

# TRAIN

## for Self-employed/ Professionals

### Tax Reform for Acceleration and Inclusion Law (RA 10963)

#### Income Tax Options

Options	If annual gross sales/ receipts and non-operating income is ≤ P3M			If annual gross sales/ receipts and non-operating income is > P3M	
	OPTION 1 (8% income tax)	OPTION 2 (Graduated: 0%- 35%)	OPTION 3 (Graduated: 0%- 35%)	OPTION 1 (Graduated: 0%- 35%)	OPTION 2 (Graduated: 0%- 35%)
Tax Base	Receipts + other Income	Net Taxable Income		Net Taxable Income	
Deductions	None	Itemized Deductions	OSD	Itemized Deductions	OSD
Tax Rate	8% in excess of P250K*	Graduated income tax rates of 0% to 35%		Graduated income tax rates of 0% to 35%	
VAT/ Percentage Tax	Exempt	3% Percentage Tax <u>or</u> 12% VAT		12% VAT	
Submission of FS w/ the BIR	No	Yes	No	Yes	No

\* P250k tax-exempt business income not allowed to mixed income earner

#### Graduated income tax rates

Taxable Income	(Jan. 1, 2018 to Dec. 31, 2022)	(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



#### Conditions to elect 8% GRT

- Gross sales/ receipts and non-operating income is ≤ P3M
- Non-VAT registered (if VAT registered, de-register on before March 31, 2018)
- Taxpayer not subject to other percentage taxes (e.g. amusement tax)
- 8% tax is elected in the **1<sup>st</sup> quarter Income Tax Return (ITR)**  
- (irrevocable for the taxable year)

#### What to do when gross sales/receipt exceed P3M during the year?

- File next quarterly and annual ITR using 0%-35% graduated income tax rate and deduct 8% income tax paid from the previous quarter/s
- Register as VAT taxpayer and issue VAT OR/Invoice
- Pay 3% Percentage Tax on gross sales/ receipts and other non-operating income from the beginning of the year until end of the month when VAT threshold was exceeded
- Pay VAT on receipts starting on the 1<sup>st</sup> day of the month following the month when the VAT threshold was exceeded

#### Rules in claiming Optional Standard Deductions (OSD)

- OSD is 40% of gross sales/ receipts
- OSD is elected in the **1<sup>st</sup> quarter ITR**  
- (irrevocable for the taxable year)

#### Issuance of Receipts

- Transactions valued at **P100 or more**
- If buyer is VAT registered, issue OR/ Invoice regardless of the amount
- Duplicate OR/ Invoice shall be kept for 10 years

#### Bookkeeping Requirements

- All Taxpayers** shall keep relevant and appropriate set of books which must be BIR approved
- If **annual sales exceed P3M**, Book of Accounts shall be audited by an iCPA

#### ITR Filing and Payment

Quarterly filing: **May 15, August 15, November 15**  
Annual Filing : **April 15**

#### Installment Payment of tax due in excess of P2,000

1<sup>st</sup> installment : **April 15**  
2<sup>nd</sup> installment : **October 15**

#### 3% Percentage Tax Filing and Payment

Quarterly filing: **25<sup>th</sup> of the month following the close of the taxable quarter (BIR Form 2551Q)**

#### VAT Filing and Payment

Monthly : **20<sup>th</sup> (non-eFPS) or 21<sup>st</sup> – 25<sup>th</sup> (eFPS), of the following month (BIR Form 2550M)**

Quarterly : **25<sup>th</sup> of the month following the close of the taxable quarter (BIR Form 2550Q)**

Effective 2023: VAT Filing shall be limited to quarterly filing and payment

#### Withholding Tax Filing/Remittance

Expanded/Final Withholding Tax:

- First two months of each calendar quarter: **10<sup>th</sup> (non-eFPS) or 15<sup>th</sup> (eFPS), of the following month (BIR Form 0605)**
- Quarter: **last day of the month following the close of the quarter (BIR Form 1601EQ/ 1601FQ/Alphalist of Payees)**

Withholding Tax on Compensation:

- Non-EFPS filing/payment: **10<sup>th</sup> (Jan. to Nov. returns), 15<sup>th</sup> (Dec. return) of the following month**
- EFPS Filing: **11<sup>th</sup> – 15<sup>th</sup> of the following month**
- EFPS Payment: **15<sup>th</sup> (Jan. to Nov. returns), 20<sup>th</sup> (Dec. return) of the following month**