



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

TRAIN & CREATE Law affecting Non-Resident Filipinos

By:

RHODORA G. ICARANOM

Managing Owner

RGI Accounting & Auditing Office



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

TRAIN Law – RA 10963

- signed into law on December 19, 2017 effective January 01, 2018

- This is the initial package of the Comprehensive Tax Reform Package (CTRP)
- This was aimed to make Philippine Tax System simpler, fairer and more efficient to promote investments, create jobs and reduce poverty

CREATE Law – RA 11534

- passed into law on March 26, 2021 effective April 11, 2021.

- Largest fiscal stimulus for businesses estimated to provide private enterprises more than 1 trillion pesos worth of tax relief over the next 10 years
- Addressed mostly the corporate concerns and Incentives to attract foreign investors



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

TRAIN Law –

mostly addressed the
taxation on individuals
and some corporate
transactions

CREATE Law –

mostly addressed the
corporate sector and the
incentives to foreign
investors



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

TRAIN LAW results:

- a) Lowered Income Tax rates for individuals resulted to higher take home pay;
- b) Lesser withholding tax remittances on compensation for the tax authority;
- c) Better salary scaling for low income groups but not for over P800,000 and above;
- d) Still attractive for investors to employ compensation income earners



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

Tax Particulars	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)

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

Tax table applicable for Compensation Income Earners and for Self employed/Professionals
Effective January 1, 2018, 2019, 2020, 2021 and 2022

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

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



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

Tax Particulars	RA 10963 - TRAIN	RA 10963 - TRAIN
-----------------	------------------	------------------

Personal Income
Tax table

Jan 01, 2018 to Dec 31, 2022

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

Effective January 1, 2023

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

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



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

ANNUAL TAXABLE INCOME

First Php 250,000 exemption

DEPARTMENT OF FINANCE
REPUBLIC OF THE PHILIPPINES

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



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

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

Personal Income
Tax for Self-employed/
Professionals

(Same Tax table
for Compensation
Income Earners)

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

1. 8% tax regime on gross sales or gross receipts and other non-operating income in excess of PHP250,000 **in lieu of the graduated income tax rates and percentage tax under Sec**
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



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

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 an additional exemptions of P25,000.
- **SIMPLIFIED**



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

Tax Particulars	Old tax rules	TRAIN
On optional standard deduction (OSD)	<p>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.</p>	<ul style="list-style-type: none">• 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.



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

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	<ul style="list-style-type: none">• 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)	<ul style="list-style-type: none">• Interest income from a depository bank under the expanded foreign currency deposit system is subject to a final tax of 15%.• (Individuals)• FOR CORPORATIONS also at 15% UNDER CREATE LAW



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

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. SAME
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% Note: This is expensive (but check NET GAINS at 15% vs. Donation at gross at 6%)



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

Tax Particulars	Old tax rules	TRAIN
On Fringe Benefit Tax given to non-rank and file employees	FBT RATE: 32% of grossed up value	FBT RATE: 35% or the applicable tax rate
On Deduction of premium payments on health and/or hospitalization insurance	Sec. 34 (M) Allowed deduction of P2,400 per year or P200 per month worth of premium payments on health and/or hospitalization insurance of an individual provided that the family has a gross income not exceeding P250,000 for the taxable year	REPEALED



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

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

Example:

Rental property in the Philippines with income of P250,000 and below MUST file an ITR



INCOME TAX

Corporation Type	Regular Corporate Income Tax (RCIT)	Minimum Corporate Income Tax (MCIT)
 Domestic	20%* or 25% of taxable income Effective 1 July 2020	1% of gross income Effective 1 July 2020 until 30 June 2023
 Resident Foreign	25% of taxable income Effective 1 July 2020	1% of gross income Effective 1 July 2020 until 30 June 2023
 Non-resident Foreign	25% of gross income Effective 1 January 2021	

* *Total assets ≤ ₱100 Million (excluding Land) and Taxable income ≤ ₱5 Million*



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

Imposition of Improperly **Accumulated Earnings Tax (IEAT)** is **repealed**.

Regional Operating Headquarters (ROHQs) shall be **subject to RCIT** effective 1 January 2022.

Final income tax rates for foreign corporations

15% - on **interest income** derived under the expanded foreign currency deposit system

15% - on **capital gains** from sale of shares of stock not listed and traded in the stock exchange

Proprietary Educational Institutions and Non-profit Hospitals

1% - of **taxable income**
Effective 1 July 2020 until 30 June 2023

Other Percentage Tax

1% - of the **gross quarterly sales or receipts**
Effective 1 July 2020 until 30 June 2023



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

CORPORATE INCOME TAX RATES.

The matrix below shows the new income tax rates applicable to the regular taxable income of corporations:

Type of Corporation	The higher between the “Regular” or “Minimum Corporate Income Tax (MCIT)” rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
Domestic Corporation:				
Domestic corporations, in general	25%	July 1, 2020	1%	July 1, 2020 to June 30, 2023
			2%	July 1, 2023



CORPORATE INCOME TAX RATES.

Type of Corporation	The higher between the “Regular” or “Minimum Corporate Income Tax (MCIT)” rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
For corporations with net taxable income not exceeding Five Million Pesos (P5,000,000) AND total assets not exceeding One Hundred Million (P 100,000,000), excluding the land on which the particular business entity's office, plant and equipment are situated	20%	July 1, 2020	1%	July 1, 2020 to June 30, 2023
			2%	July 1, 2023



CORPORATE INCOME TAX RATES.

Type of Corporation	The higher between the “Regular” or “Minimum Corporate Income Tax (MCIT)” rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
Proprietary Educational Institutions and Hospitals	1%	July 1, 2020 to June 30, 2023	Not Applicable	
	10%	July 1, 2023		
Foreign Corporation [on taxable income (e.g., net or gross income, as applicable) derived from all sources within the Philippines]:				



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

CORPORATE INCOME TAX RATES.

Type of Corporation	The higher between the “Regular” or “Minimum Corporate Income Tax (MCIT)” rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
Resident Foreign Corporation	25%	July 1, 2020	1%	July 1, 2020 to June 30, 2013
			2%	July 1, 2023



CORPORATE INCOME TAX RATES.

Type of Corporation	The higher between the “Regular” or “Minimum Corporate Income Tax (MCIT)” rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
Offshore Banking Unit (OBUs) (Note: OBUs shall now be taxed as resident foreign corporation upon effectivity of the CREATE)	25%	Upon the effectivity of the CREATE	1%	Upon the effectivity of the CREATE until June 30, 2023
			2%	July 1, 2023



CORPORATE INCOME TAX RATES.

Type of Corporation	The higher between the “Regular” or “Minimum Corporate Income Tax (MCIT)” rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
Regional Operating Headquarters (ROHQ)	25%	January 1, 2022	1%	January 1, 2020 to June 30, 2023
			2%	July 1, 2023
Non-Resident Foreign Corporation	25%	January 1, 2021	Not Applicable	



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

Reduced rate of Percentage Tax from

3% ➔ 1%



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

Question: Is the reduced Percentage Tax (PT) Rate of 1% applicable to Corporate Taxpayers only?

Answer: NO, this change in rate of PT from 3%-1% applies to all taxpayers subject to PT under Sec 116 from July 1, 2020 to June 30, 2023

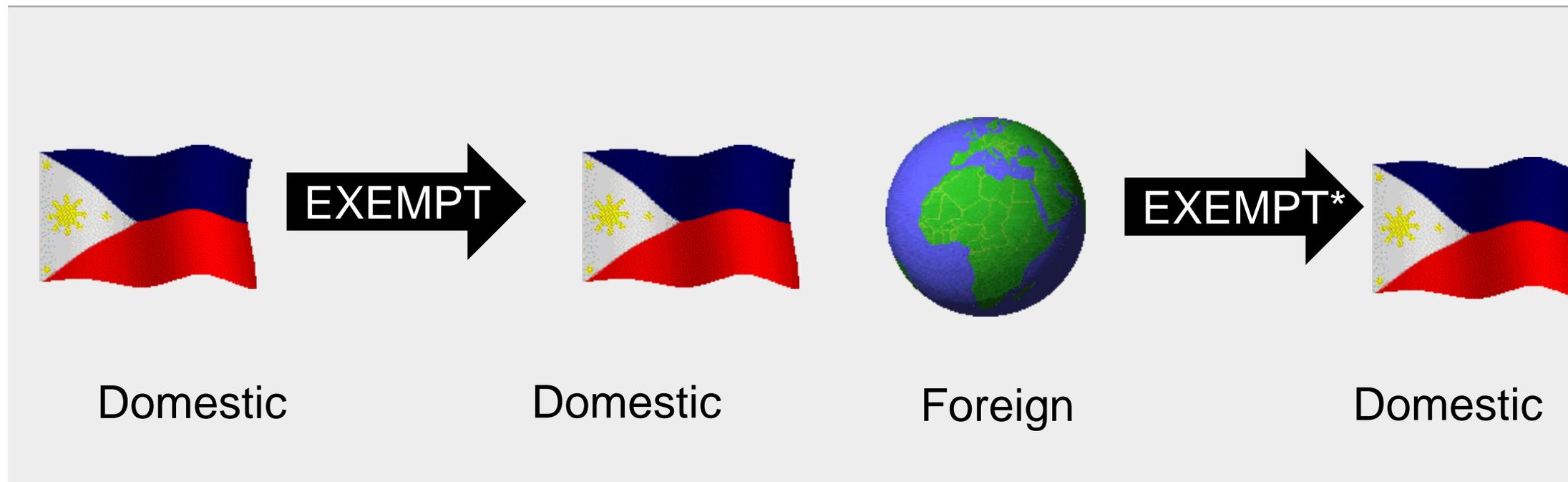


RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

DIVIDENDS



INTERCORPORATE DIVIDENDS



** subject to minimum shareholdings, holding period and reinvestment conditions*



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

REPEALED:

**IMPROPERLY ACCUMULATED
EARNINGS TAX**



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

ADDITIONAL DEDUCTIONS FOR ALL TAXPAYERS



Training Expenses

150%

**deduction of the value of
labor training expenses**

subject to certain conditions
/ requirements



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

Allowable DEDUCTIONS (Addition)

Upon the effectivity of the CREATE, an **additional deduction from taxable income of one-half (1/2) of the value of labor training expenses incurred for skills development of enterprise-based trainees** enrolled in:

Public Senior High Schools,

Public Higher Education Institutions, or

Public Education Institution, or

Public Technical and Vocational Institutions

and duly covered by an apprenticeship agreement under PD No. 442, Series of 1974, (or the Labor Code of the Philippines), as amended, shall be granted to enterprises.



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

For the additional deduction for enterprise-based training of students from Public Educational Institutions, the enterprise shall **secure proper “certification”** from the

- Department of Education (DepEd),
- Technical Education and Skills Development Authority (TESDA), or
- Commission on Higher Education (CHED).

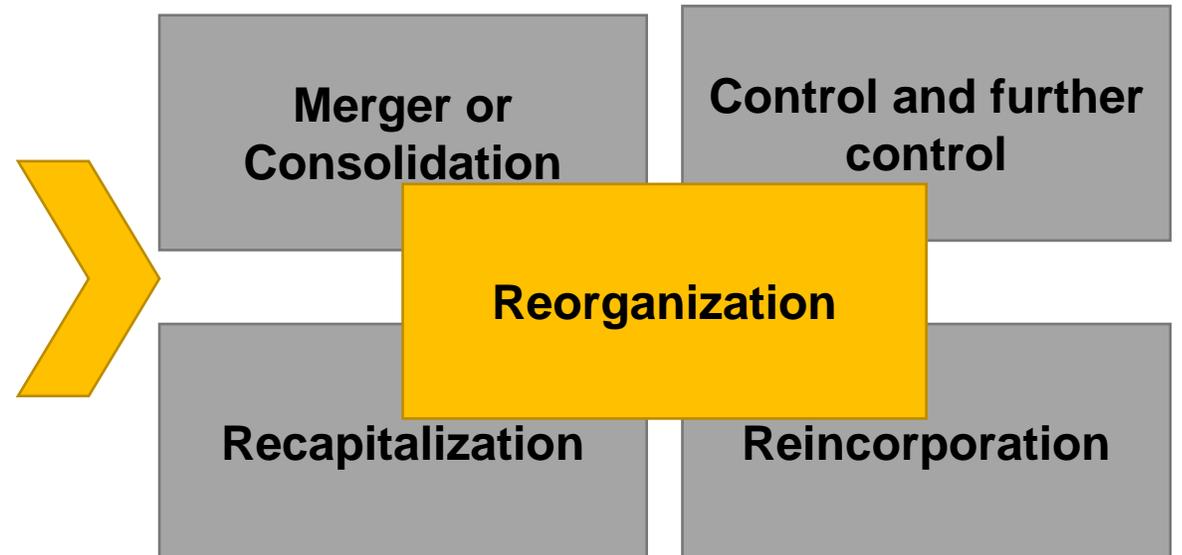
Provided, that **such deduction shall not exceed Ten Percent (10%) of Direct Labor Wage.**

TAX FREE EXCHANGE



Tax-free exchange of property under Section 40 (C) (2) of the Tax Code

- Transferor, alone or together with others, not exceeding 4 persons, exchanges property for stocks, collectively, gains or maintains control of transferee.
- Gain/Loss on exchanges is not recognized pursuant to a plan of reorganization.
- **Prior BIR confirmation or ruling is no longer required.**





Reorganization – shall include:

- a. Merger or Consolidation
- b. Acquisition of (shares of stock of) a controlled corporation
- c. Acquisition of all or substantially all of properties of another corporation
- d. Recapitalization
- e. Reincorporation



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

Control – shall mean ownership of stocks in a corporation after the transfer of property possessing at least fifty-one percent (51%) of the total voting power of all classes of stocks entitled to vote: Provided, that the collective and not the individual ownership of all classes of stocks entitled to vote of the transferor or transferors shall be used in determining the presence of control.



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

VAT-exempt transactions

*Sale of real properties not primarily held for sale or lease in the ordinary course of trade/business or real property utilized for **low-cost and socialized housing***

Residential lot only	No Exemption
Residential house & lot and other dwellings	Exempt if P2 Million and below

Socialized Subdivision Project – Ranges from P480,000 to P580,000 depending on the area

Socialized Condominium Project – Ranges from P600,000 to P750,000 depending on the location and area



RR 8-2021 VAT-exempt transactions/amendment:

*Sale of real properties not primarily held for sale or lease in the ordinary course of trade/business or real property utilized for **low-cost and socialized housing***

	RR 4-2021	RR 8-2021
Residential lot only	No Exemption	No Exemption
Residential house & lot and other dwellings	Exempt if P2 Million and below	Jan.1, 2021 P3,199,200

Adjustment to Consumer price Index:

P2,000,000



P3,199,200



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

VAT-exempt transactions

Sale, importation, printing or publication of the following:

Books, newspaper, magazine, journal, review bulletin, or any educational reading material under the UNESCO agreement, including digital / electronic. These should not be devoted principally to publish paid ads.



VAT-exempt transactions

Sale or importation of items for COVID-19 prevention or treatment

1. Capital equipment, spare parts and raw materials, necessary for PPE component production
2. Drugs, vaccines and medical devices specifically prescribed and directly used for COVID-19 treatment, including approved by FDA for use in clinical trials and necessary raw materials for drug production.



VAT-exempt transactions

Sale or importation of prescription drugs and medicines

1 January 2020

✓ *Diabetes* ✓ *High Cholesterol* ✓ *Hypertension*

1 January 2021

✓ *Cancer* ✓ *Mental Illness* ✓ *Tuberculosis* ✓ *Kidney Diseases*



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

Updates on BIR Registration

1) Sole Proprietorship

- a) Seller of Goods
- b) Seller of Services
- c) Seller of Goods and Services



RGI Accounting and Auditing Office

Accounting • Auditing • Bookkeeping • Tax Consultancy

Basic Compliance:

- 1) Registration and securing the Taxpayer Identification Number (TIN) and Certificate of Registration (COR)
- 2) Keeping the manual books of accounts (basic Ledgers and Journals)
Note: Manual Books cannot be an excel printout pasted in the books, it
MUST BE HANDWRITTEN ENTRIES
- 3) Note the two phases of tax compliance:
 - a) FILING – all returns for tax types indicated in the COR
- even without any transactions/operations. Filing shall indicate
“No Operations or No Transactions”
 - b) Payment - all returns with tax due computed based on applicable tax rates



Challenges of absentee registrant:

- 1) Non-filing of tax returns
- 2) Non-reporting of BIR letters sent and received
- 3) Non-preparation of basic financial reports



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

Challenges of absentee registrant

Result of non-filing:

OPEN CASES



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

Challenges of absentee registrant

Result of non-reporting of BIR letters sent and received

Tax Assessment (NOD, PAN, FAN and WG's)



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

Challenges of absentee registrant

Result of non-preparation of basic financial reports

Lack of support to Tax Assessments



RGI Accounting and Auditing Office
Accounting • Auditing • Bookkeeping • Tax Consultancy

THANK YOU!