

CREATE LAW

Corporate Recovery and Tax Incentives for Enterprises Act
Republic Act No. 11534

(Infographics Part 1)



DOMESTIC CORPORATIONS



RESIDENT FOREIGN CORPORATIONS

Before

CREATE

30%



Regular Corporate Income Tax (RCIT)

Starting July 01, 2020*

- 25%; or
- 20% , subject to below conditions:
 - Net Taxable Income of not more than P5M; and
 - Total assets of not more than P100M (excluding land on which the business entity's office, plant and equipment are situated)

*Note: Taxable income deemed earned equally for each month of the year

2%



Minimum Corporate Income Tax (MCIT)

1%

(July 01, 2020 to June 30, 2023)

Additional deduction for labor training expense:

- None

Non-deductible interest expense:

- 33% of interest income subjected to final tax



Deductions from Gross Income

Additional 50% deduction for labor training expense, subject to below conditions:

- not to exceed 10% of direct labor wage;
- covered by apprenticeship agreement; and
- supported by DepEd, TESDA or CHED certification

Non-deductible interest expense:

- 20% of interest income subjected to final tax

10%



Improperly Accumulated Earnings Tax (IAET)

Repealed

10% of net taxable income



Proprietary Educational Institutions and Hospitals

1% of net taxable income

(July 01, 2020 to June 30, 2023)

Dividends from NRFC

- 30% RCIT



Intercorporate Dividends

Dividends from NRFC - exempt from income tax subject to below conditions:

- reinvestment in the domestic corporation
- 20% or more ownership; and
- 2 years or more holding period.

Before

CREATE

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Regular Corporate Income Tax (RCIT)

25%

Starting July 01, 2020*

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2%



Minimum Corporate Income Tax (MCIT)

1%

(July 01, 2020 to June 30, 2023)

Additional deduction for labor training expense:

- None

Non-deductible interest expense:

- 33% of interest income subjected to final tax



Deductions from Gross Income

Additional 50% deduction for labor training expense, subject to below conditions:

- not to exceed 10% of direct labor wage;
- covered by apprenticeship agreement; and
- supported by DepEd, TESDA or CHED certification

Non-deductible interest expense:

- 20% of interest income subjected to final tax

10% of net taxable income



ROHQs

10% - 2021

25% - Starting January 01, 2022

10% of gross interest income from residents; exempt for income from non-residents; exempt from other taxes



OBU

Subject to RCIT and other taxes

Interest on FCDU deposits

- 7.5%

CGT on unlisted shares

- 5% / 10%



Final Tax on Passive Income

Interest on FCDU deposits

- 15%

CGT on unlisted shares

- 15%



NON-RESIDENT FOREIGN CORPORATIONS



VALUE ADDED TAX

Before

CREATE

30% on gross income



Regular Corporate Income Tax (RCIT)

25% on gross income

Starting January 01, 2021

CGT on unlisted shares

- 5% / 10%



Final Tax on Passive Income

CGT on unlisted shares

- 15%

Required tax credit in the domicile country:

- 15%



Intercorporate Dividends

Required tax credit in the domicile country:

-10% (starting July 1, 2020)

Before

CREATE

Exempt provided it appears at regular intervals



- Requirement to appear at regular intervals is removed
- Digital or electronic format included in the exemption
- Journal, or any educational reading material covered by the UNESCO agreement included in the exemption

Sale, importation, printing or publication of books, any newspaper, magazine

12% VAT



VAT Exempt

(Jan. 01, 2021 to Dec. 31, 2023)

Sale or importation of capital equipment, its spare parts and raw materials, necessary to produce PPEs and drugs, including those for use in clinical trials, drugs, vaccines and medical devices for the treatment of COVID-19

VAT exempt Starting January 01, 2023



VAT exempt

Starting January 01, 2021

Sale or importation of prescription drugs and medicines for cancer, mental illness, tuberculosis, and kidney diseases



PERCENTAGE TAX

Before

CREATE

3%



Persons Exempt from VAT

1%

(July 01, 2020 to June 30, 2023)

For questions and clarifications, contact:

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