

# **Tax Reform for Acceleration and Inclusion (TRAIN)**

**Presented by:**

**RHODORA GARCIA-ICARANOM**

# Tax Reform

## ***Introduction:***

“Tunay na pagbabago” or real positive change is the premise and commitment of President Rodrigo Duterte to the Filipino people. This includes, among others, more inclusive growth manifested by a comfortable life for all, improved public services, more and better jobs, and more money in the people’s pockets; and safe, healthy and peaceful communities.

To realize these aspirations, the Duterte Administration recognizes the need to sustain high growth every year, shift the source of growth from consumption to investment, and heavily invest in our people through improved social services, such as public health and education systems; and in better infrastructure to improve connectivity and raise productivity.

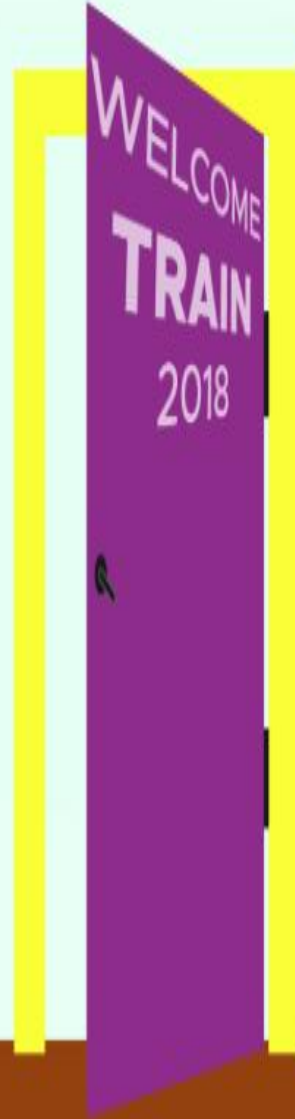
A window of opportunity exists today to take the country to the next level of development - to build, build, build - new roads, railways, bridges, airports, schools and hospitals, to name a few. This window, characterized by strong macroeconomic fundamentals and a popular new government, provides the necessary condition to realize our common vision for a stronger republic.



These necessary investments require an additional one trillion pesos annually over the long term, of which some 400 billion pesos is targeted by 2019. To sustainably finance these investments, ***a Tax Reform for Acceleration and Inclusion is ratified into law.***



Mas wais na paraan upang mabigyan ng basic social protection ang mahihirap



EDUCATION



HOUSING



BETTER HEALTH CHOICES



NO TAX ON FOOD FROM SARI-SARI STORES

113,553  
BAGONG  
SILID-  
ARALAN  
2017 - 2020



181,980  
DAGDAG  
NAMGA  
GURU



100%  
ENROLLMENT  
&  
COMPLETION  
RATES

Lahat may benepisyo sa  
pag-andar ng **TRAIN**





**+113,553**  
classrooms



**100%** enrollment at  
completion rates

*TRAIN*

Anumang antas ng kanilang pamumuhay,  
lahat ng bata ay makakapag-aral  
at makakapagtapos







+ 15,988  
barangay  
health stations



263 upgraded/relocated  
rural at urban health units



704 upgraded  
local hospitals

+ 25 local  
hospitals



+ 2,424 na rural  
health units at  
urban health centers

**TRAIN Law Benefit**

Ang yaman ng bayan ay  
ibabahagi sa pangangalaga ng  
kalusugan ng mga mamamayan



# Dugtong-dugtong na **positibong epekto** na magsisimula sa paglikha ng dagdag na trabaho



YEAR 5  
+ 500,000  
jobs



Bulk of jobs generated from construction and retail

Up to 250,000  
Filipinos out of poverty





Masagana ang bagong taon ng buong pamilya





The tax reform program consists of several packages, with each package balancing trade-offs (e.g., lowering of some tax rates while broadening the base of other taxes) and helping to ensure timely enactment.

This REPUBLIC ACT 10963 known as TRAIN is the first of these packages.

## Salient Features -

The Tax Reform for Acceleration and Inclusion (TRAIn) envisions to create a tax system that is simpler, fairer and more efficient, characterized by low rates and a broad base that promotes investment, job creation and poverty reduction. This will be complemented by major tax administration reforms in the Bureau of Internal Revenue.

In addition to tax policy and administration reforms, budget reforms are being pursued to promote spending transparency and efficiency.

## Salient Features –

### A. Tax Policy Reforms:

1. Lower personal income tax
2. Reduction of the estate and donor's tax
3. Broadening the VAT base
4. Adjust excise taxes on petroleum and automobiles
5. Imposition of excise taxes on sugar sweetened beverages
6. Introduce Cosmetic Surgery Excise Tax

### B. Budget Reforms:

- ✓ Earmarking for social protection programs  
*(to mitigate the impact of the tax increases on the poor and vulnerable households)*

## Salient Features –

### C. Tax administration Reforms: (HB5636,SB1592)

1. mandatory interconnection of large & medium firms' Point of Sale (POS) machines and acctg. systems to the BIR system;
2. mandatory issuance of e-receipts;
3. mandatory use of fuel marking;





H. No. 5636  
S. No. 1592

Republic of the Philippines  
**Congress of the Philippines**  
Metro Manila  
Seventeenth Congress  
Second Regular Session

Begun and held in Metro Manila, on Monday, twenty-fourth day of July, two thousand seventeen.

[REPUBLIC ACT NO. 10963]

AN ACT AMENDING SECTIONS 5, 6, 24, 25, 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 232, 236, 237, 249, 254, 264, 269, AND 288; CREATING NEW SECTIONS 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, 264-B, AND 265-A; AND REPEALING SECTIONS 35, 62, AND 89; ALL UNDER REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*



Get the full text of

# TRAIN

Republic Act No. 10963

Visit [dof.gov.ph/taxreform](http://dof.gov.ph/taxreform) for a copy.

**#TaxReformNow**

DOFPH DOF\_PH



**Tax ParticularsB****Old tax rules****RA 10963 - TRAIN****A. Personal Income Tax table**

Only one income tax table for both compensation-income earners, self-employed/ professionals  
(Sec 24 (A)(2), RA 8424)

Tax table applicable for Compensation Income Earners and for Self employed/Professionals

A. For compensation income earners

**Effective January 1, 2018, 2019, 2020, 2021 and 2022**

<b>Not Over P10,000</b>	<b>5%</b>
<b>Over P10,000 but not over P30,000</b>	<b>P500 + 10% of the excess over P10,000</b>
<b>Over 30,000 but not over 70,000</b>	<b>2,500 + 15% of the excess over 30,000</b>
<b>Over 70,000 but not over 140,000</b>	<b>8,500 + 20% of the excess over 70,000</b>
<b>Over 140,000 but not over 250,000</b>	<b>22,500 + 25% of the excess over 140,000</b>
<b>Over 250,000 but not over 500,000</b>	<b>50,000 + 30% of the excess over 250,000</b>
<b>Over 500,000</b>	<b>125,000 + 32% of the excess over 500,000</b>

<b>Not Over P250,000</b>	<b>0%</b>
<b>Over P250,000 but not over P400,000</b>	<b>20% of the excess over P250,000</b>
<b>Over P400,000 but not over P800,000</b>	<b>P30,000 + 25% of the excess over P400,000</b>
<b>Over 800,000 but not over P2,000,000</b>	<b>P130,000 + 30% of the excess over P800,000</b>
<b>Over P2,000,000 but not over P8,000,000</b>	<b>P490,000 + 32% of the excess over P2,000,000</b>
<b>Over 8,000,000</b>	<b>P2,410,000 + 35% of the excess over P8,000,000</b>

**(Note: MARRIED INDIVIDUALS SHALL COMPUTE SEPARATELY THEIR INDIVIDUAL INCOME TAX BASED ON THEIR RESPECTIVE TOTAL TAXABLE INCOME)**



<b>Tax ParticularsB</b>	<b>Old tax rules</b>	<b>RA 10963-TRAIN</b>
-------------------------	----------------------	-----------------------

**A. Personal Income Tax table**

Only one income tax table for both compensation-income earners, self-employed/ professionals  
(Sec 24 (A)(2), RA 8424)

Tax table applicable for Compensation Income Earners and for Self employed/Professionals

A. For compensation income earners  
**Effective January 1, 2023**

<b>Not Over P10,000</b>	<b>5%</b>
<b>Over P10,000 but not over P30,000</b>	<b>P500 + 10% of the excess over P10,000</b>
<b>Over 30,000 but not over 70,000</b>	<b>2,500 + 15% of the excess over 30,000</b>
<b>Over 70,000 but not over 140,000</b>	<b>8,500 + 20% of the excess over 70,000</b>
<b>Over 140,000 but not over 250,000</b>	<b>22,500 + 25% of the excess over 140,000</b>
<b>Over 250,000 but not over 500,000</b>	<b>50,000 + 30% of the excess over 250,000</b>
<b>Over 500,000</b>	<b>125,000 + 32% of the excess over 500,000</b>

<b>Not Over P250,000</b>	<b>0%</b>
<b>Over P250,000 but not over P400,000</b>	<b>15% of the excess over P250,000</b>
<b>Over P400,000 but not over P800,000</b>	<b>P22,500 + 20% of the excess over P400,000</b>
<b>Over 800,000 but not over P2,000,000</b>	<b>P102,500 + 25% of the excess over P800,000</b>
<b>Over P2,000,000 but not over P8,000,000</b>	<b>P402,500+ 30% of the excess over P2,000,000</b>
<b>Over 8,000,000</b>	<b>P2,202,500 + 35% of the excess over P8,000,000</b>



## ANNUAL TAXABLE INCOME

First Pnp 250,000  
exemption



**Mas malaking kita**  
ang maibubulsa

# MINIMUM WAGE EARNERS

- shall be exempt from the payment of income tax on their taxable income
- Holiday pay received by minimum wage earners shall be EXEMPT FROM INCOME TAX
- The exemption still INCLUDES:
  - Overtime Pay
  - Night Shift Differential
  - Hazard Pay

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**B. Personal Income Tax for Self-employed/ Professionals**

**(Same Tax table for Compensation Income Earners)**

**B. For purely self-employed and/or professionals**  
**Option to pay the following tax rates:**

1. Self-employed individuals and/or professionals shall have the option to avail of an 8% tax on gross sales or gross receipts and other non-operating income in excess of PHP250,000 in lieu of the graduated income tax rates (Sec 24 A (2)(a) and the percentage tax under Sec 116 of the Tax Code.

2., Mixed income earners shall be taxed:

- as compensation income earners for their compensation income; and
- either as compensation income earners or at 8% of gross sales or receipts and other non-operating income from self-employment or practice of profession in excess of PHP250,000

By default, an individual taxpayer is taxable as compensation income earner unless he signifies in his income tax return his choice to be taxed at 8%.

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On the exemption of 13<sup>th</sup> Month pay and other benefits**

Exemption up to P82,000 under RA 10653

**The exemption for the 13th month pay and other bonuses has been retained**

**EXEMPTION IS RAISED UP TO P90,000**





# Buong-buo nang maiuwi ang bonus na hindi hihigit sa Php 90,000



Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On income tax deductions and exemptions**

Sec. 35 and 79 (D)  
Exemptions on the following:  
PHP50,000  
personal exemption

PHP25,000 per  
qualified dependent  
child

- **Removal of the personal exemption of PHP50,000 and additional exemptions of P25,000.**



Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On alien individuals and qualified Filipinos employed by specific employers**

Sec. 25 (C) (D) and (E) A rate of 15% final withholding tax on the gross compensation income of alien individuals and qualified Filipinos employed by the following employers:

- a. Regional or area headquarters and regional operating headquarters of multinational companies;
- b. Offshore banking units;
- c. Petroleum contractors and subcontractors.

- Preferential tax treatment for RHQ, ROHQ, and OBU employees shall not apply to those registering with the SEC after 1 January 2018.
- Existing RHQ, ROHQ, and OBU employees shall enjoy preferential tax treatment for present and future qualified employees.
- First of the 5 items vetoed by the President

**On optional standard deduction (OSD)**

Sec. 34. (L) In lieu of the itemized allowable deductions, an individual subject to tax, other than a nonresident alien, may elect an OSD of forty percent (40%) of gross sales or gross receipts.

- OSD shall be fixed in an amount not exceeding 40% of the gross income, whether for qualified individual or corporate taxpayers.
- The 40% OSD may be availed of only once by a General Professional Partnership (GPP), either the general professional partnership or the partners comprising such partnership.

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On passive income and other winnings**

Sec. 24 (B) (1) Philippine Charity Sweepstakes Office (“PCSO”) and lotto winnings are exempt from 20% final withholding tax

- PCSO and lotto winnings exceeding PHP10,000 is subject to the 20% final tax.

**On Interest income by Individual on Foreign Currency Deposit under Expanded FCD system**

FWT Rate 7.5% (Individuals/ Corporation)

- Interest income from a depository bank under the expanded foreign currency deposit system is subject to a final tax of 15%.
- (Individuals)

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On cash and/or property dividends**

Sec. 24 (B) (2) Cash and/or property dividend received by an individual from a domestic corporation is subject to the 10% final tax.

**Cash and/or property dividend received by an individual from a domestic corporation is subject to the 10% final tax.**

**On capital gains from sale of stock not traded in the local stock exchange**

Sec. 24 (C) Capital gains tax of 5% on the first PHP100,000 and 10% in the excess thereof is imposed on sale of shares not traded in the local stock exchange

**Capital gains tax on sale of shares not traded in the local stock exchange is increased to a flat rate of 15%**

# **WHO are not required to file ITR**

**Individuals whose taxable income do not exceed P250,000**

**PROVIDED: That a citizen of the Philippines or any alien individual engaged in business or practice of profession within the Philippines shall file an Income Tax Return (ITR) REGARDLESS of the amount of GROSS INCOME**

# **Sec 51 ITR Filing- Individuals**

**ITR shall consist of a maximum of FOUR (4) PAGES and shall only contain the following:**

- a) Personal Profile and Information**
- b) Total gross sales, gross receipts or income from compensation for services rendered, conduct of trade or business or the exercise of a profession, except income subject to final tax**
- c) Allowable deductions under the Code**
- d) Taxable Income as defined in Section 31**
- e) Income Tax Due and payable**

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On payment of Income Tax**

Sec. 56 Payment and Assessment of Income Tax for Individuals and Corporations

On Installment of Payment – When a tax due is in excess of Two Thousand pesos (P2,000), **the taxpayer OTHER than a corporation, may elect to pay the tax in to (2) installments:**

- 1<sup>st</sup>- time when return is filed
- 2<sup>nd</sup>- on or before July 15

- 2<sup>nd</sup>- **Installment** -  
**OCTOBER 15**





# TAX ADVISORY



## Deadline for the filing of Income Tax Return (ITR)

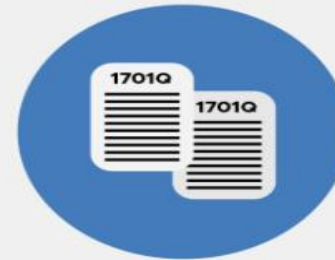


BIR form  
**1700 and 1701**  
(Annual income tax return)

DEADLINE

**April 15**

for **taxable year 2017** and  
**succeeding taxable years**



BIR form  
**1701Q**  
(**First** quarterly income tax return)

DEADLINE

**May 15**

starting **taxable year 2018** and  
**succeeding taxable years**



## Sec. 84 Estate tax table:

## On Estate Tax rates

Over	But not Over	This tax shall be	Plus	Of the Excess Over
	P200,000	Exempt		
200,000	500,000	0	5%	200,000
500,000	2,000,000	15,000	8%	500,000
2,000,000	5,000,000	135,000	11%	2,000,000
5,000,000	10,000,000	465,000	15%	5,000,000
10,000,000	And Over	1,215,000	20%	10,000,000

## Removal of the estate tax table

Estate tax rate fixed at six percent (6%) based on net estate.

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On Estate Tax Deductions**

- Sec 86 (A) Allowed deductions
- 1) Expenses, Losses, Indebtedness, and Taxes
    - a) Funeral expenses
    - b) Judicial expenses
    - c) Claims against the estate
    - d) Claims against insolvent persons
    - e) Unpaid mortgages
  - 2) Property previously taxed
  - 3) Transfer for Public Use
  - 4) Family Home
  - 5) Standard Deduction
  - 6) Medical expenses
  - 7) Amount received by heirs under RA 4917

- 1) Standard Deductions – P5M
- 2) Claims against the estate – debt instrument was duly notarized and if contracted 3 yrs before death, a statement showing the disposition of the proceeds of the loan is required
- 3) Claims against insolvent – the value must be included in the gross estate
- 4) Unpaid mortgages or any indebtedness in respect to, property where the value of the decedent’s interest therein, undiminished by such mortgage or indebtedness, is included in the value of the gross estate, but not including any income tax upon income received after death of the decedent, or property taxes not accrued before his death, or any estate tax

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On Estate Tax Deductions**

- Sec 86 (A) Allowed deductions
- 1) Expenses, Losses, Indebtedness, and Taxes
    - a) Funeral expenses
    - b) Judicial expenses
    - c) Claims against the estate
    - d) Claims against insolvent persons
    - e) Unpaid mortgages
  - 2) Property previously taxed
  - 3) Transfer for Public Use
  - 4) Family Home P1M
  - 5) Standard Deduction P1M
  - 6) Medical expenses
  - 7) Amount received by heirs under RA 4917

- 5) Property previously Taxed
- 6) Transfers for Public Use
- 7) FAMILY HOME P10,000,000
- 8) Amounts received by heirs under RA 4917

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On payment of tax antecedent to the transfer of shares, bonds, or rights**

**Sec. 97** The administrator of the estate or any one of the heirs may, when authorized by the Commissioner, withdraw an amount not exceeding PHP20,000 even without the certification from the Commissioner that the estate taxes have been paid.

**There shall allowed any withdrawal from a bank account of the decedent subject to payment of Final Withholding tax of 6%**



Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On Estate Tax Deductions NONRESIDENT ESTATES**

Sec 86 (B) Deductions Allowed to NON-RESIDENT ESTATES:

- 1) Expenses, Losses, Indebtedness, and Taxes
  - a) Funeral expenses
  - b) Judicial expenses
  - c) Claims against the estate
  - d) Claims against insolvent persons
  - e) Unpaid mortgages
- 2) Property previously taxed
- 3) Transfer for Public Use

Sec. 89 Written Notice of Death required for gross estates exceeding P20,000

- 1) Standard Deduction P500,000
- 2) Proportion of deduction specified in par (2) (3) (4) of subparagraph (A) of Sec 86 which the value of such part bears to the value of the entire gross estate wherever situated
- 3) Property Previously Taxed
- 4) Transfer for public use

**Repealed**

# Cash Withdrawal from Decedent's Bank Deposit

**“ 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%).**

**For this purpose, all withdrawal slips shall contain a statement to the effect that all of the joint depositors are still living at the same time of withdrawal by any of one of the joint depositors and such statement shall be under oath by the said depositor.”**

Tax Particulars	Old tax rules	TRAIN
<p data-bbox="48 318 326 504"><b>On Estate Tax Returns supported by CPA Certificate</b></p>	<p data-bbox="434 218 1039 411">Sec 90 Where gross value of the estate exceeds P200,000. Estate Tax Return shall be filed.</p> <p data-bbox="434 525 1083 815">Provided, however, that estate Tax returns showing a gross value exceeding P2,000,000 shall be supported with a statement duly certified by a Certified Public Accountant .</p>	<p data-bbox="1161 201 1866 439"><b>All transfers subject to estate tax, or regardless of the gross value of the estate where the said estate consists of registered or registrable property shall file an estate tax return.</b></p> <p data-bbox="1161 558 1866 644"><b>CPA certificate is required for estate exceeding P5,000,000</b></p>
<p data-bbox="83 875 369 1015"><b>On Estate Tax Return time for Filing</b></p>	<p data-bbox="484 903 1054 1096">Sec 90 (B) Estate tax return must be filed Within six months from the decedent's death</p>	<p data-bbox="1161 903 1866 996"><b>Estate Tax return must be filed within one year from the decedent's death</b></p>

Tax Particulars	Old tax rules	TRAIN
<p data-bbox="48 319 305 405"><b>On Estate Tax Payment</b></p>	<p data-bbox="434 219 566 258">Sec 91</p> <p data-bbox="434 319 954 415">No provision for installment payment</p>	<p data-bbox="1161 201 1866 591"><b>Sec 91 ( C ) Payment by installment</b> In 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</p>
<p data-bbox="75 705 349 791"><b>On Estate Tax Payment</b></p>	<p data-bbox="469 712 1031 851">Sec 97 Payment of Tax Antecedent to the Transfer of Shares, Bonds or Rights</p>	<p data-bbox="1161 712 1856 851">6% FWT will be allowed for every cash withdrawal from a bank deposit of the decedent.</p>

# DONORS TAX





<b>Tax Particulars</b>	<b>Old tax rules</b>	<b>TRAIN</b>
------------------------	----------------------	--------------

**On donor's tax rates**

**Sec. 99 (A) and (B) Donor's tax rates are as follows:**

**A. Not Stranger**

Over	But not Over	This tax shall be	Plus	Of the Excess Over
	100,000	Exempt		
<b>100,000</b>	200,000	0	2%	100,000
<b>200,000</b>	500,000	2,000	4%	200,000
<b>500,000</b>	1,000,000	14,000	6%	500,000
<b>1,000,000</b>	3,000,000	44,000	8%	1,000,000
<b>3,000,000</b>	5,000,000	204,000	10%	3,000,000
<b>5,000,000</b>	10,000,000	404,000	12%	5,000,000
<b>Over 10,000,000</b>		1,004,000	15%	10,000,000

**B. Stranger – 30% based on net gifts**

- **DONOR'S tax exemption on PHP250,000 annual net gifts**

- **Removal of the donor's tax table**

- **Donor's tax rate fixed at six percent (6%) based on annual net gifts, regardless of whether the donee is a stranger or not.**

**On Exemption of  
Certain Gifts**

Sec 101 (A) – In case of gifts made  
by a resident:

- 1) Dowries
- 2) Gifts made to National Govt
- 3) Gifts in favor of educational  
and/or charitable, religious, cultural,  
Or social welfare corporation,  
institution, accredited non-  
government organization, trust or  
philanthropic organization or research  
institution or organization:  
Providedxxx

- 1) REPEALED**
- 2) SAME**
- 3) SAME**



# **Sec 52 -ITR Filing- Corporations**

**ITR shall consist of a maximum of FOUR (4) PAGES and shall only contain the following:**

- a)Corporate Profile and Information**
- b)Gross sales, receipts or income from services rendered, or conduct of trade or business, except income subject to final tax**
- c)Allowable deductions under the Code**
- d)Taxable Income as defined in Section 31**
- e)Income Tax Due and payable**

**PROVIDED, That the foregoing provisions shall not affect the implementation of RA 10708 or TIMTA.**

Tax Particulars	Current tax rules	TRAIN
-----------------	-------------------	-------

**On Rates of Income Tax on Domestic Corporation**

Sec. 27. Rates of Income Tax on Domestic Corporations. – ( C ) Government Owned and or Controlled Corporations, Agencies or Instrumentalities. The provisions of existing special or general laws to the contrary notwithstanding, all corporations, agencies, or instrumentalities owned or controlled by the government, except the GSIS, SSS, PHIC, and the local water districts **and the PCSO** shall pay such rate of tax upon their taxable income as are imposed by this Section upon corporations or associations engaged in a similar business, industry, or activity

**Removal of the PCSO FROM THE TAX EXEMPT ENTITIES .**



# PERCENTAGE



Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On Tax on persons exempt from VAT**

Sec 116 – Tax on Persons exempt from VAT

-3% Percentage tax  
 -Cooperatives are exempt from 3% PT

- **3% Percentage Tax**
- **Cooperatives and beginning January 1, 2019, Self employed and Professionals with total annual gross sales/receipts not exceeding P500,000 shall be exempt from gross receipts tax herein imposed.**
- **The latter was the number 3<sup>rd</sup> item vetoed by the President.**

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On Stocks  
Transaction Tax**

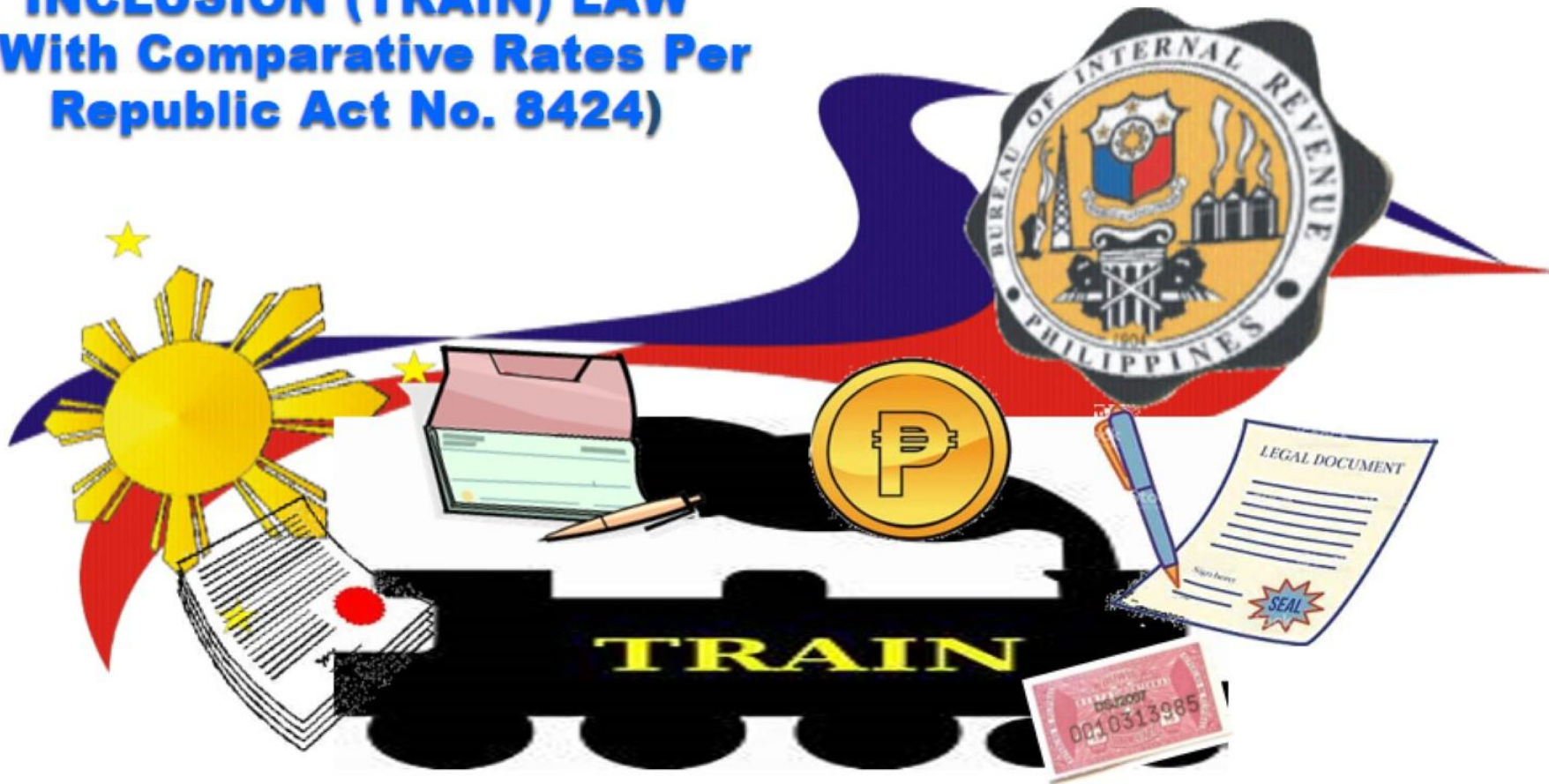
Sec 127 – Tax on Sale, Barter or Exchange of Shares of Stock Listed and Traded Through the Local Stock Exchange or through Initial Public Offering (IPO)

- 5/10 of 1%

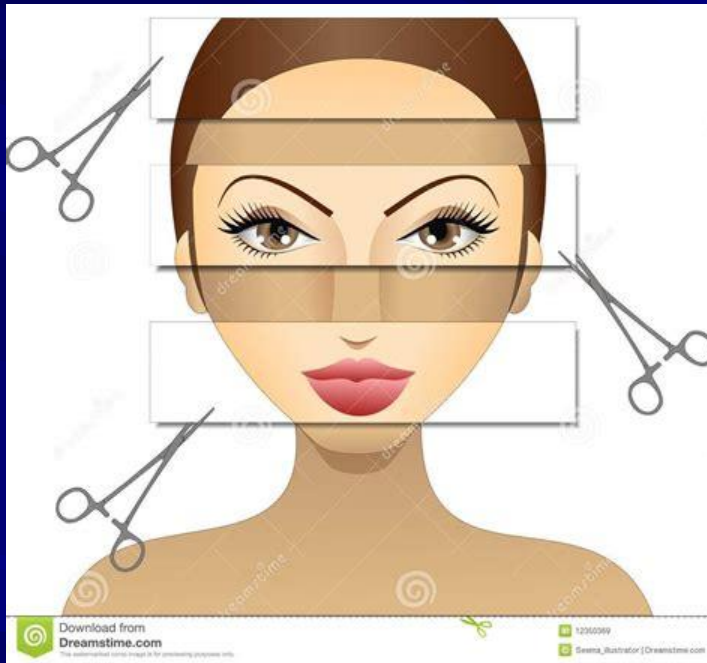
**•Increased to  
6/10 of 1%**

# DOCUMENTARY STAMP TAX

**BASED ON REPUBLIC ACT NO.  
10963 OTHERWISE KNOWN AS TAX  
REFORM FOR ACCELERATION AND  
INCLUSION (TRAIN) LAW  
(With Comparative Rates Per  
Republic Act No. 8424)**



# Excise Tax on Non-Essential Services





# **COSMETIC SURGERY TAX**

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**On non-essential goods and services**

(No current tax rule)

- **SECTION 150- A**
- **Imposes a 5% tax based on gross sales or receipts from cosmetic procedures, surgeries and body enhancements for aesthetic reasons.**
- **Cosmetic procedures subject to excise tax are those entirely focused on altering and enhancing a patient's appearance, improving aesthetic appeal, symmetry, and proportion.**
- **Reconstructive surgery or the repair, reconstruction, and restoration of facial and bodily functions due to congenital disorders, trauma, burns, infections, disease, and those intended to correct dysfunctional areas of the body are exempt from excise tax.**

# AMENDMENTS ON VAT



# VAT Comparison with Other Countries

A fair VAT system is one with a low rate and exemptions limited to raw food, health and education.



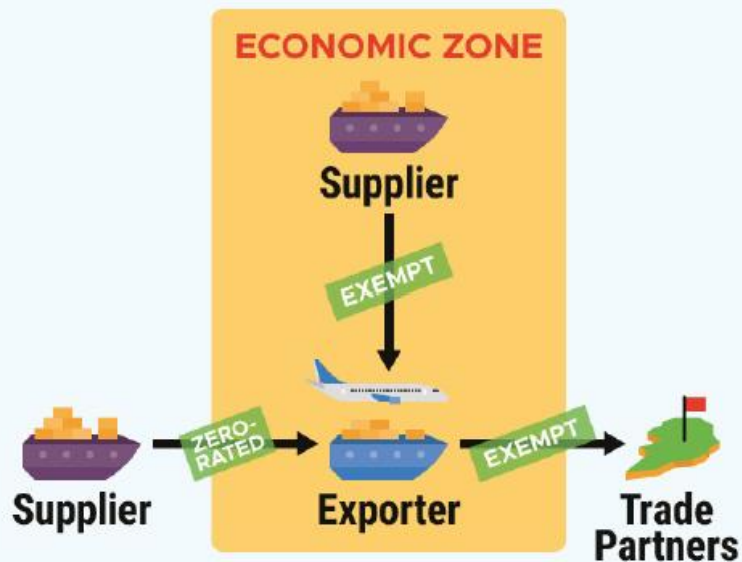
In the Philippines, we have a VAT system with numerous exemptions leading to large leakages as people take advantage of the VAT system to pay less tax.



# VAT Treatment on PEZA-registered Entities

Some areas in the Philippines have economic zones with different VAT treatments for its registered exporters and suppliers. There are two types of economic zones:

## HORIZONTAL ECONOMIC ZONE



Exporters and their suppliers located in economic zones are both VAT-exempt while suppliers outside the zone are VAT zero-rated.

## VERTICAL ECONOMIC ZONE

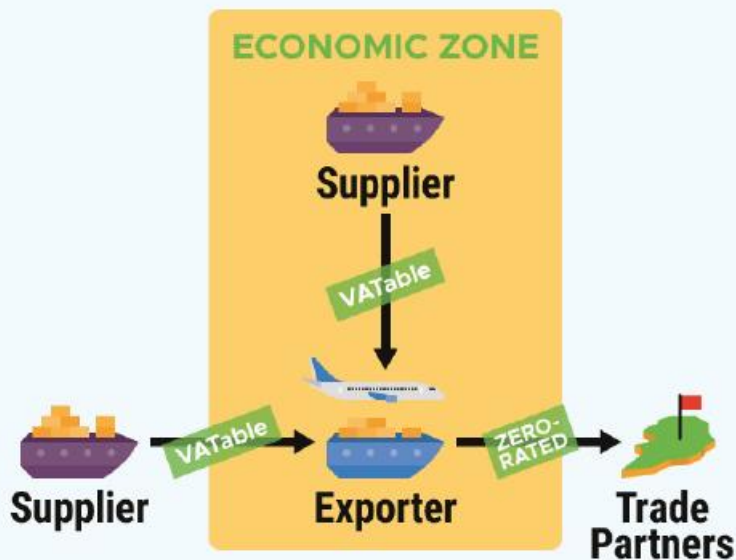


Certain floors in some establishments are also economic zones. As a result, exporters in these floors are VAT-exempt.

# VAT Treatment on PEZA-registered Entities

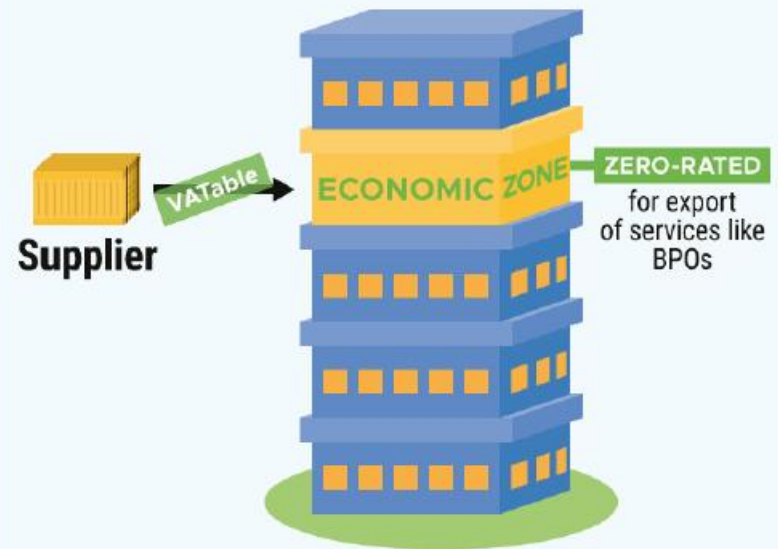
Under an ideal VAT system, exporters in economic zones are zero-rated for their export of services such as BPOs, and their suppliers VATable.

## HORIZONTAL ECONOMIC ZONE



Exporters located in economic zones will be zero-rated while their suppliers will be VATable regardless of location.

## VERTICAL ECONOMIC ZONE



Exporters in economic zones located in certain floors of some establishments will be zero-rated. Suppliers to these exporters will be VATable.





# RAW AGRICULTURAL PRODUCTS

VAT exempt pa rin ang  
raw agricultural products



Tax Particulars	Previous tax rules	TRAIN
-----------------	--------------------	-------

**On VAT exemptions**

Sec. 109 On VAT Exemptions

-export sales by persons who are not VAT registered;

-socialized housing;

-residential lease rental of less than P15,000 and will no longer be adjusted to its present value using the CPI, as published by the PSA

-exemptions for senior citizens, and persons with disabilities

Tax Particulars	Previous tax rules	TRAIN
-----------------	--------------------	-------

**On VAT exemptions**

Sec. 109 (1) VAT exemptions:  
(D) Amended

- Importation of professional instruments, etc. belonging to persons coming to settle in the Philippines, for their personal use...

D. Importation of professional instruments and implements, tools of trade, occupation or employment, wearing apparel, domestic animals, and personal and household effects, **belonging to persons coming to settle in the Philippines or Filipinos or their families and descendants who are now residents or citizens of other countries, such parties are herein referred to as Overseas Filipinos**, in quantities and of class suitable to the profession, rank or position of the persons importing said items, for their own use and not for barter or sale, accompanying such persons, or arriving within a reasonable time.

Vehicles, vessels, aircrafts, machineries and other similar goods shall not fall under this classification.

Tax Particulars	Previous tax rules	TRAIN
-----------------	--------------------	-------

**On VAT exemptions**

Sec 109 Q  
 Lease of residential unit with  
 A monthly rental not  
 exceeding P12,800

**AMOUNT IS INCREASED TO P15,000**

- w) Sale or lease of goods and services to senior citizens and persons with disability, as provided under RA Nos. 9994 and 10754**
- x) Transfer of property pursuant to Section 40 (c ) (2) of the NIRC as amended**
- y) Association dues, membership fees, and other assessments and charges collected by homeowners associations and condominium corporations**

Tax Particulars	Previous tax rules	TRAIN
-----------------	--------------------	-------

**On VAT exemptions**

Sec 109 amended

**z) Sale of gold to BSP;**

**aa) Sale of drugs and medicines prescribed for diabetes, high cholesterol, and hypertension beg January 1, 2019**

**bb) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales and/or receipts do not exceed the amount of Three Million pesos (P3,000,000)**



Tax Particulars	Previous tax rules	TRAIN
-----------------	--------------------	-------

**On Refund or Tax Credit of Input Tax**

Sec 112 Refund or Tax Credit of Input Tax  
 C ) Period within which Refund or Input Taxes shall be made.

120 days from the date of submission of complete documents

**The Commissioner shall grant the 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.**

**If the grant of refund is not proper, the CIR must state in writing the legal and factual basis for the denial.**

Tax Particulars	Previous tax rules	TRAIN
<b>Return and payment of VAT</b>	Sec 114 – (A) Return and Payment of VAT Monthly declaration' Quarterly filing	Beginning January 1, 2023, VAT shall be filed within twenty five <b>(25) days following the close of each taxable quarter.</b>
<b>On Withholding Of VAT</b>	Sec 114 – C 5% FWT ON VAT on Government money payments	<p>January 1, 2021, VAT withholding system shall <b>shift from final to creditable VAT system.</b></p> <p>Payments for purchases of goods and Services arising from projects funded by the <b>Official Development Assistance (ODA)</b> shall not be subject to the final withholding tax system .</p>

# VAT Exempt Transactions

	Old Law	TRAIN (2018 – 2020)	TRAIN (2021)
Sale of residential lot	P1,919,500	P3,000,000	Removed
Sale of house and lot and other residential dwellings	P3,199,200	P2,500,000	P2,000,000
Sale of low-cost and socialized housing	Low-cost P1.7M to P3M Socialized: P450,000 and below	Retained	Only socialized housing

---

# EXCISE TAX ON AUTOMOBILES

---



<b>Tax Particulars</b>	<b>Previous tax rules</b>	<b>TRAIN</b>
------------------------	---------------------------	--------------

**On excise tax on automobiles**

Sec. 149 Excise tax imposed on automobiles are as follows:

S.P. Over	Up to	Excise tax rate
0	P600,000	2%
600,000	1,100,000	12,000 +20% in excess of 600,000
1,100,000	2,100,000	112,000 +40% in excess of 1,100,000
2,100,000		512,000 + 60% in excess of 2,100,000

Effective January 1, 2018

S.P. Over	Up to	Excise tax rate
0	P600,000	4%
600,000	1,000,000	10%
1,000,000	4,000,000	20%
Over P4,000,000		50%



# Automobiles

(sample computation)

Net Manufacturer's Selling Price	Old Law	TRAIN
P600,000	P12,000	P24,000
P1,000,000	P92,000	P100,000
P1,640,000	P328,000	P328,000
P2,000,000	P472,000	P400,000
P3,000,000	P1,050,000	P600,000
P4,000,000	P1,650,000	P800,000
P5,000,000	P2,252,000	2,500,000
P6,000,000	P2,850,000	P3,000,000
P7,480,000	P3,740,000	P3,740,000
P8,000,000	P4,050,000	P4,000,000

**Provided, That hybrid vehicles shall be subject to 50% of the applicable excise tax rates on automobile under this section.**

**Provided, further, That purely electric vehicles and pick-ups shall be exempt from excise tax on automobiles.**

Tax Particulars	Previous tax rules	TRAIN
-----------------	--------------------	-------

(continued...)

On excise tax on automobiles

**Buses, trucks, cargo vans, jeepneys/jeepney substitutes, single cab chassis, special purpose vehicles, and vehicles purely powered by electricity or hybrid vehicles shall not be subject to excise tax.**

# PETROLEUM TAX



**FUEL  
TAX**  
The Nat

Sec. 148 Excise Taxes, Petroleum  
Products:

On Excise Tax on  
Petroleum Products

Manufactured Oils/Fuels	Previous Rate	January 1,	January 1,	January 1,
		2018	2019	2020
Lubricating Oils and greases	4.50 per liter	PHP8.00	PHP900	10.00
Processed gas	0.05 per liter	8.00	9.00	10.00
Waxes and Petrolatum	3.50 per kg	8.00	9.00	10.00
Denatured alcohol	0.05 per liter	8.00	9.00	10.00
Naphtha, regular gasoline and other similar products of distillation	4.35 per liter	7.00	9.00	10.00
Leaded Premium Gasoline	5.35per liter	0.00	0.00	0.00
Unleaded premium gasoline	5.35 per liter	7.00	9.00	10.00
Aviation turbo jet fuel	3.67 per liter	4.00	4.00	4.00
Kerosene	0.00 per liter	3.00	4.00	5.00
Diesel fuel oil	0.00 per liter	2.50	4.50	6.00
Liquefied Petroleum Gas	0.00 per liter	1.00	2.00	3.00
Petroleum Coke		2.50	4.50	6.00
Bunker fuel oil	0.00 per liter	2.50	4.50	6.00
Asphalt	0.56 per kg	8.00	9.00	10.00



# FUEL MARKING AND MONITORING SYSTEM TO ROLL-OUT 2ND SEMESTER OF 2018

The fuel marking program seeks to minimize fuel smuggling by mandating the injection of a molecular-level marker into petroleum products as evidence that taxes have been paid at the refinery or at the port of importation.

## BENEFITS

Reduce oil smuggling of both imported and locally refined fuel



Increase government revenue



Promote fairness in the local oil market



## FUEL MARKING MAY POSSIBLY ADDRESS

Adulteration of diesel and gasoline



Tax evasion and government revenue losses



Private firm revenue losses



Disruption of fuel supply



Degradation of engines of vehicles due to low-quality fuels



# Mandatory Marking of ALL Petroleum Products

## SEC 148-A

DOF shall REQUIRE the **USE OF AN OFFICIAL FUEL MARKING or SIMILAR TECHNOLOGY on PETROLEUM products** that are refined, manufactured, or imported into the Philippines, and that are subject to payment of taxes and duties, such as but not limited to, **unleaded, premium gasoline, kerosene, and diesel fuel oil**, after the taxes and duties hereon have been paid.

# SUGAR SWEETENED BEVERAGES TAX



Tax Particulars	Previous tax rules	TRAIN
-----------------	--------------------	-------

**Excise Tax on Sugar  
Sweetened Beverages**

(No current tax rule)

B a s I s :

Jan. 2018

- Sweetened beverages using purely caloric Sweeteners **P6.00/liter**
  
- Sweetened beverages using purely high fructose corn syrup or in combination with any caloric or non-caloric sweetener **P12/liter**
  
- Sweetened beverages using purely non-caloric or a mix of caloric and non-caloric sweetener **P6/LITER**

Tax Particulars	Previous tax rules	TRAIN
-----------------	--------------------	-------

Excise Tax on Sugar  
Sweetened Beverages  
(con't.)

**EXCLUSIONS FROM EXCISE TAX:**

- 1. 100% natural fruit juices;**
- 2. 100% natural vegetable juices;**
- 3. Yogurt and fruit flavored yogurt;**
- 4. Meal replacement beverages (Medical food);**
- 5. All milk products, infant formula & milk alternatives, such as soy milk or almond milk, including flavored milk, such as chocolate milk.**
- 6. Sweetened beverages using purely coconut sap sugar and purely steviol glycosides shall be exempt from excise tax.**



**1. SWEETENED BEVERAGES – non alcoholic beverages of any constitution (liquid, powder or concentrates) that are pre-packaged and sealed in accordance with the FDA standards, that contain caloric and/or non-caloric sweeteners added by the manufacturers, and shall include, but not limited to the following:**

- a) Sweetened juice drinks**
- b) Sweetened tea**
- c) All carbonated beverages**
- d) Flavored water**
- e) Energy and Sports Drink**

- f) Other powdered drinks not classified as milk, juice, tea, and coffee**
- g) Cereal and grain beverages, and**
- h) Other non-alcoholic beverages that contain added sugar.**

2. **CALORIC SWEETENER** – refers to a substance that is sweet and includes sucrose, fructose, and glucose that produces a certain sweetness.
3. **HIGH FRUCTOSE CORN SYRUP** – refers to a sweet saccharide mixture containing fructose and glucose which is derived from corn and added to provide sweetness to beverages, and which includes other similar fructose syrup preparations.
4. **NON-CALORIC SWEETENERS** - refers to substance that are artificially or chemically processed that produces a certain sweetness. These substances which can be directly added to beverages, such as aspartame, sucralose, saccharin, acesulfame, potassium, neotame, cyclamates, and other non-nutritive sweeteners approved by Codex Alimentarius and adopted by the FDA.

# EXCLUSIONS FROM SBT:

- 1) All milk products, including plain milk, infant formula milk, growing up milk, powdered milk, follow-on milk, ready-to-drink milk, and flavored milk, fermented milk, soymilk, and flavored soymilk
- 2) One Hundred Percent (100%) Natural Fruit Juices – Original liquid resulting from the pressing of fruit, the liquid resulting from the reconstitution of natural fruit juice concentrate, or the liquid resulting from the restoration of water to dehydrated natural fruit juice that do not have added sugar or caloric sweetener.

# EXCLUSIONS FROM SBT

3. One Hundred Percent (100%) Natural Vegetable Juice- Original liquid resulting from the pressing of vegetables, the liquid resulting from the reconstitution of natural vegetable juice concentrate, or the liquid resulting from the restoration of water to dehydrated natural vegetable juice that do not have added sugar or caloric sweetener.
4. MEAL REPLACEMENT and MEDICALLY INDICATED BEVERAGES – Any liquid or powder drink/product for oral nutritional therapy for persons who cannot absorb or metabolize dietary nutrients from food or beverages, or as a source of energy nutrition used due to a medical condition and an oral electrolyte solution for infants and children formulated to prevent dehydration due to illness.



# EXCLUSIONS FROM SBT

5. Ground Coffee, instant soluble coffee, and pre-packaged powdered coffee products'

Unti-unting bawasan ang pag-inom  
ng matatamis na inumin  
ngayong panahon ng handaan





Gawing memorable ang  
salu-salo ng pamilya.  
**Cheers to healthier drinks!**



---

# MINERALS

---



**Effective January 1, 2018, Excise Taxes on Domestic or Imported COAL and coke, notwithstanding any incentives granted in any law or special law, to wit:**

<b>1 January 2018</b>	<b>PhP 50/metric ton</b>
<b>1 January 2019</b>	<b>100/metric ton</b>
<b>1 January 2020</b>	<b>PhP150/metric ton</b>

**Increased excise tax on nonmetallic and metallic products – 4%**

**Increased excise tax on indigenous petroleum - 6%**





**TOBACCO**

# Tobacco

	R.A.10351 / RR 17-2012	R. A. 10963				
<b>CIGARETTES, per pack</b>	<b>2017</b>	<b>January 1, 2018 until June 30, 2018</b>	<b>July 1, 2018 until December 31, 2019</b>	<b>January 1, 2020 until December 31, 2021</b>	<b>January 1, 2022 until December 31, 2023</b>	<b>January 1, 2024 Onwards</b>
Cigarettes packed by hand	Php30	Php32.50	Php35.00	Php37.50	Php40.00	<b>Effective 1/1/2024, the specific tax rate shall be increased by 4% every year thereafter</b>
Cigarettes packed by machine	Php30	Php32.50	Php35.00	Php37.50	Php40.00	

# Tobacco

## REVISED RATES AND BASES OF EXCISE TAX ON TOBACCO PRODUCTS

### TOBACCO PRODUCTS

	R.A.10351 / RR 17-2012		
	2017	2018	
<b>(1) TOBACCO PRODUCTS, per kilo</b>			
a) Tobacco twisted by hand or reduced into a condition to be consumed in any manner other than the ordinary mode of drying and curing;	Php2.05	<b>Effective January 1, 2014, the tax rate shall be increased by 4% every year thereafter</b>	Php2.13
b) Tobacco prepared or partially prepared with or without the use of any machine or instrument or without being pressed or sweetened; and	Php2.05		Php2.13
c) Fine-cut shorts and refuse, scraps, clippings, cuttings, stems, midribs and sweepings of tobacco	Php2.05		Php2.13
<b>(2) CHEWING TOBACCO, per kilo</b>	Php1.75		Php1.82
<b>(3) CIGARS, per cigar</b>			
AD VALOREM TAX equivalent to % of NRP/cigar and Specific Tax per cigar			
AD VALOREM TAX	20%		20%
SPECIFIC TAX	Php5.85		Php6.08

# **FILING & REGISTRATION REQUIREMENTS**

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**Keeping of Books of Accounts**

Sec. 232(A):

- Those whose quarterly sales, earnings, receipts, or output do not exceed PHP50,000 shall keep and use simplified set of bookkeeping records.

- Those whose gross quarterly sales, earnings, receipts or output exceed PHP150,000 shall have their books of accounts audited and examined yearly by independent Certified Public Accountants (CPAs).

-Those whose **gross annual sales, earnings, receipts or output exceed THREE MILLION PESOS PHP3,000,000** shall have their **books of accounts audited and examined yearly by independent CPAs** with duly accomplished AIF



**Issuance of Receipts  
of Sales or  
Commercial  
Invoices**

**Sec. 237:**

- For each sale of merchandise or service rendered valued at PHP25 or more, a receipt or invoice shall be issued, prepared at least in duplicate

- For each sale of merchandise or service rendered valued at PHP100 or more, issue duly registered receipts or sale or commercial invoices showing the date of transaction, quantity, unit cost and description of merchandise or nature of service.

# ELECTRONIC REPORTING

Tax Particulars	Previous tax rules	TRAIN
-----------------	--------------------	-------

**Electronic Sales Reporting System**

No current tax rules on the same

SEC 237- A  
Not existing in NIRC

- Within five (5) years from effectivity of RA 10963, BIR SHALL REQUIRE ALL TAXPAYERS ENGAGED IN THE EXPORT OF GOODS AND SERVICES, TAXPAYERS ENGAGED IN E-COMMERCE, **AND TAXPAYERS UNDER THE JURISDICTION OF THE LTS** to issue electronic receipts or Sales or Commercial Invoices.
- **Sec 237-A ELECTRONIC SALES REPORTING SYSTEM**
- **WITHIN five (5) years from the effectivity of RA 10963, the BIR shall REQUIRE taxpayers engaged in the EXPORT OF GOODS AND SERVICES, e-Commerce and taxpayers under the LTS to report their SALES DATA TO THE BUREAU THRU THE USE OF ELECTRONIC POINT OF SALE SYSTEMS, subject to rules and regulations of the DOF as recommended by the CIR.**
- **That machines, fiscal devices, and the fiscal memory devices shall be at the expense of the TAXPAYER.**

Tax Particulars	Old tax rules	TRAIN
-----------------	---------------	-------

**Electronic Sales Reporting System**

SEC 237- A  
Not existing in NIRC

- **The Data Processing of sales and purchases data shall comply with the provisions of RA 10173 “Data Privacy Act” and Section 270 of the Tax Code.**
- **BIR shall also establish policies, risk management approaches, actions, trainings, and technologies to protect the cyber environment, organization, and data in compliance with RA 10175**
- **“Cybercrime Prevention Act of 2012”**

**On Interest**

Sec 249. Interest  
In general, there shall be assessed and collected on any unpaid amount of tax l interest at the rate of twenty (20%) per annum...

**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 as set by the BSP.**

**I wish your payment of  
taxes will always be a  
PLEASANT  
EXPERIENCE**

*THANK YOU AND  
HAVE A NICE DAY!*