

# ***Tax Reform for Acceleration and Inclusion – Package 1***

## **In brief**

On 19 December 2017, the President signed into law package 1 of the Tax Reform for Acceleration and Inclusion (“TRAIN”) bill or Republic Act (“R.A.”) No. 10963. The law contains amendments to several provisions of the National Internal Revenue Code of 1997 (“Tax Code”) on individual income taxation, passive income for both individuals and corporations, estate tax, donor’s tax, value-added tax (“VAT”), excise tax, and documentary stamp tax (“DST”), among others.

Among the provisions of the TRAIN bill, the President has vetoed certain items, to wit:

- **Sec. 6, amending Sec. 25 of the Tax Code**

*“Provided, however, that existing RHQs/ROHQs, OBUs or Petroleum service contractors and subcontractors presently availing of preferential tax rates for qualified employees shall continue to avail of the preferential tax rate for present and future qualified employees.”*

- **Sec. 31, amending Sec. 106 of the Tax Code**

*“(2) Sale and delivery of goods to:*

*(i) Registered enterprises within a separate customs territory as provided under special laws; and*

*(ii) Registered enterprises within tourism enterprise zones as declared by the Tourism Infrastructure and Enterprise Zone Authority (“TIEZA”) subject to the provisions under Republic Act No. 9593 or the Tourism Act of 2009.”*

- **Sec. 33, amending Sec. 108 of the Tax Code**  
*“(8) Services rendered to:*
  - (i) Registered enterprises within a separate customs territory as provided under special laws; and*
  - (ii) Registered enterprises within tourism enterprise zones as declared by the TIEZA subject to the provisions under Republic Act No. 9593 or the Tourism Act of 2009.”*
  
- **Sec. 38, amending Sec. 116 of the Tax Code**  
*“And beginning January 1, 2019, self-employed and professionals with total annual gross sales and/or gross sales not exceeding five hundred thousand pesos (P500,000)”*
  
- **Sec. 43, amending Sec. 148 of the Tax Code**  
*“Petroleum products, including naphtha, LPG, petroleum, coke, refinery fuel and other products of distillation, when used as input, feedstock 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 plant [,] in lieu of locally-extracted natural gas during non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, per liter of volume capacity, zero (Php0.00); furthermore, that the by-product including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied petroleum gases, and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in the Section, except when such by-products are transferred to any of the local oil refineries through sale, barter, or exchange, for the purpose of further processing or blending into finished products which are subject to excise taxes under this Section.”*
  
- **Sec. 82, amending Sec. 288 of the Tax Code**  
*“Notwithstanding any provisions herein to the contrary, the incremental revenues from the tobacco taxes under this Act shall be subject to Section 3 of Republic Act No. 7171, otherwise known as “An Act to Promote the Development of the farmer in the Virginia Tobacco Producing provinces”, and Section 8 of Republic Act No. 8240, otherwise known as “An Act amending Sections 138, 140 & 142 of the National Internal Revenue Code, as amended, and for other purposes.”*

R.A. No. 10963 shall take effect on 1 January 2018, following its complete publication in the official gazette or in at least one newspaper of general circulation. The law was published in the official gazette on 27 December 2017.

## On powers and authority granted to the Commissioner of Internal Revenue

<b>Power to obtain information, and to summon, examine, and take testimony of persons</b>	Sec. 5 (B) Commissioner's power to obtain information from any person other than the person whose internal revenue tax liability is subject to audit or investigation or from any office or officer of the national and local governments, government agencies and instrumentalities.	<b>Additional provision:</b> Submission of a tax incentive report by Cooperatives Development Authority to the Bureau of Internal Revenue ("BIR") and the Department of Finance ("DOF"). The report shall include information on the income tax, VAT and other tax incentive availed of. The tax incentive report shall be included in the database created under the Tax Incentives Management and Transparency Act ("TIMTA").
<b>Examination of returns and determination of tax due</b>	Sec. 6 (A) The Commissioner or his duly authorized representative may authorize the examination of any taxpayer and the assessment of the correct amount of tax after a return has been filed.	The Commissioner or his duly authorized representative shall have the said authority notwithstanding any law requiring the prior authorization of any government agency or instrumentality.
<b>Authority to prescribe real property values</b>	Sec. 6 (E) The Commissioner is authorized to determine the fair market value of real properties.	The determination of the fair market value of real properties requires mandatory consultation from both public and private appraisers, and with prior notice to affected parties. There is an automatic adjustment of the zonal valuation once every three years through issuance of regulations by the Secretary of Finance. No adjustment in zonal valuation shall be valid unless published or posted. The basis of valuation, as well as records of consultation, shall be public records available for inquiry of any taxpayer.

## Adjustments in personal income taxation

## Individual income tax rates

Sec. 24 (A) (2) Personal income tax table for both compensation-income earners, and self-employed and/or professionals:

Not over PHP10,000	5%
Over 10,000 but not over 30,000	PHP500 + 10% of the excess over 10,000
Over 30,000 but not over 70,000	2,500 + 15% of the excess over 30,000
Over 70,000 but not over 140,000	8,500 + 20% of the excess over 70,000
Over 140,000 but not over 250,000	22,500 + 25% of the excess over 140,000
Over 250,000 but not over 500,000	50,000 + 30% of the excess over 250,000
Over 500,000	125,000 + 32% of the excess over 500,000

## A. For compensation income earners

*Effective 1 January 2018*

Not over PHP250,000	0%
Over 250,000 but not over 400,000	20% of the excess over PHP250,000
Over 400,000 but not over 800,000	30,000 + 25% of the excess over 400,000
Over 800,000 but not over 2,000,000	130,000 + 30% of the excess over 800,000
Over 2,000,000 but not over 8,000,000	490,000 + 32% of the excess over 2,000,000
Over 8,000,000	2,410,000 + 35% of the excess over 8,000,000

*Effective 1 January 2023*

Not over PHP250,000	0%
Over 250,000 but not over 400,000	15% of the excess over PHP250,000
Over 400,000 but not over 800,000	22,500 + 20% of the excess over 400,000
Over 800,000 but not over 2,000,000	102,500 + 25% of the excess over 800,000
Over 2,000,000 but not over 8,000,000	402,500 + 30% of the excess over 2,000,000
Over 8,000,000	2,202,500 + 35% of the excess over 8,000,000

## B. Purely self-employed and professionals

If gross sales/receipts and other non-operating income do not exceed the PHP3m VAT threshold, taxpayer may opt to be taxed at:

- 8% of gross sales/receipts and other non-operating income in excess of PHP250,000 in lieu of graduated rates and percentage tax; or
- Graduated rates in (A) above.

Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963
<b>Individual income tax rates</b>		<b>C. Mixed income earners shall be taxed as follows:</b>
		<p>On their compensation income – at graduated rates</p> <p>On their income from the conduct of trade or business or the practice of profession:</p> <ul style="list-style-type: none"> <li>• If exceeding the VAT threshold – at graduated rates</li> <li>• If below the VAT threshold – either 8% of gross sales/ receipts and other non-operating income in excess of PHP250,000 in lieu of graduated rates and percentage tax or graduated rates, at the option of the taxpayer</li> </ul>
<b>Passive income from interest, royalties, prizes and other winnings of individual citizen and resident alien</b>	<p>Sec. 24 (B) (1) Philippine Charity Sweepstakes Office (“PCSO”) and lotto winnings are exempt from the 20% final tax.</p> <p>Interest income from a depository bank under the expanded foreign currency deposit system is subject to a final tax of 7.5%.</p>	<p>PCSO and lotto winnings exceeding PHP10,000 would be subject to the 20% final tax.</p> <p>Interest income from a depository bank under the expanded foreign currency deposit system is subject to an increased final tax of 15%.</p>
<b>Capital gains from sale of shares of stock not traded in the local stock exchange of individual citizen and resident alien</b>	<p>Sec. 24 (C) Capital gains tax of 5% on the first PHP100,000 and 10% in excess thereof is imposed on sale of shares not traded in the local stock exchange.</p>	<p>Capital gains tax on sale of shares not traded in the local stock exchange is increased to a flat rate of 15%.</p>
<b>Alien individuals and qualified Filipinos employed by specific employers</b>	<p>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:</p> <ul style="list-style-type: none"> <li>• Regional or area headquarters (“RHQ”) and regional operating headquarters (“ROHQ”) of multinational companies;</li> <li>• Offshore banking units (“OBU”); and</li> <li>• Petroleum service contractors and subcontractors.</li> </ul>	<p>Preferential tax treatment shall not apply for employees of ROHQ, RHQ, OBU, and Petroleum service contractors and subcontractors which registered with the Securities and Exchange Commission beginning 1 January 2018.</p> <p><b>[ITEM VETOED] Present and future qualified employees of existing ROHQ, RHQ, OBU, and Petroleum service contractors and subcontractors as of 31 December 2017 shall enjoy preferential tax treatment.</b></p>

Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963
<b>Adjustments in corporate income tax provisions</b>		
<b>Government-owned or controlled corporations, agencies or instrumentalities</b>	Sec. 27 (C) The Government Service Insurance System, the Social Security System, the Philippine Health Insurance Corporation, the local water districts and the PCSO are exempt from corporate income tax.	Corporate income tax exemption of PCSO was removed
<b>Passive income on interest from deposits and yield or any other monetary benefit from deposit substitutes, trust funds and royalties</b>	Sec. 27 (D) (1) Interest income from a depository bank under the expanded foreign currency deposit system is subject to a final tax of 7.5%.	Interest income from a depository bank under the expanded foreign currency deposit system is subject to an increased final tax of 15%.
<b>Capital gains from sale of shares of stock not traded in the local stock exchange of domestic corporations</b>	Sec. 27 (D) (2) Capital gains tax of 5% on the first PHP100,000 and 10% in excess thereof is imposed on sale, exchange or disposition of shares not traded in the local stock exchange.	Capital gains tax on sale, exchange or disposition of shares not traded in the local stock exchange is increased to a flat rate of 15%.
<b>Adjustments on provisions for exclusions and deductions</b>		
<b>On exemption of 13th month pay and other benefits exemption</b>	<p>Sec. 32 (B) (7) (e) 13th month pay and other benefits amounting to PHP82,000 is excluded from the computation of gross income.</p> <p>The President shall adjust the amount of income tax exemption to its present value using the Consumer Price Index (“CPI”) for other benefits such as productivity incentives and Christmas bonus every three years.</p>	<p>Amount of exempt 13th month pay and other benefits is increased to PHP90,000.</p> <p>The provision of power of the President to make adjustments on the said amount is removed.</p>
<b>Fringe benefit tax given to non-rank and file employees</b>	Sec. 33 (A) Fringe benefits given to non-rank and file employees are subject to 32% final tax rate. The grossed-up monetary value is determined by dividing the actual monetary value by 68%.	Effective 1 January 2018, fringe benefits given to non-rank and file employees are subject to 35% final tax rate. The grossed-up monetary value is determined by dividing the actual monetary value by 65%.
<b>Optional standard deduction (“OSD”)</b>	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 40% of gross sales or gross receipts.	In case of a general professional partnership, the OSD may be availed only once by either the general professional partnership or the partners comprising such partnership.
<b>Deduction of premium payments on health and/or hospitalization insurance</b>	Sec. 34 (M) Allowed deduction of PHP2,400 per year or PHP200 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 PHP250,000 for the taxable year.	Repealed

Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963
<b>On personal and additional exemptions</b>	Secs. 35 and 79 (D) Exemptions on the following: <ul style="list-style-type: none"> <li>• PHP50,000 worth of basic personal exemption</li> <li>• PHP25,000 worth of additional exemption per qualified dependent not exceeding four.</li> <li>• Personal exemption allowable to nonresident alien individual</li> </ul>	Repealed
<b>Exemption allowed to estate and trust</b>	Sec. 62 Exemption of PHP20,000 allowed from the income of the estate or trust.	Repealed
<b>Income tax collected at source – husband and wife</b>	Sec. 79 (F) Husband deemed head of the family and proper claimant of the additional exemption.  Taxes to be withheld from the wages of the wife must be in accordance with the table for zero exemption of the withholding tax table.	Repealed

**Filing of tax returns**

<b>Individual</b>	Sec. 51 (A) (2) (a) An individual whose gross income does not exceed his total personal and additional exemptions for dependents are not required to file an income tax return (“ITR”).	<p>An individual whose taxable income does not exceed PHP250,000 based on the tax schedule for compensation income earners shall not be required to file an ITR.</p> <p><b>Additional Provisions:</b> The ITR shall consist of a maximum of four pages in paper or electronic form containing only the following information:</p> <ul style="list-style-type: none"> <li>• Personal profile and information;</li> <li>• Total gross sales, receipts or income from compensation of services rendered, conduct of trade or business or the exercise of a profession, except income subject to final tax as provided under the Tax Code;</li> <li>• Allowable deductions under the Tax Code;</li> <li>• Taxable income as defined in the Tax Code; and</li> <li>• Income tax due and payable.</li> </ul> <p>Sec. 51-A An individual receiving purely compensation income from one employer wherein the tax of which has been correctly withheld shall not be required to file an annual ITR.</p> <p>The certificate of withholding, filed by the employer and stamped “received” by the BIR, shall be tantamount to the substituted filing of income tax return of the employees.</p>
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Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963
<b>Corporate</b>	Sec. 52 (A) The return shall be filed by the president, vice-president or other principal officer, and shall be sworn to by such officer and by the treasurer or assistant treasurer.	<p>The ITR shall consist of a maximum of four pages in paper or electronic form containing only the following information:</p> <ul style="list-style-type: none"> <li>• Corporate profile and information;</li> <li>• Gross sales, receipts or income from services rendered, or conduct of trade or business, except income subject to final tax as provided under the Tax Code;</li> <li>• Allowable deductions under the Tax Code;</li> <li>• Taxable income as defined in the Tax Code; and</li> <li>• Income tax due and payable.</li> </ul> <p>The foregoing provisions shall not affect the implementation of TIMTA.</p>
<b>Payment and assessment of income tax for individuals and corporations</b>	Sec. 56 (A) (2) When a tax due is in excess of PHP2,000, the taxpayer other than a corporation may elect to pay the tax due in two equal installments; the first installment paid at the time the return is filed and the second installment on or before 15 July following the close of the calendar year.	The second installment of the tax due to be paid on or before 15 October following the close of the calendar year.
<b>Withholding of creditable tax at source</b>	Sec. 57 (B) The Secretary of Finance may require the withholding of a tax on the items of income payable to natural or juridical persons, residing in the Philippines by payor-corporations/persons at the rate of 1% to 32% thereof, which shall be credited against the income tax liability of the taxpayer for the taxable year.	Beginning 1 January 2019, the rate of withholding shall not be less than 1% but not more than 15% of the income payment.
<b>On return and payment of taxes withheld at source</b>	<p>Sec. 58 The return for final withholding tax shall be filed and the payment made within 25 days from the close of each calendar quarter.</p> <p>The return for creditable withholding taxes shall be filed and payment made not later than the last day of the month following the close of the quarter during which the withholding taxes was made.</p> <p>The Commissioner, with the approval of the Secretary of Finance, may require the withholding agents to pay or deposit the taxes deducted or withheld at more frequent intervals when necessary to protect the interest of the government.</p>	<p>The return for both final and creditable withholding taxes shall be filed and the payment made not later than the last day of the month following the close of the quarter during which the withholding was made.</p> <p>The provision allowing the Commissioner of Internal Revenue to adjust the withholding of tax at more frequent intervals is removed.</p>
<b>Declaration of income tax for individuals</b>	Sec. 74 (A) Every individual subject to income tax and is receiving self-employment income shall make and file a declaration of his estimated income for the current taxable year on or before 15 April of the same taxable year.	Filing of declaration of estimated income shall be on or before 15 May of the same taxable year.
<b>Return and payment of estimated income tax</b>	Sec. 74 (B) The amount of estimated income shall be paid in 4 installments with the fourth installment to be paid on or before 15 April of the following calendar year.	Payment of the fourth installment shall be paid on or before 15 May of the following calendar year.



## Adjustments in estate taxation

## On estate tax rates

Sec. 84 Estate tax table:

Estate tax rate is fixed at 6%.

Over	But not over	This tax shall be	Plus	Of the Excess Over
	PHP200,000	Exempt		
PHP200,000	500,000	0	5%	PHP200,000
500,000	2,000,000	PHP15,000	8%	500,000
2,000,000	5,000,000	135,000	11%	2,000,000
5,000,000	10,000,000	456,000	15%	5,000,000
10,000,000	And Over	1,215,000	20%	10,000,000

## Allowed deductions

Sec. 86 (A) Citizens or residents are allowed the following deductions, among others:

- Expenses, losses, indebtedness, and taxes (among others, funeral expenses not to exceed PHP200,000 and judicial expenses)
- Family home not to exceed PHP1m
- Standard deduction of PHP1m
- Medical expenses not to exceed PHP500,000

- Removed the allowance for deductions of funeral expenses, judicial expenses, and medical expenses.
- Increased allowance for deduction of family home to PHP10m.
- Increased the standard deduction to PHP5m.

Sec. 86 (B) A nonresident not a citizen of the Philippines is allowed the following deductions, among others:

- Expenses, losses, indebtedness, and taxes (among others, funeral expenses not to exceed PHP200,000 and judicial expenses)
- Property previously taxed
- Transfers for public use

- Removed allowance for deduction of expenses, losses, indebtedness, and taxes.
- Provides for a standard deduction of PHP500,000.
- Provides that a proportion of the claims against the estate, claims against insolvent persons, and unpaid mortgages may be claimed as a deduction from the estate.

Sec. 86 (D) An Individual who is a nonresident not citizen of the Philippines shall not be allowed to claim any deduction unless the value of the nonresident's gross estate situated outside the Philippines is included in the return filed.

Repealed

## Filing a notice of death

Sec. 89 Written notice of death required for gross estates exceeding PHP20,000

Repealed

Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963																																													
<b>Estate tax returns</b>	<p>Sec. 90</p> <p>(A) (1) All transfers subject to estate tax or those, though exempt from tax, have gross values exceeding PHP200,000, 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.</p> <p>(A) (3) Estate tax returns showing a gross value exceeding PHP2,000,000 must be certified by a Certified Public Accountant (“CPA”).</p> <hr/> <p>Sec. 90 (B) The estate tax return must be filed within six months from the decedent’s death.</p>	<p>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.</p> <p>Estate tax returns showing a gross value exceeding PHP5m must be certified by a CPA.</p> <hr/> <p>The estate tax return must be filed within one year from the decedent’s death.</p>																																													
<b>Payment of estate taxes</b>	Sec. 91 Payment of estate tax	<p><b>Additional provision:</b></p> <p>An estate with insufficient cash is allowed to pay the estate tax due by installment within two years from the statutory date for its payment without civil penalty and interest.</p>																																													
<b>Payment of tax antecedent to the transfer of shares, bonds, or rights</b>	<p>Sec. 97 A bank shall not allow withdrawal from a decedent’s bank account without the Commissioner certifying that taxes imposed thereon have already been paid.</p> <p>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.</p>	Banks, which has knowledge of the death of the person, shall allow withdrawals from a decedent’s deposit account subject to a 6% final withholding tax.																																													
<b>Adjustments in donor’s taxation</b>																																															
<b>Donor’s tax rate</b>	<p>Sec. 99 (A) and (B) Donor’s tax rates are as follows:</p> <p>a. Not stranger – based on total net gift</p> <table border="1" data-bbox="436 1101 1255 1463"> <thead> <tr> <th>Over</th> <th>But not over</th> <th>This tax shall be</th> <th>Plus</th> <th>Of the Excess Over</th> </tr> </thead> <tbody> <tr> <td></td> <td>PHP100,000</td> <td>Exempt</td> <td></td> <td></td> </tr> <tr> <td>PHP100,000</td> <td>200,000</td> <td>0</td> <td>2%</td> <td>PHP100,000</td> </tr> <tr> <td>200,000</td> <td>500,000</td> <td>2,000</td> <td>4%</td> <td>200,000</td> </tr> <tr> <td>500,000</td> <td>1,000,000</td> <td>14,000</td> <td>6%</td> <td>500,000</td> </tr> <tr> <td>1,000,000</td> <td>3,000,000</td> <td>44,000</td> <td>8%</td> <td>1,000,000</td> </tr> <tr> <td>3,000,000</td> <td>5,000,000</td> <td>204,000</td> <td>10%</td> <td>3,000,000</td> </tr> <tr> <td>5,000,000</td> <td>10,000,000</td> <td>404,000</td> <td>12%</td> <td>5,000,000</td> </tr> <tr> <td>10,000,000</td> <td></td> <td>1,004,000</td> <td>15%</td> <td>10,000,000</td> </tr> </tbody> </table> <p>b. Stranger – 30% based on net gifts</p>	Over	But not over	This tax shall be	Plus	Of the Excess Over		PHP100,000	Exempt			PHP100,000	200,000	0	2%	PHP100,000	200,000	500,000	2,000	4%	200,000	500,000	1,000,000	14,000	6%	500,000	1,000,000	3,000,000	44,000	8%	1,000,000	3,000,000	5,000,000	204,000	10%	3,000,000	5,000,000	10,000,000	404,000	12%	5,000,000	10,000,000		1,004,000	15%	10,000,000	Donor’s tax rate fixed at 6% based on total gifts in excess of PHP250,000 exempt gift made during the calendar year whether the donee is a stranger or not.
Over	But not over	This tax shall be	Plus	Of the Excess Over																																											
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Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963
<b>Transfer for less than adequate and full consideration</b>	Sec. 100 The amount by which the fair market value exceeded the value of the consideration in a transfer of property shall be deemed a gift.	<b>Additional provision:</b> A sale, exchange, or other transfer made in the ordinary course of business (i.e., bona fide transaction, at arm's length, and free from donative intent) shall be considered as made for an adequate and full consideration.
<b>Exemption of certain gifts</b>	Sec. 101 (A) PHP10,000 amount of dowries or gifts made on account of marriage are exempt from donor's tax.	Repealed
<b>Expansion of the VAT base</b>		
<b>On Zero-rated sale of Goods</b>	<p>Sec. 106 (A) (2) VAT zero-rating on sale of goods classified as:</p> <p>a) Export sales which include the following:</p> <ol style="list-style-type: none"> <li>1. sale and actual shipment of goods from the Philippines to a foreign country;</li> <li>2. sale of raw materials or packaging materials to a nonresident buyer for delivery to a resident local export-oriented enterprise;</li> <li>3. sale of raw materials or packaging materials to export-oriented enterprise whose export sales exceed seventy percent (70%) of total annual production;</li> <li>4. sale of gold to the Bangko Sentral ng Pilipinas (BSP);</li> <li>5. those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and other special laws; and</li> <li>6. sale of goods, supplies, equipment and fuel to persons engaged in international shipping or international air transport operations.</li> </ol> <p>b) Foreign currency denominated sales; and</p> <p>c) Sales to persons or entities exempted under special laws or international agreements</p>	<ul style="list-style-type: none"> <li>• <b>[ITEM VETOED] Expressly added as “export sales” the sale and delivery of goods to registered enterprises within a separate customs territory as provided under special laws and within Tourism Enterprise Zones declared by TIEZA.</b></li> <li>• Sale of gold to BSP is reclassified from export sales to exempt transactions.</li> <li>• Item 6 will qualify as export sales provided that the goods, supplies, equipment and fuel shall be used for international shipping and air transport operations.</li> <li>• Items 2, 3, and 5 shall be subject to 12% VAT upon the successful establishment and implementation of an enhanced VAT refund system that grants refunds of creditable input tax within 90 days from filing of the VAT refund application with the BIR and all pending VAT refund claims as of 31 December 2017 shall be fully paid in cash by 31 December 2019.</li> </ul> <p>Foreign currency denominated sales are removed from zero-rated sale of goods.</p>
<b>Scope of sale or exchange of services</b>	Sec. 108 (A) Provision defines sale or exchange of services.	Inclusion of sale of electricity by generation companies, transmission by any entity, and distribution companies, including electric cooperatives in the definition of sale or exchange of services.

Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963
<b>Zero-rated sales of services</b>	<p>Sec. 108 (B) Zero-rated sales of services include:</p> <ol style="list-style-type: none"> <li>1. Services rendered to persons engaged in international shipping or international air transport operations;</li> <li>2. Transport of passengers and cargo by air or sea vessels from the Philippines to a foreign country;</li> <li>3. Services performed by subcontractors and/or contractors in processing, converting, of manufacturing goods for an enterprise whose export sales exceed 70% of total annual production; and</li> <li>4. Processing, manufacturing or repacking goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of BSP.</li> </ol>	<ul style="list-style-type: none"> <li>• Item 1 will qualify as zero-rated sale of services if these services are exclusively for international shipping and air transport operations.</li> <li>• Zero-rating for transport of passenger and cargo from the Philippines to foreign country shall apply for domestic air or sea vessels only.</li> <li>• <b>[ITEM VETOED] Expressly added as zero-rated transactions the sale of services to registered enterprises within a separate customs territory as provided under special laws and within Tourism Enterprise Zones as declared by TIEZA.</b></li> <li>• Items 3 and 4 shall be subjected to 12% VAT upon successful establishment and implementation of an enhanced VAT refund system that grants refunds of creditable input tax within 90 days from filing of the VAT refund application with the BIR and all pending VAT refund claims as of 31 December 2017 shall be fully paid in cash by 31 December 2019.</li> </ul>
<b>VAT exemptions</b>	<p>Sec. 109 (1) VAT exemptions include, among others, the following transactions:</p> <ol style="list-style-type: none"> <li>1. Importation of professional instruments, etc. belonging to persons coming to settle in the Philippines, for their personal use, accompanying such persons or arriving within 90 days before or after their arrival;</li> <li>2. Sale of real property utilized for low- cost housing, sale of residential lot valued at PHP1.5m (as adjusted by Revenue Regulations (“RR”) No. 16-2011, PHP1,919,500) and sale of house and lot and other residential dwellings valued at PHP2.5m (as adjusted by RR No. 16-2011, PHP3,199,200);</li> <li>3. Lease of residential unit with monthly rental of PHP10,000 (as adjusted by RR No. 16-2011, PHP12,800);</li> <li>4. Importation of fuel, goods, and supplies by persons engaged in international shipping of air transport operations; and</li> <li>5. Other sale of lease of goods or properties or the performance of services, the amount of which does not exceed PHP1.5m (as adjusted by RR No. 16-2011, PHP1,919,500).</li> </ol>	<ul style="list-style-type: none"> <li>• Expansion of the importation exemption on professional instruments to include those belonging to overseas Filipinos, and their families and descendants who are now residents or citizens of other countries.</li> <li>• Beginning 1 January 2021, the VAT exemption shall only apply to sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business, sale of real property utilized for socialized housing and sale of house and lot and other residential dwellings with threshold reduced to PHP2m.</li> <li>• For item 3, the lease threshold of PHP10,000 would be increased to PHP15,000 and it will no longer be adjusted to its present value using the CPI, as published by Philippine Statistics Authority.</li> <li>• Exemption of the importation of fuel, goods and supplies shall only apply if such are used for international shipping or air transport operations.</li> <li>• For item 5, the VAT threshold is increased to PHP3m.</li> <li>• Added the exemption of sale or lease of goods and services to senior citizens and persons with disabilities.</li> <li>• Added the exemption for transfers of property pursuant to Section 40 (C)(2) of the Tax Code.</li> <li>• Added the exemption for association dues, membership fees, and other assessments and charges collected by homeowners associations and condominium corporations.</li> </ul>

**VAT exemptions**

- Sale of gold to BSP is now classified under VAT exempt transactions.
- Beginning 1 January 2019, sale of drugs and medicines prescribed for diabetes, high cholesterol and hypertension would be included as VAT exempt transactions.

**Creditable input tax**

Sec. 110 (A) (2)(b) The input tax on goods purchased or imported for use in trade or business for which deduction for depreciation is allowed shall be spread evenly over the month of acquisition and the 59 succeeding months if the aggregate acquisition cost for such goods, excluding the VAT component thereof, exceeds PHP1m.

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

**Period within which VAT refund of input taxes shall be made**

Sec. 112 (C) The Commissioner shall grant a refund or issue the tax credit certificate for creditable input taxes within 120 days from the date of submission of complete documents.

The Commissioner shall grant a refund for creditable input taxes within 90 days from the date of submission of the official receipts or invoices and other documents in support of the application filed.

In case of full or partial denial of the claim for tax refund or tax credit, or the failure on the part of the Commissioner to act on the application within the period prescribed above, the taxpayer affected may, within 30 days from the receipt of the decision denying claim or after the expiration of the 120 day period, appeal the decision or the unacted claim with the Court of Tax Appeals (CTA).

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

In case of full or partial denial of claim for tax refund, the taxpayer may within 30 days from receipt of the decision denying the claim appeal the decision with the CTA.

Penalty for failure on the part of any official, agent, or employee of the BIR to act on the application within the 90-day period shall be imposed.

**VAT returns and payment**

Sec. 114 (A) Every person liable to pay the VAT shall file a quarterly return of his gross amount of his gross sales/receipts within 25 days following the close of each taxable quarter.

Effective 1 January 2023, the filing and payment of VAT shall be done within 25 days following the close of each taxable quarter.

Furthermore, VAT-registered persons shall pay VAT on a monthly basis.

**Withholding of VAT**

Sec. 114 (C) The Government or any of its political subdivisions, instrumentalities or agencies shall, before making payment of purchase of goods and services, deduct and withhold a final VAT at the rate of 5% of the gross payment thereof.

Effective 1 January 2021, the VAT withholding system shall shift from final to a creditable system. Payments for purchase of goods and services arising from Official Development Assistance funded projects shall not be subject to the final withholding VAT.

Payment for lease or use of properties or property rights to nonresident owners shall be subject to 12% withholding tax at the time of payment.

Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963																																							
<b>Tax on Persons exempt from VAT</b>																																									
<b>Percentage tax</b>	Sec. 116 Any person whose sales or receipts are exempt from VAT and who is not a VAT-registered person shall pay a tax equivalent to 3% of his gross quarterly sales or receipts.	<b>[ITEM VETOED] Effective 1 January 2019, self-employed and professionals with total annual gross sales and/or gross receipts not exceeding PHP500,000 shall be exempt from 3% gross receipts tax.</b>																																							
<b>Disposition of Shares of Stock Listed and Traded through Local Stock Exchange or through IPO</b>	Sec. 127 (A) There shall be levied, assessed, and collected on every sale, barter, exchange or disposition of shares of stock listed and traded through local stock exchange other than the sale by a dealer in securities, a tax rate of ½ of 1% of the gross selling price or gross value in money of the shares of stock.	The tax rate imposed is increased to 6/10 of 1%.																																							
<b>Returns and Payment of Percentage Taxes</b>	Sec. 128 The Commissioner may prescribe the time for filing the return as well as the manner and time of payment, including a scheme of tax prepayment of other percentage taxes.	Repealed																																							
<b>Excise taxes</b>																																									
<b>Imposition of excise tax</b>	Sec. 129 Excise taxes apply to goods manufactured or produced in the Philippines for domestic sales or consumption or for any other disposition and to things imported.	Excise taxes also apply to services performed in the Philippines.																																							
<b>On cigars and cigarettes</b>	<p>Sec. 145 (B) and (C) Excise tax on cigarettes packed by hand shall be based on the following schedule:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Effective 1 Jan. 2013</th> <th>PHP12/pack</th> </tr> </thead> <tbody> <tr> <td>1 Jan. 2014</td> <td>15/pack</td> </tr> <tr> <td>1 Jan. 2015</td> <td>18/pack</td> </tr> <tr> <td>1 Jan. 2016</td> <td>21/pack</td> </tr> <tr> <td>1 Jan. 2017</td> <td>30/pack</td> </tr> </tbody> </table> <p>Excise tax on cigarettes packed by machine shall be based on the following schedule:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3">Net retail price</th> </tr> <tr> <th>Effective</th> <th>PHP11.50 and below</th> <th>More than PHP12.00</th> </tr> </thead> <tbody> <tr> <td>1 Jan. 2013</td> <td>PHP12.00/pack</td> <td>PHP25.00/pack</td> </tr> <tr> <td>1 Jan. 2014</td> <td>PHP17.00/pack</td> <td>PHP27.00/pack</td> </tr> <tr> <td>1 Jan. 2015</td> <td>PHP21.00/pack</td> <td>PHP28.00/pack</td> </tr> <tr> <td>1 Jan. 2016</td> <td>PHP25.00/pack</td> <td>PHP29.00/pack</td> </tr> <tr> <td>1 Jan. 2017</td> <td>PHP30.00/pack</td> <td>PHP30.00/pack</td> </tr> </tbody> </table>	Effective 1 Jan. 2013	PHP12/pack	1 Jan. 2014	15/pack	1 Jan. 2015	18/pack	1 Jan. 2016	21/pack	1 Jan. 2017	30/pack	Net retail price			Effective	PHP11.50 and below	More than PHP12.00	1 Jan. 2013	PHP12.00/pack	PHP25.00/pack	1 Jan. 2014	PHP17.00/pack	PHP27.00/pack	1 Jan. 2015	PHP21.00/pack	PHP28.00/pack	1 Jan. 2016	PHP25.00/pack	PHP29.00/pack	1 Jan. 2017	PHP30.00/pack	PHP30.00/pack	<p>Imposes excise tax on both cigarettes packed by hand and packed by machines at the following schedule:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Effective 1 Jan. 2018</th> <th>P32.50/pack</th> </tr> </thead> <tbody> <tr> <td>1 Jul. 2018</td> <td>35/pack</td> </tr> <tr> <td>1 Jan. 2020</td> <td>37.50/pack</td> </tr> <tr> <td>1 Jan. 2022</td> <td>40/pack</td> </tr> </tbody> </table> <p>The rate of tax imposed shall be increased by 4% every year effective on 1 January 2024, through revenue regulations issued by the Secretary of Finance.</p>	Effective 1 Jan. 2018	P32.50/pack	1 Jul. 2018	35/pack	1 Jan. 2020	37.50/pack	1 Jan. 2022	40/pack
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**On manufactured oils and other fuels**

Sec. 148 The following items have the corresponding excise tax rates:

<b>Manufactured Oils and Other Fuels</b>	<b>Excise tax rates</b>
Lubricating oils and greases	P4.50 per liter/kg
Processed gas	0.05 per liter
Waxes and petrolatum	3.50 per kg
Denatured alcohol	0.05 per liter
Naphtha, regular gasoline and other similar products of distillation	4.35 per liter
Leaded premium gasoline	5.35 per liter
Aviation turbo jet fuel	3.67 per liter
Kerosene	0.00 per liter
Diesel fuel oil	0.00 per liter
Liquefied Petroleum Gas	0.00 per liter
Asphalt	0.56 per kg
Bunker fuel oil	0.00 per liter

<b>Manufactured Oils and Other Fuels</b>	<b>Effective</b>		
	01/01/18	01/01/19	01/01/20
Lubricating oils (per liter) and greases (per kg)	PHP8.00	PHP9.00	PHP10.00
Processed gas (per liter)	8.00	9.00	10.00
Waxes and petrolatum (per kg)	8.00	9.00	10.00
Denatured alcohol (per liter)	8.00	9.00	10.00
Naphtha, regular gasoline, <b>PYROLYSIS GASOLINE</b> and other similar products of distillation and (per liter)	7.00	9.00	10.00
<b>UNLEADED</b> premium gasoline (per liter)	7.00	9.00	10.00
Aviation turbo jet fuel, <b>AVIATION GAS</b> (per liter)	4.00	4.00	4.00
Kerosene (per liter)	3.00	4.00	5.00
Diesel fuel oil (per liter)	2.50	4.50	6.00
Liquefied Petroleum Gas (per kg)	1.00	2.00	3.00
Asphalt (per kg)	8.00	9.00	10.00
Bunker fuel oil (per liter)	2.50	4.50	6.00
Petroleum coke (per metric ton)	2.50	4.50	6.00

The scheduled increase in the excise tax on fuel for period covering 2018 to 2020 shall be suspended if the average Dubai Crude Oil price based on Mean of Platts Singapore (MOPS) for three months prior to the scheduled increase reaches or exceeds USD80 per barrel.



**On manufactured oils  
and other fuels**

The following items are exempt from excise tax:

- Naphtha and pyrolysis gasoline used as raw material in the production of petrochemical products or in the refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cycle power plant;
- Production of petroleum products, whether or not they are classified as products of distillation and for use solely for production of gasoline;
- Liquefied petroleum gas when used as raw material in the production of petrochemical products;
- Petroleum coke, when used as feedstock to any power generating facility.

Excise taxes paid on the purchased basestock (bunker) used in the manufacture or excisable articles and forming part thereof shall be credited against the excise tax due therefrom.

**[ITEM VETOED] Petroleum products, including naphtha, LPG, petroleum, coke, refinery fuel and other products of distillation, when used as input, feedstock 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 plant in lieu of locally-extracted natural gas during non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, shall be subject to PHP0 per liter of volume capacity.**

**[ITEM VETOED] By-products including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied petroleum gases, and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in the Section, except when such by-products are transferred to any of the local oil refineries through sale, barter, or exchange, for the purpose of further processing or blending into finished products which are subject to excise taxes.**



**Tax Particulars****National Internal Revenue Code of 1997****R. A. No. 10963****Mandatory fuel markings**

No existing provision

Sec. 148-A The Secretary of Finance shall require the use of an official fuel marking or similar technology on petroleum products refined, manufactured or imported in the Philippines, and that are subject to the payment of taxes and duties.

**On excise tax on automobiles**

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

Amended the schedule to read as follows:

Automobiles		
Over	Up to	Excise tax rate
0	PHP600,000	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

Excise tax rate	
Not over P600,000	4%
Over 600,000 to 1,000,000	10%
Over 1,000,000 to 4,000,000	20%
Over 4,000,000	50%

Indexation of brackets by the Secretary of Finance every two years is pegged on a percentage of the change in the exchange rate of the Philippine peso against the United States dollar.

Hybrid vehicles shall be subject to 50% of the applicable excise tax rates on automobiles. Purely electric vehicles and pick-ups shall be exempt from excise tax on automobiles.

Jeeps are considered automobiles. Pick-ups are considered as trucks (and as such are not considered automobiles).

Indexation of brackets by the Secretary of Finance is removed.

**On non-essential services**

No existing provision

Sec. 150-A Imposes a 5% tax on gross receipts, net of excise tax and VAT derived from performance of invasive cosmetic surgeries, procedures, and body enhancements for aesthetic purposes.

Excise tax exempt are the following:

- Procedures 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; and
- Cases or treatments covered by the National Health Insurance Program.

**Tax Particulars****National Internal Revenue Code of 1997****R. A. No. 10963****On sweetened beverages**

No existing provision

Sec. 150-B Imposes a tax per liter of volume capacity on sweetened beverages based on the following schedule:

Using purely caloric sweetener, purely non-caloric sweetener, or mixture of both	PHP6.00/liter
Using purely high-fructose corn syrup or in combination with any caloric or non-caloric sweetener	12.00/liter
Using purely coconut sap sugar / purely steviol glycosides	exempt

The following products are not considered excisable products under this provision:

1. All milk products
2. 100% natural fruit juices
3. 100% natural vegetable juices
4. Meal replacement and medically indicated beverages
5. Ground coffee, instant soluble coffee, and pre-packaged powdered coffee products

**On mineral products**

Sec. 151

- Excise tax of P10/metric ton on coal and coke
- 2% of actual market value of the gross output of all nonmetallic minerals and quarry resources
- Metallic minerals are subject to the following taxes:
  - copper and other metallic minerals – 1 to 2%;
  - gold and chromite – 2%
- Indigenous petroleum is subject to 3% excise tax

Increased excise taxes on domestic or imported coal and coke, notwithstanding any incentives granted in any law or special law, to wit:

Effective 1 Jan. 2018	PHP50/metric ton
1 Jan. 2019	100/metric ton
1 Jan. 2020	150/metric ton

- Increased excise tax on nonmetallic and metallic minerals to 4%
- Increased excise tax on indigenous petroleum to 6%

**Provisions related to petroleum and other excisable products****Provision of counting and/or metering devices to determine volume of production and importation**

Sec. 155 Manufacturers of cigarettes, alcoholic products, oil products and other articles subject to excise tax shall provide themselves with necessary number of suitable counting or metering device to determine as accurately as possible the volume, quantity and number of articles produced.

Manufacturers and/or importers to provide themselves with counting or metering devices to determine volume of production and importation.

**Additional Provisions:**

- DOF shall maintain a registry of all petroleum manufacturers and/or importers and the articles being manufactured and/or imported by them.
- DOF shall mandate the creation of a real-time inventory if petroleum articles being manufactured, imported or found in storage depots of such petroleum manufacturers and/or importers

Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963
<b>Provision of counting and/or metering devices to determine volume of production and importation</b>	Sec. 171 Authority of Internal Revenue Officer in Searching Taxable Articles	<ul style="list-style-type: none"> <li>Importers of finished petroleum products shall also provide themselves with accredited metering devices.</li> </ul>
<b>Authority of Internal Revenue Officer in Searching and Testing Taxable Articles</b>	Sec. 171 Authority of Internal Revenue Officer in Searching Taxable Articles	<p>Authority of Internal Revenue Officer in Searching and Testing Taxable Articles</p> <p><b>Additional Provisions:</b></p> <ul style="list-style-type: none"> <li>The Commissioner or his authorized representatives may conduct periodic random field tests and confirmatory tests on fuel required to be marked and found in warehouses, storage tanks, gas stations and other retail outlets, and in such other properties of persons engaged in the sale, delivery, trading, transportation, distribution or importation of fuel intended for the domestic market.</li> <li>Random testing shall be conducted in the presence of revenue or customs offices, fuel marking provider and the authorized representative of the owner of the fuel being tested.</li> <li>Employee assigned or working at the place where the random field test is conducted shall be deemed an authorized representative of the owner.</li> <li>All field tests shall be properly filmed or video-taped and documented.</li> <li>A sample of the randomly tested fuel shall be immediately obtained by the revenue or customs officer upon discovering that the same is unmarked, adulterated, or diluted.</li> <li>Confirmatory fuel test certificates issued by fuel testing facilities shall be valid for any legal purpose from the date of issue, and shall constitute admissible and conclusive evidence before any court.</li> </ul>
<b>Mandatory earmarking of all petroleum products</b>	No existing provision	The Secretary of Finance shall require the use of an official fuel marking agent or similar technology in petroleum products that are refined, manufactured, or imported into the Philippines, and that are subject to the payment of taxes and duties.

## Adjustments in DST

## Stamp Taxes

Secs. 174-175, 177-182, 186,188-195 The following are the corresponding DSTs:

Original issuance of shares	PHP1.00 on each 200 of the par value or actual consideration for no-par shares
Sales, agreements to sell, memoranda of sales, deliveries or transfer of shares	0.75 on each 200 of the par value; or 25% of the DST paid upon original issuance of no-par shares
Certificate of profits or interest in property or accumulations	0.50 on each 200 of the face value
Bank checks, drafts, certificates of deposit not bearing interest, and other instruments	1.50 on each instrument
Debt Instruments	1.00 on each 200 of the issue price
Bills of exchange or drafts	0.30 on each 200 of the face value
Acceptance of bills of exchange and others	0.30 on each 200 of the face value
Foreign bills of exchange and letters of credit	0.30 on each 200 of the face value
Policies of annuities or other instruments	0.50 on each 200 of premium or installment payment
Pre-need plans	0.20 on each 200 of the premium or contribution collected
Certificates	15.00 per certificate
Warehouse receipts	15.00 per warehouse receipt (valued at 200 or more)
Jai-alai, horse race tickets, lotto, or other authorized number games	0.10 on every 1.00 cost of the ticket
Bills of lading or receipts	Exempt if bill/receipts not exceeding 100; 1.00 for bill/receipts not exceeding 1,000; or 10.00 for bill/receipts exceeding 1,000
Proxies	15.00 on each proxy of voting
Powers of attorney	5.00 on each power of attorney; except for acts connected with claims due to/from the government
Leases and other hiring agreements	3.00 for the first 2,000 +1.00 for every 1,000 thereafter
Mortgages, pledges, and deeds of trust	20.00 for the first 5,000 + 10.00 on every 5,000 thereafter

Increased the rates for the following transactions:

Original issuance of shares	PHP2.00 on each 200 of the par value or actual consideration for no-par shares
Sales, agreements to sell, memoranda of sales, deliveries or transfer of shares	1.50 on each 200 of the par value; or 50% of the DST paid upon original issuance of no-par shares
Certificate of profits or interest in property or accumulations	1.00 on each 200 of the face value
Bank checks, drafts, certificates of deposit not bearing interest, and other instruments	3.00 on each instrument
Debt Instruments	1.50 on each 200 of the issue price
Bills of exchange or drafts	0.60 on each 200 of the face value
Acceptance of bills of exchange and others	0.60 on each 200 of the face value
Foreign bills of exchange and letters of credit	0.60 on each 200 of the face value
Policies of annuities or other instruments	1.00 on each 200 of premium or installment payment
Pre-need plans	0.40 on each 200 of the premium or contribution collected
Certificates	30.00 per certificate
Warehouse receipts	30.00 per warehouse receipt (valued at 200 or more)
Jai-alai, horse race tickets, lotto, or other authorized number games	0.20 on every 1.00 cost of the ticket
Bills of lading or receipts	Exempt if bill/receipts not exceeding 100; 2.00 for bill/receipts not exceeding 1,000; or 20.00 for bill/receipts exceeding 1,000
Proxies	30.00 on each proxy of voting
Powers of attorney	10.00 on each power of attorney; except acts connected with claims due to/from the government
Leases and other hiring agreements	6.00 for the first 2,000 + 2.00 for every 1,000 thereafter
Mortgages, pledges, and deeds of trust	40.00 for the first 5,000 + 20.00 on every 5,000 thereafter

**Tax Particulars****National Internal Revenue Code of 1997****R. A. No. 10963****Stamp Taxes**

Sec. 183 Policies of insurance or other instruments are subjected to the following DST rates:

Does not exceed PHP100,000	Exempt
Exceeds 100,000 but does not exceed 300,000	PHP10.00
Exceeds 300,000 but does not exceed 500,000	25.00
Exceeds 500,000 but does not exceed 750,000	50.00
Exceeds 750,000 but does not exceed 1,000,000	75.00
Exceeds 1,000,000	100.00

Sec. 196 DST is collected on deeds of sale and conveyances of real property only.

Sec. 197 Every charter party and similar instrument shall be collected a DST at the following rates:

Registered tonnage	DST rate
Does not exceed 1,000 tons	PHP500 + an additional tax of PHP50 for each month or fraction of a month in excess of 6 months.
Exceeds 1,000 tons and does not exceed 10,000 tons	1,000 + an additional tax of 100 for each month or fraction of a month in excess of 6 months.
Exceeds 10,000 tons	1,500 + an additional tax of 150 for each month or fraction of a month in excess of 6 months.

DST rates on life insurance policies are increased to:

Does not exceed PHP100,000	Exempt
Exceeds 100,000 but does not exceed 300,000	PHP20.00
Exceeds 300,000 but does not exceed 500,000	50.00
Exceeds 500,000 but does not exceed 750,000	100.00
Exceeds 750,000 but does not exceed 1,000,000	150.00
Exceeds 1,000,000	200.00

DST collected on deeds of sale, conveyances and donations of real property. Transfers exempt from donor's tax are exempted from DST.

Every charter party and similar instrument shall be collected a DST at the following rates:

Registered tonnage	DST rate
Does not exceed 1,000 tons	PHP1,000 + an additional tax of PHP100 for each month or fraction of a month in excess of 6 months.
Exceeds 1,000 tons and does not exceed 10,000 tons	2,000 + an additional tax of 200 for each month or fraction of a month in excess of 6 months.
Exceeds 10,000 tons	3,000 + an additional tax of 300 for each month or fraction of a month in excess of 6 months.

**On compliance requirements****Keeping of books of accounts**

Sec. 232 All that are required by law to pay internal revenue taxes shall keep a journal and a ledger or their equivalents.

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

Books of accounts with gross quarterly sales, earnings, receipts or output exceeding PHP150,000 must be audited by a CPA.

All that are required by law to pay internal revenue taxes shall keep and use relevant and appropriate set of bookkeeping records.

Books of accounts with gross annual sales, earnings, receipts or output exceeding PHP3m must be audited by a CPA.

Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963
<b>Registration requirements</b>	Sec. 236 (A) Registration shall contain a taxpayer's name, style, place of residence, business and other information required by the Commissioner.	<b>Additional provision:</b> The Commissioner shall simplify the business registration and tax compliance requirements of self-employed individuals and/or professionals.
	Sec. 236 (G) The following are the persons required to register for VAT: <ul style="list-style-type: none"> <li>• With gross sales or receipts for the past 12 months, other than those that are VAT-exempt, have exceeded PHP1.5m.</li> <li>• With reasonable grounds that the gross sales or receipts for the next 12 months, other than those that are VAT-exempt, will exceed PHP1.5m.</li> </ul>	The following are the persons required to register for value-added tax: <ul style="list-style-type: none"> <li>• With gross sales or receipts for the past 12 months, other than those that are VAT-exempt, have exceeded PHP3m.</li> <li>• With reasonable grounds that the gross sales or receipts for the next 12 months, other than those that are VAT-exempt, will exceed PHP3m.</li> </ul>
	Sec. 236 (H) VAT exempt persons who elected to register for VAT shall not be entitled to cancel his registration for the next three years.	<b>Additional provision:</b> Persons who elected to pay the 8% tax on gross sales or receipts, in lieu of the graduated income tax rates, shall not be allowed to avail of the option of registering for VAT.
<b>Issuance of receipts or sales or commercial invoices</b>	Sec. 237 (A) All persons subject to an internal revenue tax shall for each sale and transfer of merchandise or for services rendered valued at PHP25 or more, issue duly registered receipts or sale or commercial invoices prepared in duplicates.	All persons subject to an internal revenue tax shall at the point of each sale and transfer of merchandise or for services rendered valued at PHP100 or more, issue duly registered receipts or sale or commercial invoices.
		<b>Additional provisions:</b> <ul style="list-style-type: none"> <li>• Within five years from the effectivity of the Act and upon establishment of a system capable of storing and processing the required data, taxpayers engaged in the export of goods and services, e-commerce, and under the jurisdiction of the Large Taxpayers Service are required to issue electronic receipts or sales or commercial invoices in lieu of manual receipts or sales or commercial invoices.</li> <li>• Taxpayers not required to issue electronic receipts or sales or commercial invoices may opt to do so.</li> <li>• Digital records must be kept in the place of business for a period of three years.</li> </ul>

Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963
<b>Issuance of receipts or sales or commercial invoices</b>	No existing provision	<p>Sec. 237-A. Within 5 years from the effectivity of the Act and upon establishment of a system capable of storing and processing the required data, taxpayers engaged in the export of goods and services, and under the jurisdiction of the large taxpayers service are required to electronically report their sales data to the BIR through the use of electronic point of sales systems.</p> <p>Machines, fiscal devices and fiscal memory devices shall be at the expense of the taxpayer.</p> <p>The data processing of sales and purchase data shall comply with the provisions of R.A. No. 10173 or the Data Privacy Act, the unlawful divulgence of taxpayer information under the Tax Code and other laws relating to the confidentiality of information.</p> <p>Policies, risk management approaches, actions, trainings, and technologies to protect the cyber environment, organization, and data shall be established in compliance with R.A. No. 10175 or the Cybercrime Prevention Act.</p>
<b>Other tax provisions</b>		
<b>Interest</b>	<p>Sec. 249 Interest of 20% per annum on any unpaid amount of tax.</p> <p>Deficiency interest is due from the date prescribed for its payment until full payment thereof.</p>	Interest imposed shall be double the legal interest rate for loans or forbearance of any money in the absence of an express stipulation as set by BSP. Delinquency and deficiency interest shall in no case be imposed simultaneously.
<b>Penalty provisions</b>	<p>Sec. 254 Fine of not less than PHP30,000 but not more than PHP100,000 and imprisonment of not less than two years but not more than four years for attempt to evade or defeat any tax.</p> <p>Sec. 264 Fine of not less than PHP1,000 but not more than PHP50,000 and imprisonment of not less than two years but not more than four years for the following:</p> <ul style="list-style-type: none"> <li>• Printing of receipts or sales or commercial invoices without authority from the BIR; or</li> <li>• Printing of double or multiple sets of invoices or receipts; or</li> <li>• Printing of unnumbered receipts or sales or commercial invoices, not bearing the name, business style, Taxpayer Identification Number, and business address of the person or entity</li> </ul>	<p>Increased the fine to not less than PHP500,000 but not more than PHP10m and imprisonment of not less than six years but not more than ten years.</p> <p>Increased the fine to not less than PHP500,000 but not more than PHP10m and imprisonment of not less than six years but not more than ten years.</p> <p>Included printing of fraudulent receipts to the list of offenses.</p>

Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963
<b>Penalty provisions</b>	No existing penalty provisions in case of failure to transmit data entered on Cash Register Machine (CRM)/ Point of Sales System (POS) machines to BIR's electronic sales reporting system.	<p>Sec. 264-A Imposes a penalty of 1/10 of 1% of annual net income reflected in the audited financial statements for the 2nd year preceding the current taxable year for each day of violation or PHP10,000 whichever is higher, except if failure to transmit is due to force majeure or causes beyond the control of the taxpayer.</p> <p>If the aggregate number of days of violation exceed 180 days within a taxable year, an additional penalty of permanent closure of the taxpayer shall be imposed.</p>
	No existing penalty provisions in case of purchase, use, possession, sale or offer to sell, installment, transfer, update, upgrade, keeping or maintaining of sales suppression devices.	<p>Sec. 264-B Imposes a fine of not less than PHP500,000 but not more than PHP10m, and imprisonment of not less than two years but not more than four years.</p> <p>Cumulative suppression of electronic sales record in excess of PHP50m shall be considered as economic sabotage and shall be punished in the maximum penalty.</p>
	No existing penalty provisions for offenses relating to fuel marking.	<p>Sec. 265-A Any person found to be engaged in the sale, trade, delivery, distribution or transportation of unmarked fuel in commercial quantity held for domestic use or merchandise and any person who causes the removal of the official fuel marking agent from marked fuel, and the adulteration or dilution of fuel intended for sale to the domestic market, or the knowing possession, storage, transfer or offer for sale of fuel obtained as a result of such removal, adulteration or dilution shall be penalized as follows:</p> <ul style="list-style-type: none"> <li>• 1st offense: a fine of PHP2.5m</li> <li>• 2nd offense: a fine of PHP5m</li> <li>• 3rd offense: a fine of PHP10m and revocation of license to engage in any trade or business</li> </ul> <p>Any person who commits any of the following acts shall, upon conviction, be punished by a fine of not less than PHP1m but not more than PHP5m and suffer imprisonment of not less than four years but not more than eight years:</p> <ol style="list-style-type: none"> <li>1. making, importing, selling, using or possessing fuel markers without express authority;</li> <li>2. making, importing, selling, using or possessing counterfeit fuel markers;</li> </ol>



## Penalty provisions

3. causing another person or entity to commit any of the 2 preceding acts; or
4. causing the sale, distribution, supply or transport of legitimately imported, in-transit, manufactured or procured controlled precursors and essential chemicals, in diluted, mixtures or in concentrated form, to any person or entity penalized in subsections (a), (b), or (c) hereof.

Any person who willfully inserts, places, adds or attaches directly or indirectly, through any overt or covert act, whatever quantity of any unmarked fuel, counterfeit additive or chemical in the person, house, effects, inventory, or in the immediate vicinity of an innocent individual for the purpose of implicating, incriminating or imputing the commission of any violation of this Act shall, upon conviction, be punished by a fine of not less than PHP5m but not more than PHP10m, and suffer imprisonment of not less than four years but not more than eight years.

Any person who is authorized, licensed or accredited to conduct fuel tests, who issues false or fraudulent fuel test results knowingly, willfully or through gross negligence, shall suffer the additional penalty of imprisonment ranging from one year and one day to two years and six months.

The additional penalties of revocation of the license to practice his/her profession in case of a practitioner, and the closure of the fuel testing facility, may also be imposed at the instance of the court.

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Sec. 269 Violations committed by government enforcement officers

Added in the list of offenses the deliberate failure on the application for VAT refunds within the prescribed period under Section 112 of the Tax Code.

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Tax Particulars	National Internal Revenue Code of 1997	R. A. No. 10963
<b>Earmarking of incremental revenues</b>	Sec. 288 on Disposition of Incremental Revenues	<p>For the incremental revenues from the TRAIN, for 5 years from effectivity, incremental revenues shall be appropriated as follows:</p> <ul style="list-style-type: none"> <li>• Not more than 70% to fund infrastructure projects (e.g., mass transport and new road network, military infrastructure, sports facilities for public schools, potable drinking water supplies)</li> <li>• Not more than 30% to fund: <ul style="list-style-type: none"> <li>- Programs supporting the sugarcane industry</li> <li>- Social mitigating measures and investments in education, health, social protection, and housing among others.</li> <li>- Social welfare and benefits programs</li> </ul> </li> <li>• <b>[ITEM VETOED] Incremental revenues from tobacco taxes shall be covered by Section 3 of R.A. No. 7171 and Section 8 of R.A. No. 8240.</b></li> </ul>
<b>Repealing Clauses</b>		<p>Certain provisions of special laws have been expressly repealed.</p>

# Let's talk

For a discussion on how these proposed changes may affect you and your business, please contact:



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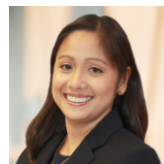
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