

The TRAIN Law

R.A. 10963

For Employees and Self-Employed/Professionals

Before

Income Tax Rates

Graduated income tax rates of 5% to 32% (see last page for the detailed tax table)

Exclusions & Deductions

- **Tax-Exempt 13th month pay and other benefits** – P82,000
- **Personal and additional exemptions** –
 - P50,000 basic personal exemption
 - P25,000 per qualified dependent child/PWD (maximum of four)
- **Premium for health insurance** – up to P2,400 per year or P200/mo. per family

Fringe Benefit Tax

Tax Rate = 32%

Gross Monetary Value = $\frac{\text{Monetary Value}}{68\%}$



EMPLOYEES

TRAIN

Income Tax Rates

Graduated income tax rates of 0% to 35% (see last page for the detailed tax table)

Exclusions & Deductions

- **Tax-Exempt 13th month pay and other benefits** – P90,000
- **Personal and additional exemptions** – None
- **Premium for health insurance** – None

Fringe Benefit Tax

Tax Rate = 35%

Gross Monetary Value = $\frac{\text{Monetary Value}}{65\%}$

Income/business tax computed as follows:

- Net Taxable Income subject to graduated income tax rates of 0% to 32%, regardless of the amount of gross sales/receipts
- Net Taxable Income computed as gross sales/receipts less cost of sales/itemized deduction **OR** Optional Standard Deduction (OSD) at 40% of gross sales/receipts
- 3% Percentage tax for those with annual gross sales/receipts which do not exceed the Value Added Tax (VAT) threshold (P1,919,500)
- VAT for those with annual gross sales/receipts which exceeds the VAT threshold



SELF-EMPLOYED/
PROFESSIONALS

Income/business tax computed as follows:

- Annual gross sales/receipts **not exceeding** the VAT threshold (P3 Million)
 - 8% of gross sales/receipts in excess of P250,000 in lieu of the graduated income tax rates and percentage tax (no option to register for VAT); **OR**
 - graduated income tax rates of 0% to 35% on net taxable income + 3% percentage tax
 - No change in computation of Net Taxable Income
- Annual gross sales/receipts **exceeding** the P3 Million VAT threshold
 - graduated income tax rates of 0% to 35% on net taxable income + VAT

The TRAIN Law

R.A. 10963

For Employees and Self-Employed/Professionals

Before

Income/business tax computed as follows:

- Income Tax computed based on the aggregate taxable compensation and net taxable business income
- Net Taxable Income subject to graduated income tax rates of 0% to 32%, regardless whether compensation or business income
- 3% percentage tax or VAT on business/professional income



MIXED
INCOME
EARNERS

TRAIN

Income/business tax computed as follows:

- Annual gross sales/receipts **not exceeding** the P3 Million VAT threshold
 - Income tax computed separately on taxable compensation **and** net taxable business income
 - Compensation income subject to graduated income tax rates of 0% to 35%; **and**
 - Business income subject to either 8% of Gross Sales/Receipts in lieu of the graduated income tax rates and percentage tax (no option to register for VAT) **OR**
 - graduated income tax rates of 0% to 35% on net taxable business income + 3% Percentage Tax
- Annual gross sales/receipts **exceeding** the P3 Million VAT threshold
 - Compensation income **and** net taxable income from business subject to graduated income tax rates of 0% to 35% + VAT

- All are required to file except employees qualified for substituted filing.
- Income Tax Return
 - Filing deadline for Annual ITR: April 15
 - Filing deadline for 1st Quarter ITR: April 15
 - 4-page return for purely compensation income earner
 - 12-page return for self-employed/professionals or mixed income earner
- Option to pay Income Tax Due of more than P2,000 on installment
 - 1st installment – April 15
 - 2nd installment – July 15



INDIVIDUAL
INCOME TAX
RETURNS

- All are required to file except:
 - employees qualified for substituted filing; **OR**
 - employees with annual taxable compensation income not exceeding P250,000
- Income Tax Return
 - Filing deadline for Annual ITR: April 15 (May 15 as per amendment to Sec. 74(B); subject to further clarification by the BIR)
 - Filing deadline for 1st Quarter ITR: May 15
 - 4-page return for purely compensation income earner
 - 4-page return for self-employed/professionals or mixed income earner
- Option to pay Income Tax Due of more than P2,000 on installment
 - 1st installment – April 15 (see comment above on filing of annual ITR)
 - 2nd installment – October 15

The TRAIN Law

R.A. 10963

For Employees and Self-Employed/Professionals

Before

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



Income Tax Tables

TRAIN

Taxable Income	Rate [Jan. 1, 2018 to Dec. 31, 2022]	Rate [Jan. 1, 2023 Onwards]
P250K or less	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

Revised Withholding Tax Table Effective Jan 1, 2018 - Dec 31, 2022
(Applicable to all employees, regardless if single, married, or with dependents)

Daily	1	2	3	4	5	6
Compensation Range	P685 and below	P685 - 1095	P1,096 - 2,191	P2,192 - 5,479	P5,479 - 21,917	P21,918 and above
Prescribed Minimum Withholding Tax	0.00	0 + 20% over P685	P82.19 + 25% over P1,096	P356.16 + 30% over P2,192	P1,342.47 + 32% over P5,479	P6,602.74 + 35% over P21,918
Weekly	1	2	3	4	5	6
Compensation Range	P4,808 and below	P4,808 - 7,691	P7,692 - 15,384	P15,385 - 38,461	P38,462 - 153,845	P153,846 and above
Prescribed Minimum Withholding Tax	0.00	0.00 + 20% over P4,808	P576.92 + 25% over P7,692	P2,500 + 30% over P15,385	P9,423.08 + 32% over P38,462	P46,346.15 + 35% over P153,846
Semi-Monthly	1	2	3	4	5	6
Compensation Range	P10,417 and below	P10,417 - 16,666	P16,667 - 33,332	P33,333 - 83,332	P83,333 - 333,332	P333,333 and above
Prescribed Minimum Withholding Tax	0.00	0.00 + 20% over P10,417	P1,250.00 + 25% over P16,667	P5,416.67 + 30% over P33,333	P20,416.67 + 32% over P83,333	P100,416.67 + 35% over P333,333
Monthly	1	2	3	4	5	6
Compensation Range	P20,833 and below	P20,833 - 33,332	P33,333 - 66,666	P66,667 - 166,666	P166,667 - 666,666	P666,667 and above
Prescribed Minimum Withholding Tax	0.00	0.00 + 20% over P20,833	P2,500.00 + 25% over P33,333	P10,833.33 + 30% over P66,667	P40,833.33 + 32% over P166,667	P200,833.33 + 35% over P666,667