nongovernment organization, trust or philanthropic organization or research institution or organization.

Donor's Tax

Illustration No. 1

Ms. MRU made the following donation on:

January 30, 2018	–	P2,000,000
March 30, 2018	–	1,000,000
August 15, 2018	–	500,000

Compute the donor's tax due

Donor's Tax Solution

Date of donation

Amount Donor's Tax

January 30, 2018

P2,000,000

January 30, 2018 donation

2,000,000

Less: Exempt Gift

(250,000)

Net Gift

1,750,000

Rate

6%

Tax Due / Payable on January Donation

P105,000

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Donor's Tax

Continuation....

Date of donation	Amount	Donor's Tax
March 30, 2018	P1,000,000	
March 30, 2018 donation		1,000,000
Add: January 2018 donation		2,000,000
Less: Exempt Gift		<u>(250,000)</u>
Total		<u>2,750,000</u>
Tax Rate		6%
Tax Due Thereon		165,000
Less: Tax due/paid on January donation		<u>105,000</u>
Tax Due/Payable on the March donation		<u>P60,000</u>

Donor's Tax Solution

Date of donation	Amount	Donor's Tax
August 15,2018	P500,000	
August 15, 2018 donation		500,000
Add: January 2018 donation		2,000,000
March 2018 donation		1,000,000
Less: Exempt Gift		<u>(250,000)</u>
Total		<u>3,250,000</u>
Tax Rate		6%
Tax Due Thereon		195,000
Less: Tax due/paid on Jan/March donation		<u>165,000</u>
Tax Due/Payable on the August donation		P <u>30,000</u>

Update No. 4

Revenue Regulations

No. 13-18

Date: March 15, 2018
(Value Added Tax)



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Regulations Implementing the Value-Added Tax Provisions under the Republic Act (RA) No. 10963, or the “Tax Reform for Acceleration and Inclusion (TRAIN),” Further Amending Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), as Amended.

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Amendments to Revenue Regulations No. 16-2005

Sections

1. 4.106-5 - Zero Rated Sales of Goods or Properties
2. 4.108-3 - Definitions and Specific Rules on Selected Services
3. 4.108-5 - Zero Rated Sale of Services
4. 4.109-1 - VAT-Exempt Transactions
5. 4.109-2- Exempt Transactions May be Registered for VAT Purposes
6. 4.110-3 - Claims for Input Tax on Depreciable Goods
7. 4.112-1 - Claims for Refund/Credit of Input Tax
8. 4.114-1 - Filing of Return and Payment of VAT
9. 4.114-2 - Withholding of VAT on Government Money Payments
and Payments to Non-Residents
10. 4.116 - Tax on Persons Exempt from Value-added Tax

SEC. 4.109-1. VAT-Exempt Transactions

(p) The following sales of real properties are exempt from VAT, namely:

- (1) Sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business
- (2) Sale of real properties utilized for low-cost housing as defined by RA No. 7279, otherwise known as the "Urban Development and Housing Act of 1992" and other related laws.

SEC. 4.109-1. **VAT-Exempt** **Transactions**

(p) The following sales of real properties are exempt from VAT, namely:

(3) Sale of real properties utilized for socialized housing as defined under RA No. 7279, and other related laws, such as RA No. 7835 and RA No. 8763, wherein the price ceiling per unit is P450,000.00 or as may from time to time be determined by the HUDCC and the NEDA and other related laws.

(4) Sale of residential lot valued at One Million Five Hundred Thousand Pesos (P1,500,000.00) and below, or house & lot and other residential dwellings valued at Two Million Five Hundred Thousand Pesos (P2,500,000.00) and below, as adjusted in 2011 using the 2010 Consumer Price Index values.



SEC. 4.109-1.
VAT-Exempt
Transactions

Beginning January 1, 2021, the VAT exemption shall only apply to:

1. sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business

2. Sale of real property utilized for socialized housing as defined by Republic Act No. 7279,

3. Sale of house and lot, and other residential dwellings with selling price of not more than Two Million Pesos (P2,000,000.00)

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SEC. 4.109-1.
VAT-Exempt
Transactions

(q) Lease of residential units with a monthly rental per unit not exceeding **Fifteen Thousand Pesos (P15,000.00)**.

The foregoing notwithstanding, lease of residential units where the monthly rental per unit exceeds **Fifteen Thousand Pesos (P15,000.00)**, but the aggregate of such rentals of the lessor during the year do not exceed **Three Million Pesos (P3,000,000.00)** shall likewise be exempt from VAT; however, the same shall be subject to three percent (3%) percentage tax under Section 116 of the Tax Code.

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 1: A lessor rents his 15 residential units for P14,500 per month. During the taxable year, his accumulated gross receipts amounted to P2,610,000. *Is the lessor subject to VAT or PT? Why? Why not?*

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 1: Answer

He is not subject to VAT since the monthly rent per unit does not exceed P15,000. He is also not subject to 3% Percentage Tax.

Illustration 1:

Using the same example, assuming he has 20 residential units with the same monthly rent per unit and his accumulated gross receipts during the taxable year amounted to P3,480,000. *Is the lessor subject to VAT or PT? Why? Why not?*

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 1: Answer

He is still not subject to VAT even if the accumulated earnings exceeded P3,000,000 since the monthly rent per unit does not exceed P15,000.
He is also not subject to 3% Percentage Tax.

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 2: A lessor rents his 15 residential units for P15,500 per month. During the taxable year, his accumulated gross receipts amounted to P2,790,000. *Is the lessor subject to VAT or PT? Why? Why not?*

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 2: Answer

He is not subject to VAT since his accumulated gross receipts did not exceed P3,000,000. He is, however, subject to 3% Percentage Tax since the monthly rent per unit is more than P15,000.00.

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 2:

Using the same example, assuming he has 20 residential units with the same monthly rent per unit and his accumulated gross receipts during the taxable year amounted to P3,720,000, *Is the lessor subject to VAT or PT? Why? Why not?*

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 2: Answer

He is already subject to VAT since the accumulated earnings exceeded P3,000,000 and the monthly rent per unit is more than P15,000.00.

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 3: A lessor rents his 2 commercial and 10 residential units for monthly rent of P60,000 and P15,000 per unit, respectively. During the taxable year, his accumulated gross receipts amounted to P3,240,000 (P1,440,000 from commercial units and P1,800,000 from residential units). *Is the lessor subject to VAT or PT? Why? Why not?*

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 3: Answer

The P1,440,000 from commercial units is not subject to VAT since it did not exceed P3,000,000. It is, however, subject to 3% Percentage Tax. On the other hand, the P1,800,000 accumulated receipts from the residential units are not subject to Percentage Tax and exempt from VAT since the monthly rent is not more than P15,000.

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 3:

Using the same example, assuming the lessor has 5 commercial units and his accumulated gross receipts during the taxable year amounted to P5,400,000 (P3,600,000 from commercial units and P1,800,000 from residential units). **Is the lessor subject to VAT or PT? Why? Why not?**

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 3: Answer

He is subject to VAT with respect to P3,600,000 since it exceeded P3,000,000. The P1,800,000 accumulated receipts from residential units are not subject to Percentage Tax and exempt from VAT since the monthly rent is not more than P15,000.

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 4: A lessor rents his 5 commercial and 10 residential units for monthly rent of P60,000 and P15,500 per unit, respectively. During the taxable year, his accumulated gross receipts amounting to P5,460,000 (P3,600,000 from commercial units and P1,860,000 from residential units). *Is the lessor subject to VAT or PT? Why? Why not?*

SEC. 4.109-1.
VAT-Exempt
Transactions

Illustration 4: Answer

Shall be subject to VAT since it exceeded the P3,000,000 threshold and the monthly rent of residential units is more than P15,000.

**SEC. 4.109-1.
VAT-Exempt
Transactions**

(y) Association dues, membership fees, and other assessments and charges collected on a purely reimbursement basis by homeowners' associations and condominium corporations established under Republic Act No. 9904 (Magna Carta for Homeowners and Homeowners' Association) and Republic Act No. 4726 (The Condominium Act), respectively;

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**SEC. 4.109-1.
VAT-Exempt
Transactions**

Self-employed individuals and professionals availing of the 8% tax on gross sales and/or receipts and other non-operating income, under Sections 24(A)(2)(b) and 24(A)(2)(c)(2)(a) of this Code shall also be exempt from the payment of twelve (12%) VAT.

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SEC. 4.109-
Exempt
Transactions
May be
Registered for
VAT
Purposes.

— A VAT-registered person may, in relation to Sec. 236 (H) of the 1997 Tax Code, as amended, elect that the exemption in Sec. 4.109-1(B) hereof shall not apply to his sales of goods or properties or services. Once the election is made, it shall be irrevocable for a period of three (3) years counted from the quarter when the election was made except for franchise grantees of radio and TV broadcasting whose annual gross receipts for the preceding year do not exceed ten million pesos (P10,000,000.00) where the option becomes perpetually irrevocable.

SEC. 4.109-
Exempt
Transactions
May be
Registered for
VAT
Purposes.

WPM is a rice dealer. His total annual gross sales and/or receipts do not exceed Three Million (P3,000,000.00), allowing him to avail the following:

(a) WPM is a VAT-exempt taxpayer. He may elect to avail of the optional registration for VAT of exempt person under Section 236 (H) of the 1997 Tax Code, as amended. Upon election of such option, he shall not be entitled to cancel his VAT registration for the next three (3) years;

(b) WPM may elect to pay the 8% commuted tax rate on gross sales or receipts and other non-operating income in lieu of the graduated income tax rates and the percentage tax under Section 24(A)(2)(b) of the 1997 Tax Code, as amended, since his gross sales or receipts did not exceed Three Million Pesos (P3,000,000) during the taxable year. If he elects to pay the 8% commuted tax, he shall not be allowed to avail of the optional registration for VAT of exempt person provided by Section 236(H) of the 1997 Tax Code, as amended.

**SEC. 4.110-3.
Claims for
Input Tax on
Depreciable
Goods.**

(c) The amortization of the input VAT shall only be allowed until December 31, 2021 after which taxpayers with unutilized input VAT on capital goods purchased or imported shall be allowed to apply the same as scheduled until fully utilized

SEC. 4.110-3.
Claims for
Input Tax on
Depreciable
Goods.

A manufacturer purchased capital goods on
different occasions as follows:

Month of Purchase	Amount (Php)	12% Input Tax	Useful Life	No. of Monthly Amortization	Last Month of Amortization
Jan 2018	8,500,000.00	1,020,000.00	6 years	60	December 2022
Feb 2019	8,500,000.00	1,020,000.00	4 years	48	January 2022
Dec 2021	10,000,000.00	1,200,000.00	5 years	60	November 2026
Jan 2022	10,000,000.00	1,200,000.00	5 years	-	*Outright claim on Jan. 2022

**SEC. 4.110-3.
Claims for
Input Tax on
Depreciable
Goods.**

a. For purchase made on January 2018, the amortization shall be for the shorter period of 5 years only or up to December 2022 although the useful life is 6 years.

b. For purchase made on February 2018, the amortization shall be for period of 4 years only or up to January 2022 since the useful life of the asset is shorter than 5 years.

c. For purchase made on December 2021, the amortization shall be for the period of 5 years or up to November 2026.

d. For purchase made on January 2022, no amortization shall be made and the input VAT shall be claimed on the month of purchase or January 2022.

SEC. 4.112-1.
Claims for
Refund/Credit of
Input Tax

(b) Cancellation of VAT registration

A VAT-registered person whose registration has been cancelled due to retirement from or cessation of business, or due to changes in or cessation of status under Sec. 106 (C) of the Tax Code may, within two (2) years from the date of cancellation, apply for the issuance of tax credit certificate for any unused input tax which he may use in payment of his other internal revenue taxes: *Provided, however,* that he shall be entitled to a refund if he has no internal revenue tax liabilities against which the tax credit certificate may be utilized.

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**SEC. 4.112-1.
Claims for
Refund/Credit of
Input Tax**

(b) Cancellation of VAT registration - Requirements

The date of cancellation being referred hereto is the date of issuance of tax clearance by the BIR, after full settlement of all tax liabilities relative to cessation of business or change of status of the concerned taxpayer: *Provided, finally,* that the filing of the claim shall be made only after completion of the mandatory audit of all internal revenue tax liabilities covering the immediately preceding year and the short period return and the issuance of the applicable tax clearance/s by the appropriate BIR Office which has jurisdiction over the taxpayer.

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SEC. 4.112-1.
Claims for
Refund/Credit of
Input Tax

(c)Where to file the claim for refund/credit

Claims for refunds shall be filed with the appropriate Bureau of Internal Revenue (BIR) Office (Large Taxpayers Service (LTS), Revenue District Office (RDO)) having jurisdiction over the principal place of business of the taxpayer. Claims for input tax refund of direct exporters shall be exclusively filed with the VAT Credit Audit Division (VCAD).

SEC. 4.112-1.
Claims for
Refund/Credit of
Input Tax

(d) Period within which refund/credit of input taxes shall be made

The Commissioner of Internal Revenue shall grant refund for creditable input taxes within **ninety (90)** days from the date of:

submission of the **official receipts or invoices and other documents** in support of the application filed in accordance with subsections (A) and (B) hereof.

Should the Commissioner find that the grant of refund is not proper, the Commissioner must state in writing the legal and factual basis for the denial.

**SEC. 4.112-1.
Claims for
Refund/Credit of
Input Tax**

(d) Period within which refund/credit of input taxes shall be made

The **90-day** period to process and decide, pending the establishment of the enhanced VAT Refund System shall **only be up to the date of approval of the Recommendation Report** on such application for VAT refund by the Commissioner or his duly authorized representative: *Provided, That* all claims for refund/tax credit certificate filed prior to January 1, 2018 will be governed by the one hundred twenty (120)-day processing period.

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SEC. 4.112-1.
Claims for
Refund/Credit of
Input Tax

(d) Period within which refund/credit of input taxes shall be made

In case of full or partial denial of the claim for tax refund, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim, appeal the decision with the Court of Tax Appeals: **Provided, however, that failure on the part of any official, agent, or employee of the BIR to act on the application within the ninety (90)- day period shall be punishable under Section 269 of the Tax Code, as amended.**

SEC.4-116.
Tax on Persons
Exempt from
Value-added
Tax (VAT)

Any person whose sales or receipts are exempt under Section 109 (1) (BB) of the Tax Code from the payment of value-added tax and who is not a VAT-registered person shall pay a tax equivalent to three percent (3%) of his gross quarterly sales or receipts: **Provided, however, that the following shall be exempt from the payment of three percent (3%) percentage tax:**

1. Cooperatives: and

2. Self-employed individuals and professionals availing of the 8% tax on gross sales and/or receipts and other non-operating income, under Sections 24(A)(2)(b) and 24(A)(2)(c)(2)(a) of the Tax Code, as amended..

SECTION 13. TRANSITORY PROVISIONS

In relation to Section 109(2), an existing VAT-registered taxpayer whose gross sales/receipts in the preceding taxable year did not exceed the VAT threshold of P3,000,000.00 may continue to be VAT-registered taxpayer and avail of the “Optional Registration for Value-Added Tax of Exempt Person” provided by Section 236(H). Once availed, the taxpayer shall not be entitled to cancel the VAT registration for the next three (3) years.

SECTION 13. TRANSITORY PROVISIONS

A VAT-registered taxpayer who opted to register as Non-VAT as a result of the implementation of the TRAIN Law, shall immediately:

1. Submit an inventory list of unused invoices and/or receipts as of the date of filing of application for update of registration from VAT to Non-VAT, indicating the number of booklets and its corresponding serial numbers; and
2. Surrender the said invoices and/or receipts for cancellation.

SECTION 13. TRANSITORY PROVISIONS

A number of unused invoices/receipts, as determined by the taxpayer with the approval of the appropriate BIR Office, may be allowed for use, provided the phrase “**Non-VAT registered as of (date of filing an application for update of registration). Not valid for claim of input tax.**” shall be stamped on the face of each and every copy thereof, until new registered non-VAT invoices or receipts have been received by the taxpayer. Upon such receipt, the taxpayer shall submit a new inventory list of, and surrender for cancellation, all unused previously-stamped invoices/receipts.

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SECTION 6. EFFECTIVITY

These Regulations are effective beginning January 1, 2018, the effectivity of the TRAIN Law

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Update No. 5

Revenue Regulations No. 6-18

Date: November 20, 2017

Revoking RR No. 12-2013, thereby reinstating the provision of Section 2.58.5 of RR No. 14-2002, as amended by RR No. 17-2003.

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Revenue Regulations No. 6-18.

Requirements of Deductibility:

Any income payment which is otherwise deductible under the Tax Code shall be allowed as a deduction from the payor's gross income only if it is shown that the income tax required to be withheld has been paid to the Bureau in accordance with Secs. 57 & 58 of the Code.

Revenue Regulations No. 6-18.

A deduction will also be allowed in the following cases where no withholding of tax was made:

1. The payee reported the income and pays the tax due thereon and the withholding agent pays the tax including the interest incident to the failure to withhold the tax, and surcharges, if applicable, at the time of the audit / investigation or reinvestigation / reconsideration.

Revenue Regulations No. 6-18.

A deduction will also be allowed in the following cases where no withholding of tax was made:

2. The recipient / payee failed to report the income on the due date thereof, but the withholding agent / taxpayer pays the tax, including the interest incident to the failure to withhold the tax, and surcharges, if applicable, at the time of the audit / investigation or reinvestigation / reconsideration.

Revenue Regulations No. 6-18.

A deduction will also be allowed in the following cases where no withholding of tax was made:

3. The withholding agent erroneously underwithheld the tax but pays the difference between the correct amount and the amount of tax withheld, including the interest incident to such error, and surcharges, if applicable, at the time of the audit / investigation or reinvestigation / reconsideration.

Revenue Regulations No. 6-18.

A deduction will also be allowed in the following cases where no withholding of tax was made:

4. Items of deduction representing return of capital such as those pertaining to purchases of raw materials forming part of the finished product or purchases of goods for resale, shall be allowed as deduction upon withholding agent's payment of the basic withholding tax and penalties incident to non-withholding or underwithholding.

Update No. 6

Revenue Regulations

No. 7-18

Date: January 22, 2018

**Amending Certain Sections of RR No. 12-99,
as amended by RR No. 18-13, Relative to the Due
Process Requirement in the Issuance of a
deficiency Tax Assessment.**

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Due Process Requirement in the Issuance of Deficiency Tax Assessment. -

NIC

✓ Notice of Informal Conference is issued in case the TP is not amenable to the computed deficiency tax(es).

The Informal Conference shall in no case extend beyond 30 days from receipt of the notice.

PAN

Preliminary Assessment Notice

FAN

Final Assessment Notice

New Requirement.

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Update No. 7

Revenue Memorandum Circular No. 10-18 Date: January 31, 2018

Clarifying the Time of Withholding and Remittance of Taxes Withheld by Withholding Agents including National Government Agencies and Instrumentalities LGUs, and GOCCs.

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Revenue Memorandum Circular No. 10-18.

Time of Withholding: (Under RR 12-01)

- Arise at the time of an income payment is paid or payable, or their income payment is accrued or recorded as an expense or asset, which ever is applicable, in the payor's books, **whichever comes first.**

Revenue Memorandum Circular No. 10-18.

Time of Withholding: (Under GAM)

- Conflict between BIR Regulation and the GAM occurred as a result of the illustrative example of the accounting entries in the GAM itself whereby “Due to BIR” accounts were recognized only upon payment of the accounts payable to the income payee.

Time of Withholding: (Clarified)

- The obligation to withhold taxes already arises when an expense or asset is already recorded whether or not the same has been paid, pursuant to RR No. 12-2001.

Update No. 8

Revenue Memorandum Circular No. 21-18 Date: April 2, 2018

**Circularizing Memo-016-2018 Re: Surcharge,
Interest, and Compromise penalty on amended
returns.**



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Revenue Memorandum Circular No. 21-18.

Issue:

- In filing an amended tax returns, there are RDOs that impose surcharge, interest and compromise penalty, while other RDOs impose only interest.

Revenue Memorandum Circular No. 21-18.

Ruling:

- In an amendment of tax return where an additional tax is due per amended return, 20% interest and 25% penalty (surcharge) shall be imposed based on the additional tax to be paid per amended return.

Revenue Memorandum Circular No. 21-18.

Ruling:

- With regard to compromise penalty, it is a suggested compromise amount by the BIR in the settlement of criminal liability for violations committed by the taxpayer, the payment of which is consensual in nature, and may not therefore be imposed or exacted on the taxpayer. Thus, in the event that taxpayer refuses to pay the suggested compromise penalty, the violation shall be referred to the appropriate office for criminal action.

END OF PRESENTATION...

THANK YOU !

Have a nice day!

