


**P&A Grant Thornton**  
An instinct for growth™

**Tax Reform for  
Acceleration and Inclusion  
(RA No. 10963)**

**Atty. Eleanor L. Roque**  
Head, Tax Advisory and Compliance



©2017 Grant Thornton International LLP. All rights reserved.

---

---

---

---

---

---

---

---

**Comprehensive Tax Reform Package (CTRP)**

Department of Finance		
Package	Coverage	Covered by RA No. 10963
1	PIT, vehicle, oil and excise tax, reduction in donor's and estate taxes, SB tax	Yes
2	CIT and rationalization of fiscal incentives. Foregone revenues from the 2 <sup>nd</sup> package is expected to be offset by revenues from fiscal rationalization.	No

©2017 Grant Thornton International LLP. All rights reserved.

---

---

---

---

---

---

---

---

**Comprehensive Tax Reform Package (CTRP)**

Department of Finance		
Packages	Coverage	Covered by RA No. 10963
3	Rationalization of property valuation closer to market values.	No
4	Capital income tax. Reduction of interest income tax on peso deposit, increase in tax rates on dollar & investment; and increase tax on stock transaction to 1% of gross selling price.	Yes – FT on FCDU deposits, CGT on non-listed shares, SIT on listed shares
5	Health, environment (coal levies & carbon tax) & luxury items	Yes, excise tax on cosmetic procedures and increase in excise tax on coal

©2017 Grant Thornton International LLP. All rights reserved.

---

---

---

---

---

---

---

---

## The TRAIN Law (RA No. 10963)

- A. Personal Income Tax
- B. Final Tax on Passive Income
- C. Estate Tax and Donor's Tax
- D. VAT Exemption and Zero-rating
- E. Excise Tax on petroleum products, automobiles, coal, cosmetic procedures, and sugar-sweetened beverages
- F. Compliance Requirements
- G. Obtaining Information by CIR

© 2017 Grant Thornton International Ltd. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

---

---

---

---

## Personal Income Tax

- Employees
- Self-Employed Individuals and Professionals
- Mixed Income Earner



© 2017 Grant Thornton International Ltd. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

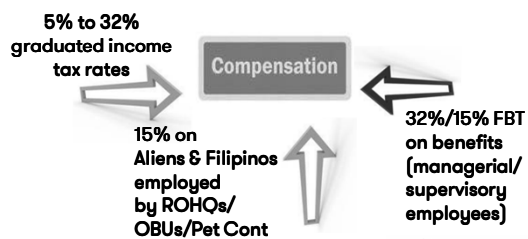
---

---

---

---

## Review of Applicable Taxes on Employees



© 2017 Grant Thornton International Ltd. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

---

---

---

---

13<sup>th</sup> month pay and  
Other benefits  
such as  
productivity  
incentives and  
Christmas bonus

P82,000

P90,000

P&A  
Grant Thornton

An instinct for growth

Basic Personal  
Exemption

P50,000

Applicable  
whether single,  
married, or legally  
separated

Additional Personal  
Exemption

P25,000  
per dependent

- Qualified dependent child, not  
more than 21 years old

- Qualified PWD within fourth  
degree of affinity/ consanguinity

P&A  
Grant Thornton

An instinct for growth

Tax Table

Employees earning not more than P250,000/annual is exempt from paying personal taxes  
Top rate of 35% on income over P8M

Taxable Income	Rate
Less 10K	5%
10K to 30K	P500 + 10% in excess of 10K
30K to 70K	P2.5K + 15% in excess of P30K
70K to 140K	P8.5K + 20% in excess of P70K
140K to 250K	P22.5K + 25% in excess of P140K
250K to 500K	P50K + 30% in excess of P250K
Over 500K	P125K + 32% in excess of P500K

Taxable Income	Rate (Jan.1, 2018 to Dec.31, 2022)	Rate (Jan.1, 2023 Onwards)
<P250K	0%	0%
Over P250K to 400K	20% in excess of P250K	15% in excess of P250K
Over P400K to 800K	P30K + 25% in excess of P400K	P22.5K + 20% in excess of P400K
Over P800K to 2M	P130K + 30% in excess of P800K	P102.5K + 25% in excess of P800K
Over P2M to 8M	P490K + 32% in excess of P2M	P402.5K + 30% in excess of P2M
Over P8M	P2.410M + 35% in excess of P8M	P2.2025M + 35% in excess of P8M

P&A  
Grant Thornton

An instinct for growth

### Minimum Wage Earner (MWE)

- Remains exempt from income tax on the ff:
  - Basic minimum wage
  - Holiday/Overtime pay
  - Night differential/Hazard pay

©2017 Grant Thornton International LLP. All rights reserved.
P&A  
Grant Thornton | An instinct for growth<sup>®</sup>


---

---

---

---

---

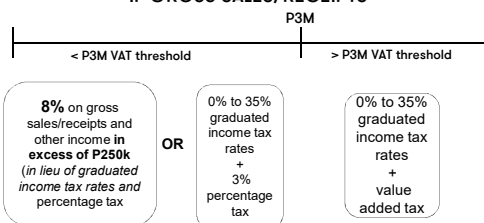
---

---

---

### Self-employed Professionals

#### IF GROSS SALES/RECEIPTS


©2017 Grant Thornton International LLP. All rights reserved.
P&A  
Grant Thornton | An instinct for growth<sup>®</sup>


---

---

---

---

---

---

---

---

### Self-employed Professionals

#### Rules in electing the 8% income tax

- Cannot be availed by the following:
  - VAT-registered taxpayer (those who opted for 8% cannot opt to register to VAT) – de-registration must be done on or before Mar. 31, 2018
  - taxpayers subject to other percentage tax (e.g. amusement tax)
  - Partners of GPP
- Choice must be made in the 1<sup>st</sup> quarter return

Period	Choice		
1 <sup>st</sup> Quarter	8%	0% to 35%	No choice made
2 <sup>nd</sup> Quarter	8%	0% to 35%	0% to 35%
3 <sup>rd</sup> Quarter	8%	0% to 35%	0% to 35%
Annual	8%	0% to 35%	0% to 35%

©2017 Grant Thornton International LLP. All rights reserved.
P&A  
Grant Thornton | An instinct for growth<sup>®</sup>


---

---

---

---

---

---

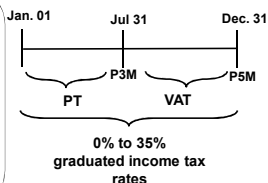
---

---

## Self-employed/Professionals

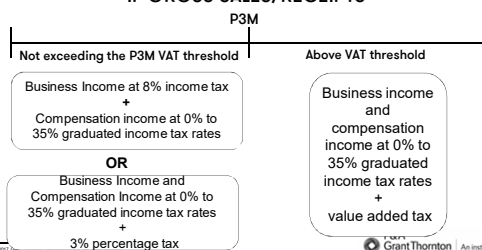
### Rules in electing the 8% income tax

- If taxpayer opted for 8% income tax but exceeds the VAT threshold during the year
  - Pay 3% percentage tax on the first P3M receipts
  - Compute income tax on accumulated income using graduated income tax rates
  - Deduct the 8% income tax paid from previous quarter
  - Pay VAT on succeeding receipts


©2017 Grant Thornton International, Ltd. All rights reserved.
P&A Grant Thornton An instinct for growth

## Mixed Income Earner

### IF GROSS SALES/RECEIPTS


©2017
P&A Grant Thornton An instinct for growth

## Fringe Benefits vs Compensation

### Compensation income subject to

Taxable Income	Rate (Jan. 1, 2018 to Dec. 31, 2022)	Rate (Jan. 1, 2023 Onwards)
Over P800K to 2M	P130K + 30% in excess of P800K	P102.5K + 28% in excess of P800K
Over P2M to 8M	P490K + 32% in excess of P2M	P402.5K + 30% in excess of P2M
Over 8M	P2.410M + 35% in excess of 8M	P2.025M + 35% in excess of 8M

vs

**FBT of 35%**

(Housing and car subject to FBT at 50%)

©2017 Grant Thornton International, Ltd. All rights reserved.
P&A Grant Thornton An instinct for growth

## Employees of ROHQ, RHQ, OBU, and Petroleum Contractors

### Optional 15% Preferential Income Tax Rate

- Managerial or technical position
- gross annual taxable compensation of at least P975,000
- Exclusively work for the RHQ or ROHQ
- should not be a consultant or contractual personnel
- BIR Form 1947

16 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An indirect for growth

## Employees of ROHQ, RHQ, OBU, and Petroleum Contractors

**RA No. 10963 -**  
Shall not be applicable  
to RHQ, ROHQ, OBUs  
and petroleum  
contractors registering  
after Jan. 1, 2018

### Veto Message/Draft RR

- Shall not be applicable to all RHQ, ROHQ, OBUs and petroleum contractors
- Regular income rates



17 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An indirect for growth

### RA 10963

"(2) **Alien Individual Employed for Regional Area Headquarters and Regional Operating Headquarters of Multinational Companies.**—There shall be levied, collected and paid for each taxable year upon the gross income realized for every alien individual employed for regional or area headquarters and regional operating headquarters established in the Philippines by multinational companies or subsidiaries, branches, associations, companies, or contractors and other similar entities, such as, but not limited to, gross income, from such regional or area headquarters and regional operating headquarters, a tax equal to fifteen percent (15%) of such gross income. *Provided, however,* That the same tax treatment shall apply to Filipino employed and occupying the same position as those of aliens employed by these multinational companies. For purposes of this Chapter, the term "multinational company" means a foreign firm or entity engaged in international trade with affiliates or subsidiaries or branch offices in the Asia-Pacific Region and other foreign markets.

"(3) **Alien Individual Employed by Offshore Banking Units.**—There shall be levied, collected and paid for each taxable year upon the gross income realized for every alien individual employed by offshore banking units established in the Philippines as subsidiaries, branches, associations, companies, or contractors and other similar entities, such as, but not limited to, gross income, from such offshore banking units, a tax equal to fifteen percent (15%) of such gross income. *Provided, however,* That the same tax treatment shall apply to Filipino employed and occupying the same position as those of aliens employed by these offshore banking units.

18 ©2017 Grant Thornton International LLP. All rights reserved.

### Veto Message

I am constrained to veto the provision under Section 6 (F) of the amended UG that effectively maintains the special tax rate of 15% of gross income for the aforementioned employees, to wit:

"**PROVIDED, HOWEVER, THAT EXISTING REGIONAL, OBU, OR PETROLEUM SERVICE CONTRACTORS AND SUBCONTRACTORS PRESENTLY AVAILING OF PREFERENTIAL TAX RATES FOR QUALIFIED EMPLOYEES SHALL CONTINUE TO BE ENTITLED TO AVAIL OF THE PREFERENTIAL TAX RATE FOR PRESENT AND FUTURE QUALIFIED EMPLOYEES.**"

While I understand the laudable objective of the proposal, the provision is violative of the Equal Protection Clause under Section 1, Article III of the 1987 Constitution, as well as the rule of equity and uniformity in the application of the burden of taxation.

Section 1. No person shall be deprived of life, liberty, or property without due process of law, nor shall any person be denied the equal protection of the laws.

In line with this, the overriding consideration is the promotion of fairness of the tax system for individuals performing similar work. Given the significant reduction in the personal income tax, the employees of these firms should follow the regular tax rates applicable to other individual taxpayers.

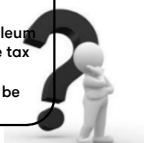
P&A  
Grant Thornton | An indirect for growth

## Employees of ROHQ, RHQ, OBU, and Petroleum Contractors

### Tax Advisory

dated Jan. 31, 2018 and signed by Commissioner Dulay

- All employees of RHQ, ROHQ, OBUs and petroleum contractors are now subject to regular income tax rates.
- Withholding tax table as per RMC 1-2018 shall be applied.



18 ©2017 Grant Thornton International Ltd. All rights reserved.

PwA Grant Thornton An instinct for growth

## Requirement to file an ITR

### BEFORE

All are required to file except employees qualified for substituted filing.

### TRAIN

All are required to file except:  
 ○ employees qualified for substituted filing; OR  
 ○ **employees with annual taxable compensation income not exceeding P250,000**

#### Substituted Filing

- Pure compensation income earner
- One employer during the year
- Tax properly withheld
- BIR Form 2316 duly stamped received by BIR

20 ©2017 Grant Thornton International Ltd. All rights reserved.

PwA Grant Thornton An instinct for growth

## Requirement to file an ITR

### BEFORE

- Filing/Payment Deadline
  - Annual ITR: April 15
  - 1<sup>st</sup> Quarter ITR: April 15
- Annual Income Tax Return
  - 4-page - purely compensation income earner
  - 12-page - self-employed/professionals /mixed income earner
- Installment payment of Tax Due of more than P2,000
  - 1st installment - April 15
  - 2nd installment - July 15

### TRAIN

- Filing/Payment Deadline
  - Annual ITR: April 15
  - 1<sup>st</sup> Quarter ITR: May 15
- Annual Income Tax Return
  - 4-page - purely compensation income earner
  - 4-page return - self-employed/professionals or mixed income earner
- Installment payment of Tax Due of more than P2,000
  - 1st installment - April 15
  - 2nd installment - October 15

## Final Tax on Passive Income

22 ©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton | An instinct for growth™

---

---

---

---

---

---

---

---

## Final Tax on Passive Income

### LOTTERY

BEFORE	TRAIN
P100,000	20% Final Withholding Tax
P50,000	
P25,000	Exempt
P10,000	
P5,000	
P1,000	

23 ©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton | An instinct for growth™

---

---

---

---

---

---

---

---

## Final Tax on Passive Income

On individuals and domestic corporations Interest on FCDU deposits	15% (previously 7.50 %)
On individuals and domestic corporations Capital gains from sale of shares of stocks not traded in the stock exchange	15% (previously 5%/10%)

24 ©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton | An instinct for growth™

---

---

---

---

---

---

---

---



## Withholding Tax \_\_\_\_\_

26 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth™

## Expanded Withholding Tax

Expanded withholding tax rate shall be  
at a maximum of 15% effective 2019.  
*[current maximum rate is 32%]*

©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth™

The following income payments to self-employed individual or  
professional shall be subject to 8% EWT:

1. Professional fees, talent fees, commissions, etc. for services rendered by individuals;
2. Income distribution to beneficiaries of Estate and Trusts;
3. Income payment to certain brokers and agents;
4. Income payments to partners of general professional partnership
5. Professional fees paid to medical practitioners; and
6. Commission of independent and/or exclusive sales representative, and marketing agents of companies.

27 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth™

## Withholding Tax Return

**Monthly Filing/Payment**  
 • every 10<sup>th</sup>, 11<sup>th</sup> to 15<sup>th</sup> day  
 after the end of each month

BIR  
 Forms  
 1601E,  
 1601F  
 and  
 1602

**Monthly Filing/Payment**  
 10<sup>th</sup> day after the end of  
 the month

BIR  
 Form  
 1606

**Quarterly Filing/payment**  
 10<sup>th</sup> or 15<sup>th</sup> of the month  
 following close of the qtr

BIR  
 Form  
 1603

### TRAIN Law

#### Quarterly Filing and Payment:

- On or before the last day of  
 the month following the  
 close of the calendar  
 quarter
- No more monthly  
 filing/payment

©2017 Grant Thornton International LLP. All rights reserved.

P&A  
 Grant Thornton | An instinct for growth™

## Withholding Tax Return

**Tax Advisory, dated Jan. 31, 2018 and Feb. 6, 2018**

Covered Period	Form to Use	Alphabet of Payees	Due date for filing & payment	
			Non-EPPS Filers	EPPS Filers
1 <sup>st</sup> month of the quarter	BIR Form 0605 • ATC – MC 200 • Tax Type – WEWW	None	10 <sup>th</sup> day of the following month	15 <sup>th</sup> day of the following month
2 <sup>nd</sup> month of the quarter	BIR Form 0605 • ATC – MC 200 • Tax Type – WEWW	None	10 <sup>th</sup> day of the following month	15 <sup>th</sup> day of the following month
Calendar Quarter	BIR Form 1601EQ, 1601FQ, 1602Q	Yes – 1601EQ/1601FQ (to include all income payments for the quarter)	Last day of the month following the close of the quarter	Last day of the month following the close of the quarter

©2017 Grant Thornton International LLP. All rights reserved.

P&A  
 Grant Thornton | An instinct for growth™

## Value Added Tax

VAT threshold  
 Zero-rated Sales  
 VAT Exempt Sales  
 Input Tax Credit  
 Compliance Requirements

©2017 Grant Thornton International LLP. All rights reserved.

P&A  
 Grant Thornton | An instinct for growth™

## VAT Threshold

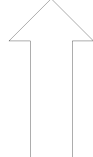


Gross annual sale of goods/properties or receipts from performance of service other than transactions which are VAT-exempt

P1,919,500



P3,000,000




---

---

---

---

---

---

---

---

## Value Added Tax \_\_\_\_\_

-> VAT zero-rating exclusively for direct exports

---

---

---

---

---

---

---

---

## VAT Zero-rating

Zero-rated Sale of Goods		
	Current Rule	Enhanced VAT Refund System
• Sale of raw materials/packaging to nonresident for delivery to a resident local export-oriented enterprise	0% VAT	12% VAT
• Sale to export oriented enterprise (70% exporter)	0% VAT	12% VAT
• Those considered export sales under EO 226 and other special laws	0% VAT	12% VAT

---

---

---

---

---

---

---

---

## VAT Zero-rating

Zero-rated Sale of Service		
	Current Rule	Enhanced VAT Refund System
Processing, manufacturing, repacking of goods subsequently exported for nonresidents, paid for in foreign currency	0% VAT	12% VAT
Services of contractors/subcontractors in processing or manufacturing goods for export oriented enterprise (70% exporter)	0% VAT	12% VAT

© 2017 Grant Thornton International LLP. All rights reserved.
P&A Grant Thornton An instinct for growth


---

---

---

---

---

---

---

---

## VAT Zero-rating

### Conditions for 12% VAT on currently zero-rated sales

- Enhanced VAT refund system – processing/grant of refund within 90 days
- All pending claims as of Dec. 31, 2017 shall be fully paid in cash by Dec. 31, 2019
- BIR and BOC VAT refund centers
- 5% of total VAT collection = special account in the general fund/trust receipts for funding claims for refund
- BIR and BOC's submission of quarterly report of pending claims and unused fund to COCCTRP

© 2017 Grant Thornton International LLP. All rights reserved.
P&A Grant Thornton An instinct for growth


---

---

---

---

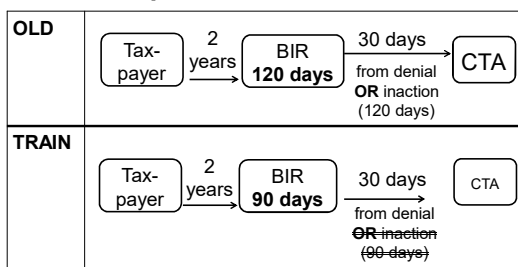
---

---

---

---

## Refund of Input VAT from zero-rated sales


An instinct for growth


---

---

---

---

---

---

---

---

### Refund of Input VAT from zero-rated sales

	Before	TRAIN
<b>Basis of Denial</b>	No specific provision	The Commissioner must state in writing the legal and factual basis for the denial.

27 ©2017 Grant Thornton International LLP. All rights reserved.
P&A Grant Thornton An instinct for growth


---

---

---

---

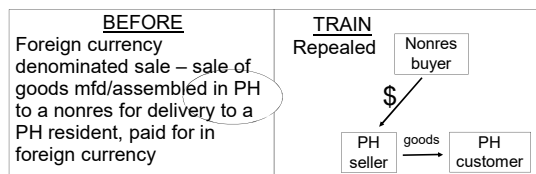
---

---

---

---

### VAT Zero-rating


28 ©2017 Grant Thornton International LLP. All rights reserved.
P&A Grant Thornton An instinct for growth


---

---

---

---

---

---

---

---

### VAT Zero-Rating – Vetoed Amendments

#### Sale and delivery of goods to/ Services rendered to:

- |  |  |
|--|--|
| i. Registered enterprises within a separate customs territory as provided under special laws | ii. Registered enterprises within tourism enterprise zones as declared by the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) |
|--|--|

29 ©2017 Grant Thornton International LLP. All rights reserved.
P&A Grant Thornton An instinct for growth


---

---

---

---

---

---

---

---

## VAT Exempt Sales

BEFORE	TRAIN
<ul style="list-style-type: none"> <li>Properties utilized for Low-cost/Socialized housing, residential lot - <b>P1.9192M</b></li> <li>Residential house and lot and other residential dwellings amounting to <b>P3.1992M</b></li> </ul>	<ul style="list-style-type: none"> <li>By 2018 - P1.9192M -&gt; <b>P1.5M</b></li> <li>By 2018 - P3.1992M -&gt; <b>P2.5M</b></li> <li>By 2021 - P2.5M -&gt; <b>P2.0</b></li> <li>By 2021 – repeal exemption for residential lot; low cost housing</li> </ul>

43 ©2017 Grant Thornton International LLP. All rights reserved.

## VAT Exempt Sales

BEFORE	TRAIN
<ul style="list-style-type: none"> <li>Association dues/membership fees collected by homeowners association or condominium corporation – <b>12% VAT</b></li> <li>Lease of residential unit for <b>P12,800</b> per month</li> </ul>	<ul style="list-style-type: none"> <li>VAT exempt (<i>input VAT on purchases cannot offset other VAT payable</i>)</li> <li>Lease of residential unit* for <b>P15,000</b> per month</li> </ul>

\* apartment unit, house /& lot, building or part thereof , per person in case of dormitories/boarded house/bed spaces

41 ©2017 Grant Thornton International LLP. All rights reserved.

## VAT Exempt Sales

### Lease of Residential Unit

#### Monthly lease of P15,000

- Exempt from VAT even if total >P3M
- Exempt from PT

#### Monthly lease of P18,000

Aggregate Rentals	Business Tax
≤ P3M	3% PT
> P3M	12% VAT

42 ©2017 Grant Thornton International LLP. All rights reserved.

## VAT Exempt Sales

### Lease of Residential Unit

Lessor owns 18 residential units at P14,000/mo and 3 units at P20,000/mo.



Gross receipts from rentals at P14,000/mo (P3,024,000 per year) – exempt from VAT/PT

Gross receipts from rentals at P20,000 (P720,000/yr) – exempt from VAT but subject to 3% PT

©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

---

---

---

---

## VAT Exempt Sales

### BEFORE

- Sale of medicine – **12% VAT** (except sale to senior citizen/PWD)

### TRAIN

- Sale of prescription drugs for diabetes, hypertension, high cholesterol – **VAT exempt effective Jan. 1, 2019** (at all stages of production/distribution)

©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

---

---

---

---

## VAT Exempt Sales

### BEFORE

- Transfer of property under Section 40 (c) (2) – **12% VAT** (if property transferred forms part of inventory or used in business)

### TRAIN

- **VAT exempt**

Issue: Attributable input VAT shall be treated as expense (removed from available input VAT)

©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

---

---

---

---

## VAT Exempt Sales

BEFORE	TRAIN
<ul style="list-style-type: none"> <li>• Sale of gold to Bangko Sentral Pilipinas (BSP) – <b>0% VAT</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>VAT exempt</b></li> </ul> <p><i>Issue: Input tax on production of gold shall not be creditable, but recognized as expense</i></p>

46 ©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

## VAT Exemption and Zero-rating (Repealing Clause of RA 10963)

- VAT exemption on purchases/importations, sale of certain entities

*(e.g. State Colleges, Universities, Coconut cooperatives, BSP, Boy Scout of the Philippines, GOCCs, government agencies, inventors, PDIC on fees from member banks, BOI registered enterprises (petroleum, iron, steel companies), NGCP, concession fees to PSALM)*

47 ©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

## Amortization of Input VAT

Input VAT on Capital Goods exceeding P1M

4 years

- Amortization required only **until 2021**
- Beginning Jan. 1, 2022
  - Input VAT creditable in full.
  - Unamortized input VAT from prior periods shall continue to be amortized until fully utilized.

Dec 2021  
→ 2026

48 ©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth



## Compliance Requirement

<b>CURRENT</b>	<b>Effective Jan. 1, 2023</b>
<ul style="list-style-type: none"> <li>Monthly and quarterly filing/payment</li> </ul>	<ul style="list-style-type: none"> <li><del>Monthly and Quarterly</del> filing/payment</li> </ul>

© 2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

---

---

---

---

## Percentage Tax \_\_\_\_\_

Other percentage tax  
Stock transaction tax  
Compliance Requirement

© 2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

---

---

---

---

## Other Percentage Tax



✓ 3% percentage tax on persons exempt from VAT - gross annual sales/receipts does not exceed **P1,919,500**

Additional  
P1,000/P1M

✓ Stock transaction tax (STT) on listed shares - 0.60 of 1% (previously 0.50 of 1%)

© 2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

---

---

---

---

## Percentage Tax - Compliance Requirement

BEFORE (by regulations)	TRAIN
<p>Monthly Filing</p> <ul style="list-style-type: none"> <li>20<sup>th</sup> day after end of month (for non-EFPS filers)</li> <li>21<sup>st</sup> to 25<sup>th</sup> day after end of month (filing thru EFPS), payment on 25<sup>th</sup> day end of month</li> </ul>	<p>➤ Quarterly filing/payment - 25<sup>th</sup> month following the close of the <u>taxable</u> quarter</p> <p>➤ <del>Monthly filing/payment</del></p>

52 ©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

## Excise Tax

Fuel, Motor Vehicle, Minerals, Cigarettes,  
Sugar Sweetened Beverages, Cosmetic Procedures

53 ©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

## Salient Provisions Excise Tax

**BEFORE**

- Excise tax applies only to goods.

**Cigarettes**  
Unitary excise rate of P30.00 per pack and a 4% increase every year effective January 1, 2018.

Sec. 125  
Coverage  
of Excise  
tax

Sec. 145  
Excise  
Tax  
Cigarettes

2018 - 31.20  
2019 - 32.45  
2020 - 33.75  
2021 - 35.95  
2022 - 36.50  
2023 - 38.00

**AFTER**

Added the coverage to services provided in the Philippines

**P2.50/yr**

**Cigarettes**  
01/2018 to 06/2018 - P32.50  
07/2018 to 12/2019 - P35.00  
01/2020 to 12/2021 - P37.50  
01/2022 to 12/2023 - P40.00  
And a 4% increase every year by January 1, 2024.

54 ©2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

**Manufactured Oils and Fuels**

2017	Products	2018	2019	2020
P4.50	Lubricating oils/greases (/L or /kg)	P8.00	P9.00	P10.00
P0.05	Processed gas (/L)	P8.00	P9.00	P10.00
P3.50	Waxes and petrolatum (/kg)	P8.00	P9.00	P10.00
P0.05	Denatured alcohol for motive power (/L)	P8.00	P9.00	P10.00
P4.35 (excl Pyrolysis gasoline)	Naphtha, regular gasoline, pyrolysis gasoline and other similar products of distillation (/L)	P7.00	P9.00	P10.00
Subject to applicable excise tax rate.	Production of petroleum products, whether or not as products of distillation and for use solely for production of gasoline.	Exempt	Exempt	Exempt

 55 ©2017 Grant Thornton International LLP. All rights reserved.
 

 P&A Grant Thornton An instinct for growth
 
**Manufactured Oils and Fuels**

2017	Products	2018	2019	2020
P4.35	Unleaded premium (/L)	P7.00	P9.00	P10.00
P3.67	Aviation turbo jet fuel (/L)	P4.00	P4.00	P4.00
P0.00	Kerosene (/L)	P3.00	P4.00	P5.00
P0.00	Diesel (/L)	P2.50	P4.50	P6.00
P0.00	LPG (/kg)	P1.00	P2.00	P3.00
P0.56	Asphalts (/kg)	P8.00	P9.00	P10.0
P0.00	Bunker (/L)	P2.50	P4.50	P6.00
N/A	Petroleum coke (/ton)	P2.50	P4.50	P6.00



For 2018 to 2020, increases shall be suspended if average Dubai crude oil price reaches \$80 per barrel.

 56 ©2017 Grant Thornton International LLP. All rights reserved.
 

 P&A Grant Thornton An instinct for growth
 
**Vetoed Provisions**

1. Exemption of various petroleum products from excise tax when used as input, feedback, or as raw material in the manufacturing of petrochemical products, or in the refining of petroleum products, or as replacement fuel for natural gas fired combined cycle power plants
2. Earmarking of incremental tobacco taxes

 57 ©2017 Grant Thornton International LLP. All rights reserved.
 

 P&A Grant Thornton An instinct for growth

## Excise Tax - Petroleum Products

### Marking of Petroleum Products

- All petroleum products shall be marked with the official marking agent designated by the Department of Finance (DOF)
- Absence of marker or the use of fraudulent marker is considered prima facie evidence that the same have been withdrawn or imported without the payment of the excise tax.
- Mandatory within 5 years from the Jan. 1, 2018

58 5207 Grant Thornton International Ltd. All rights reserved.
P&A  
Grant Thornton | An instinct for growth


---

---

---

---

---

---

---

---

## Excise Taxes on Minerals

Domestic or imported coals and coke	P50/ metric ton (2018) P100/metric ton (2019) P150/ metric ton (2020) (previously P10/metric ton)
Non-metallic minerals and quarry resources	4% (previously 2%)
Metallic minerals (copper/gold)	4% (previously 2%)
Indigenous petroleum	6% (previously 3%)

59 5207 Grant Thornton International Ltd. All rights reserved.
P&A  
Grant Thornton | An instinct for growth


---

---

---

---

---

---

---

---

## Automobiles

PREVIOUS		TRAIN	
Net manufacturer's price/ Importer's selling price (net of excise and VAT)	Rates	Net manufacturer's price/ Importer's selling price (net of excise and VAT)	Rates
≤ P 600K	2%	≤ P600K	4%
>P 600K-1.1M	12K + 20%	>P600K-1M	10%
>P 1.1 M-P 2.1M	112K + 40%	>P 1 M-P 4M	20%
>P 2.1M	512 + 60%	>P 4M	50%


60 5207 Grant Thornton International Ltd. All rights reserved.
P&A  
Grant Thornton | An instinct for growth


---

---

---

---

---

---

---

---

Automobiles		
	Previous	TRAIN
Purely electric	Regular rate	exempt
Hybrid	Regular rate	50% of regular rate
Pick up	Regular Rate	Excluded from coverage



© 2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

---

---

---

---

Sweetened Beverages	
Using purely caloric and/or non-caloric sweeteners	P6 per liter
Using purely or partly high fructose corn syrup	P12 per liter
Using purely coconut sap sugar / purely steviol glycosides	Exempt



© 2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

---

---

---

---

Excisable Beverages	
<ol style="list-style-type: none"> <li>1. Sweetened juice drinks, tea</li> <li>2. All carbonated beverages (?water)</li> <li>3. Flavored water</li> <li>4. Energy &amp; sports drinks</li> <li>5. Cereal &amp; grain beverages</li> <li>6. Other powdered drinks (not milk, coffee)</li> <li>7. Non-alcoholic beverages with added sugar</li> </ol>	



© 2017 Grant Thornton International LLP. All rights reserved.

P&A Grant Thornton An instinct for growth

---

---

---

---

---

---

---

---

### Sweetened Beverages

#### Administrative Requirements:

- Registration of New Brands/Variants
- Application for eATRIG
- New BIR Forms
  - Excise Tax Return BIR Form 2200-S
  - Excise Tax Removal Declaration (BIR Form 2299)
- Official Register Books/Transcript Sheets
  - Every 8<sup>th</sup> of the following month

Filing/Payment: RDO of place of production

©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth

### Cosmetic procedures for aesthetic reasons

#### Coverage:

- Invasive Cosmetic Procedures;
- Surgeries; and
- Body enhancements



directed solely towards improving, altering, or enhancing the patient's appearance

©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth

### Cosmetic procedures for aesthetic reasons

#### Exclusions:

Non-invasive  
Cosmetic  
Procedures

OR

necessary to ameliorate a deformity arising from or directly related to, a congenital or developmental defect or abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease, tumor, virus or infection (see enumerated in draft RR)

©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth

### Tax Base and Tax Rate

- **Tax Base** - Gross receipts derived from performance of services, net of excise tax and value added tax.
- **Tax Rate** - 5%

©2017 Grant Thornton International LLP. All rights reserved.
PwA  
Grant Thornton | An indirect for growth

### Person Liable to File a Return

**Seller of Service/Service Provider**  
(Hospital/Clinic/Doctor)

Any person, whether individual or juridical entity,  
performing the covered procedures

Excise Tax is considered an **INDIRECT TAX**: the service provider who is the statutory bearer of the tax is expected to shift the tax by billing the same to the customer-client.

©2017 Grant Thornton International LLP. All rights reserved.
PwA  
Grant Thornton | An indirect for growth

### Place of Filing of the Return and Payment of the Tax

Item	Manner of Filing	Place of Filing and Payment of Tax
Tax Return - BIR Form Form No. 1620-XC (Monthly Remittance Return of Final Withholding of Excise Tax on Cosmetic Procedures)	Manual	<b>A. With Payment</b>
		1. For NCR - With AAB in RDO where taxpayer (Head Office) is registered
		2. Outside NCR - AAB or LGU where taxpayer (head office) is registered.
		<b>B. Without Payment</b>
		1. For NCR - Excise Large Taxpayers Field Operations Division (ELTFOD) for Large Taxpayers
		2. RDO for taxpayers in the NCR
		3. Outside NCR - Excise Tax Area (EXTA) in Regional Offices for taxpayers

**Place of Filing of the Return and Payment of the Tax**

Item	Manner of Filing	Place of Filing and Payment of Tax
	Taxpayers filing via EFPS	EFPS
Attachment - Summary of Invasive Cosmetic Procedures Performed	Electronically	Submission via email at <a href="mailto:xcp.attachment@bir.gov.ph">xcp.attachment@bir.gov.ph</a>

©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth™**Time for Filing of Return and Payment of Tax**

Within ten (10) days following the close of the month (for both BIR Form No. 1620-XC and attachment.

©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth™**Documentary Stamp Tax**

Rates were general doubled with a few exceptions.

©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth™



## Other Compliance and Administrative Requirements



73 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth™

---

---

---

---

---

---

---

---

## Salient Provisions

### *Electronic Sales Reporting (Large Taxpayers and Exporters)*

- Taxpayers shall be required by the BIR to electronically report their sales data to BIR's electronic system through the use of CRM/POS machines.
- Within 5 years and establishment by the BIR of the electronic sales reporting system

74 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth™

---

---

---

---

---

---

---

---

## Penalty Provisions \_\_\_\_\_

75 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth™

---

---

---

---

---

---

---

---

## Penalty Provisions

### Penalty Interest

- Penalty interest rate shall be twice the legal rate as set by BSP (currently at 6%, hence, interest rate shall be 12%).
- Deficiency interest to be assessed from date prescribed for payment or upon issuance of notice and demand by CIR, whichever is earlier.

76 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth

---

---

---

---

---

---

---

---

## Penalty Provisions

### Penalty: Attempt to Evade or Defeat Tax (Sec. 254)

- Increase of administrative fine from P30k - P100k, to not less than P500k but not more than P10M
- Imprisonment of from 2 - 4 years, to 6 - 10 years

77 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth

---

---

---

---

---

---

---

---

## Penalty Provisions

### Penalty: Offenses on Printing of ORs/Invoices

- Increase of administrative fine from P1k - P50k, to not less than P500k but not more than P10M
- Imprisonment of from 2 - 4 years, to 6 - 10 years

78 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth

---

---

---

---

---

---

---

---

**Penalty Provisions****Penalty: Offenses on electronic sales reporting**

- 1/10 of 1% of annual net income/day, or P10,000 whichever is higher
- Aggregate number of days of violation exceed 180 days – permanent closure of taxpayer

79 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth®

**Penalty Provisions****Penalty: Offenses on Sales Suppression Devices**

- administrative fine from P500k - P10M
- Imprisonment of from 2 – 4 years

80 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth®

**Penalty Provisions****Penalty: Offenses on Fuel Marking**

- Sale, trade, delivery, distribution, transportation of unmarked fuel in commercial quantity  
*Administrative fine from P2.5M – P10M*
- Fuel markers without authority, counterfeited markers, conduits to the above acts  
*Administrative fine from P2.5M – P5M plus imprisonment of 4-8 years*

81 ©2017 Grant Thornton International LLP. All rights reserved.

P&A  
Grant Thornton | An instinct for growth®

### Obtaining Information by the CIR

- Examination of returns/determination of tax due  
*Can be done by the BIR notwithstanding any law requiring prior authorization of any government agency or instrumentality*
- Inquiry on bank deposits not approved

---

---

---

---

---

---

---

---

Comments/Questions?

lea.roque@ph.gt.com

---

---

---

---

---

---

---

---