REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

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May 11, 2018

REVENUE MEMORANDUM CIRCULAR NO. 50-2018

SUBJECT: Clarifies certain provisions of Revenue Regulations (RR) Nos. 8-2018 and 11-2018 Implementing the Income Tax Provisions of Republic Act (R.A.) No. 10963, Otherwise Known as the "Tax Reform for Acceleration and Inclusion (TRAIN)" Act

TO : All Internal Revenue Officers and Others Concerned

Hereunder are the most frequently asked questions on income and withholding tax provisions of RR Nos. 8-2018 and 11-2018, as amended by RR Nos. 15-2018 and 14-2018, respectively. The stated RRs were issued to implement the TRAIN law's income tax provisions including its consequent withholding tax.

Q 1 : Are the personal exemption and additional exemption still the same under the TRAIN law?

A 1 : The personal and additional exemptions previously provided under Section 35 of the 1997 Tax Code, as amended, have been removed under the TRAIN Law. Starting January 1, 2018, said exemptions of individual taxpayers were replaced with the first P250,000 of taxable income which is now subject to zero percent (0%) rate of income tax, practically exempting such income from income tax.

Q 2 : Under the TRAIN law, is there no change in the mandatory deductions such as SSS, Philhealth, Pag-ibig, etc. from Gross Compensation of employees? Please clarify.

A 2 : There is no change in the mandatory deductions from gross compensation of employees. The allowed deductions are the employee's share in the SSS, GSIS, Philhealth and Pag-ibig contributions (limited to compulsory contributions) as well as the union dues. They are deductible to arrive at the taxable compensation income.

Q 3 : Is there a change in the non-taxability of "de minimis" benefits under the TRAIN Law?

A 3 : No, there is no change in the tax treatment for "de minimis" benefits. It is still considered as compensation not subject to income tax and consequently, not subject to withholding tax, and neither to fringe benefit tax.

Q 4 : What are the benefits classified/considered as "de minimis"? Are there any updates in the amount of "de minimis" benefits?

A 4 : As of January 1, 2018, the following are the "de minimis" benefits:

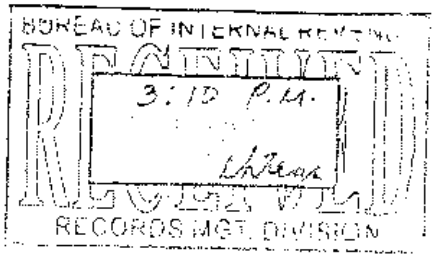
a. Monetized unused vacation leave credits of private employees not exceeding ten (10) days during the year;
b. Monetized value of vacation and sick leave credits paid to government officials and employees;
c. Medical cash allowance to dependents of employees not exceeding *P1,500.00* per employee per semester or *P250.00* per month;
d. Rice subsidy of *P2,000.00* or one (1) sack of 50 kg. rice per month amounting to not more than *P2,000.00*;
e. Uniform and clothing allowance not exceeding *P6,000.00* per annum;
f. Actual medical assistance, e.g., medical allowance to cover medical and healthcare needs, annual medical/executive check-up, maternity assistance, and routine consultations, not exceeding P10,000.00 per annum;
g. Laundry allowance not exceeding P300.00 per month;
h. Employees achievement awards, e.g., for length of service or safety achievement, which must be in the form of a tangible personal property other than cash or gift certificate, with an annual monetary value not exceeding P10,000.00 received by the employee under an established written plan which does not discriminate in favor of highly paid employees;
i. Gifts given during Christmas and major anniversary celebrations not exceeding P5,000.00 per employee per annum;
j. Daily meal allowance for overtime work and night/graveyard shift not exceeding twenty-five percent (25%) of the basic minimum wage on a per region basis; and
k. Benefits received by an employee by virtue of a collective bargaining agreement (CBA) and productivity incentive schemes provided that the total annual monetary value received from both CBA and productivity incentive schemes combined do not exceed ten thousand pesos (P10,000.00) per employee per taxable year.

All other benefits given by employers which are not included in the above enumeration shall not be considered as "de minimis" benefits, and hence, shall be subject to income tax as well as withholding tax.

Q 5 : What shall be the tax treatment of the "de minimis " benefits given to employees which are beyond the prescribed amount of benefits?

A 5 : The benefits given in excess of the maximum amount allowed as "de minimis" benefits shall be included as part of "other benefits" which is subject to the P90,000.00 ceiling. Any amount in excess of the P90,000 shall be subject to income tax, and consequently, to the withholding tax on compensation.

Example: Ms. A received annual clothing allowance amounting to P10,000. Her 13th month pay is P80,000. No other benefits were received for the entire year. In this case, since the prescribed maximum amount for clothing allowance is only P6,000 the excess of P4,000 shall be added to the 13th month pay, thereby the entire benefits received amounted to P84,000. In this scenario, the same shall still be exempt from income tax since the ceiling amount for these other benefits is P90,000.00



Q 6 : Are incentives given to employees also taxable? If yes, how much is taxable?

A 6 : In general, any incentives given to employees shall form part of the compensation subject to income tax, unless specifically exempted under a special law or incentives are in the nature of the previously enumerated "de minimis" benefits.

Q 7 : What is the treatment for the Premium on Health Card paid by the employer for the "rank and file" employees, as well as for those employees holding "managerial or supervisory" function?

A 7 : Premium on Health Card paid by the employer for all employees, whether rank and file or managerial/supervisory, under a group insurance shall be included as part of other benefits of these employees which are subject to the ₱90,000.00 threshold. However, individual premiums (not part of group insurance) paid for selected employees holding managerial or supervisory functions are considered "fringe benefits" subject to fringe benefits tax.

Q 8 : What would be the treatment of the additional income as a result of the benefits provided under the Attrition Law wherein employees who are performing well will receive rewards?

A 8 : The said additional income/benefits, whether in the form of cash or reward in kind, shall form part of the compensation income subject to withholding tax on compensation. The fair market value of the reward in kind shall be included in the taxable compensation.

Q 9 : What would be the treatment of the commission given to an employee in addition to the regular compensation received from the same employer (income payor/withholding agent)? Is the remittance of the withholding tax on commission separate from the tax withheld on compensation?

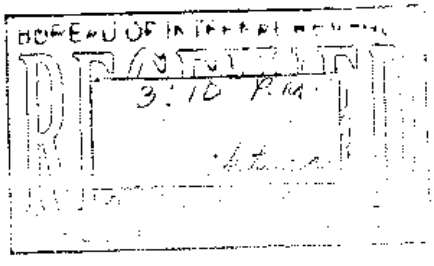
A 9 : The commission received from the same employer shall be considered as supplementary income. It shall be added to the regular compensation subject to income tax and consequently to withholding tax using the withholding tax table on compensation. The tax withheld shall be filed monthly and remitted using BIR Form No. 1601-C.

Q 10 : How do we determine if a government employee is considered a Minimum Wage Earner (MWE)?

A 10 : The government entity/employer must be aware of the Statutory Minimum Wage (SMW) prescribed for a particular geographical region by the National Wages and Productivity Commission (NWPC) of the Department of Labor and Employment (DOLE). The copy of the wage matrix they provide the Bureau is circularized every time there are changes in the SMW. If the wage of the employee is equal or below the said prescribed SMW for a particular region, then the employee working within the same region is considered a MWE.

Q 11 : Is the MWE exempt from income tax?

A 11 : The MWE is exempt from income tax on his basic SMW, overtime (OT) pay, holiday pay, night shift differential (NSDP) pay and hazard pay. However, income other than those mentioned are subject to income tax.



Q 12 : What if the MWE receives service charge which is not included in the enumerated exemptions such as holiday pay, overtime pay, etc., will he still be exempt from income tax? If not, how will his income tax be computed?

A 12 : The MWE will still be exempt from income tax on his SMW including the other income earned specifically enumerated as exempt under the law. However, income other than those in the enumeration shall already be taxable. The taxable income shall be computed by deducting the non-taxable/exempt portion and other deductions from the gross compensation income. Then, the resulting taxable income shall be multiplied to the applicable income tax rate using the prescribed tax table to get the amount of income tax due.

Q 13 : For those whose basic pay is more than the SMW but does not exceed P250,000, are other income like holiday pay, OT, NDP, hazard pay & others also tax exempt?

A 13 : The employee is no longer considered an MWE since his basic pay is more than the SMW. Thus, the amount of basic pay, OT pay, holiday pay , NDP pay and hazard pay shall be subject to income tax, and consequently, to the withholding tax on compensation.

Q 14 : How do the employers present compensation exempt from tax under the TRAIN law in BIR Form No. 1601C (monthly remittance of withholding tax)? Will it be segregated from the schedule of MWEs?

A 14 : Compensation exempt from tax shall be included as part of those non-taxable compensation and there is no need to segregate the same from the schedule of MWEs since their compensation is also non-taxable.

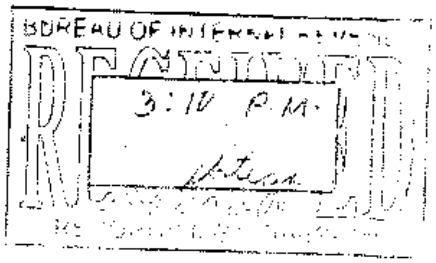
Q 15 : Do the employees need to update their tax status and submit documents thereon to BIR?

A 15 : Employees are not required to update their tax status and submit documents thereon to the BIR.

Q 16 : Who are *not* qualified to avail of the 8% Income Tax rate?

A 16 : The following individuals are not qualified to avail of the 8% Income Tax rate:

a) Purely compensation income earners;
b) VAT-registered taxpayers, regardless of the amount of gross sales/receipts and other non-operating income;
c) Non-VAT taxpayers whose gross sales/receipts and other non-operating income *exceeded* the ₱3,000,000.00 VAT threshold;
d) Taxpayers who are subject to Other Percentage Taxes under Title V of the Tax Code, as amended, except those under Section 116 of the same title;
e) Partners of a General Professional Partnership (GPP) since their distributive share from the GPP is already net of costs and expenses; and
f) Individuals enjoying income tax exemption such as those registered under the Barangay Micro Business Enterprises (BMBEs), etc., since taxpayers are not allowed to avail of double or multiple tax exemptions under different laws, unless specifically provided by law.



Q 17 : What are included in the "Other Percentage Taxes" under Title V of the Tax Code, as amended?

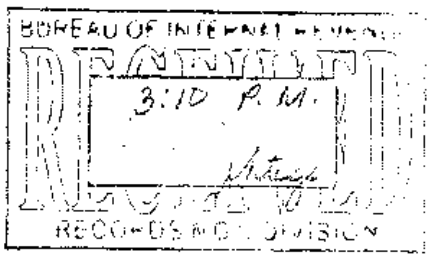
A 17 : Other than Sec. 116, the following sections are included under the said Title V:

Sec. 117 – Percentage tax (PT) on domestic carriers and keepers of garages
Sec. 118 - PT on international carriers
Sec. 119 – Tax on Franchises
Sec. 120 – Tax on overseas dispatch, message or conversation originating from the Philippines
Sec. 121 - Tax on banks and non-bank financial intermediaries performing quasi -banking functions
Sec. 122 – Tax on other non-bank financial intermediaries
Sec. 123 – Tax on life insurance premiums
Sec. 124 – Tax on agents of foreign insurance companies
Sec. 125 – Amusement taxes
Sec. 126 - Tax on winnings
Sec. 127 - Tax on sale, barter or exchange of shares of stock listed and traded through the local stock exchange or through initial public offering

Q 18 : What are the salient features of both the graduated and the 8% income tax rates?

A 18 : The features of Graduated Income Tax (IT) rates and 8% IT rate are as follows:

Particulars	Graduated IT Rates	8% IT Rates
Applicability	In general, applicable to all individual taxpayers	May be availed by *qualified* individuals engaged in business/practice of profession whose gross sales/receipts and other non-operating income did not exceed ₱3,000,000.00
Basis of IT	net taxable income	gross sales/receipts and other non-operating income
Allowed Deductions	Applicable itemized deductions or Optional Standard Deduction (OSD)	Allowed reduction of ₱250,000.00 from the gross, only for individual whose income comes *purely* from business/practice of profession; otherwise, no reduction/deduction allowed
Business Tax	Percentage Tax (PT) or VAT	If qualified: Not subject to PT



Particulars	Graduated IT Rates	8% IT Rates
Required Financial Statements (FS)	1. If Itemized: FS - if gross is less than ₱3M; Audited FS - if gross is more than ₱3M 2. If OSD: no FS required	If qualified: No FS required

Q 19 : How can individual taxpayers avail of the option of 8% income tax rate in lieu of the graduated income tax rates and percentage tax?

A 19 : The taxpayers who are qualified for the option to be taxed at 8% income tax rate can avail of the 8% income tax rate by signifying his intention to avail of the same as soon as possible through the filing of any of the following:

1. For New Business Registrant (Individual)
   1.a- BIR Form No. 1901 (Percentage Tax type shall still be registered but shall be suspended or end-dated in the BIR tax system) or
   1.b- Initial quarterly percentage or income tax return after the commencement of a new business/practice of profession.

2. For Existing Individual Business Taxpayers
   2.a- BIR Form No. 1905;
   2.b- 1st Quarterly Percentage Tax Return, and/or
   2.c- 1st Quarterly Income Tax Return.

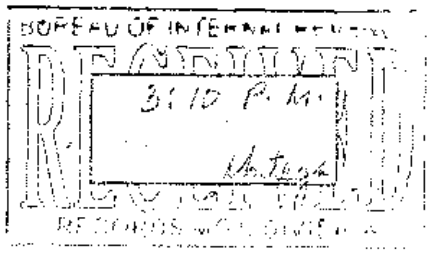
The option to avail of the 8% income tax rate must be signified annually, on or before May 15. Such election shall be irrevocable and no amendment of option shall be made for the said taxable year, unless the gross sales/receipts and other non-operating income exceeded the VAT threshold of ₱3,000,000.00 in which case, taxpayer shall automatically be subject to the graduated income tax rate.

Q 20 : What is the income tax regime of a taxpayer who is otherwise qualified to avail of the 8% income tax rate but failed to signify this selection?

A 20 : An individual taxpayer who is qualified to avail of the 8% income tax rate but failed to signify his intention to avail of the same shall be subject to the graduated income tax rates.

Q 21 : In the case of a purely self-employed/professional individual taxpayer who opted for the 8% income tax, does he/she still need to file and pay the 3% percentage tax?

A 21 : No, he/she is no longer required to file and pay the 3% percentage tax. The 8% income tax rate is in lieu of the graduated income tax rates and the percentage tax under Section 116 of the Tax Code.



Q 22 : What is the base amount of the 8% income tax rate?

A 22 : The 8% income tax rate shall be based on the gross sales/receipts and other non-operating income, net of returns and cash discounts. However, if the individual earns income *purely* from business or practice of profession, he/she is entitled to the reduction of ₱250,000.00 before computing for the 8% income tax.

Q 23 : Who are entitled to reduce their taxable gross sales/receipts and other non-operating income by the amount of ₱250,000.00 for purposes of computing the income tax due under the 8% income tax rate?

A 23 : Only individuals earning income *purely* from self-employment and practice of profession are entitled to the amount allowed as reduction of ₱250,000.00 under Sec. 24(A)(2)(b) of the Tax Code, as amended, for the purpose of computing the 8% income tax. Thus, mixed income earners (earning both from compensation and business/practice of profession) shall no longer be entitled to the ₱250,000.00 reduction on their income from business/practice of profession since said amount has already been applied in computing the income tax on compensation.

Q 24 : For filing of quarterly ITR for individuals earning purely from practice of profession who opted for 8% income tax, how can the P250,000.00 be deducted. Is it gross receipts for the quarter less P62,500.00 (250,000 / 4) equals taxable income?

A 24 : There is no need to divide the amount of P250,000.00 allowed as reduction into four quarters. The said amount was considered in the design of the revised quarterly income tax returns (Form 1701Q) which reflect a cumulative quarterly computation.

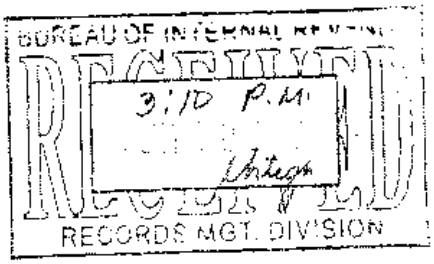
Q 25 : What tax rates are applicable for individuals who are earning income from *both* compensation and self/employment (business or practice of profession)?

A 25 : Compensation income shall be subject to the graduated income tax rates under Section 24(A)(2)(a) of the Tax Code, as amended. The income from business or practice of a profession shall be subject to the graduated income tax rates or *if qualified*, at taxpayer's option, be subject to the 8% income tax rate based on gross sales/receipts.

Q 26 : Are returnable deposits or deposits held in trust like security deposits under lease agreements part of the definition of gross receipts?

A 26 : In general, all deposits received are included in the definition of Gross Receipts under Section 2(g) of RR 8-2018. However, returnable deposits or deposits held in trust and recorded as Liability are excluded.

Q 27 : When does a taxpayer use the graduated income tax rates or the option of 8% income tax rate?



A 27 : Applicability of IT Rates per Individual Taxpayer's Income Classification

Classification	Graduated IT Rates	&/ or	8% IT Rates
a. *Purely* Compensation	√	n/a	Not applicable (n/a)
b. *Purely* Business/ Practice of Profession:			
b.1 If gross sales/receipts and other non-operating income did not exceed ₱3M in a taxable year (at taxpayer's option)	√ -subject to applicable business tax/es	OR	√ - if qualified, taxable on gross sales/receipts and other non-operating income in excess of ₱250K; in lieu of graduated rates and PT under Sec. 116
b.2 If gross sales/receipts & other non-operating income exceed ₱3M in a taxable year	√ -subject to applicable business tax/es	n/a	n/a
c. Mixed Income (both compensation and business/practice of profession):			
c1.compensation	√	n/a	n/a
c.2. Business / practice of profession			
c.2.i. If gross sales/ receipts & other non-operating income did not exceed ₱3M in a taxable year (at taxpayer's option)	√ -subject to applicable business tax/es	OR	√ -if qualified: taxable on gross; in lieu of graduated rates and PT under Sec. 116

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Classification	Graduated IT Rates	&/ or	8% IT Rates
e.2.ii. If gross sales/ receipts & other non-operating income exceed ₱3M in a taxable year	√ -subject to applicable business tax/es	n/a	n/a
	Under the graduated IT regime: 1. allowed deductions are the itemized deductions or the OSD (40%) to get taxable net income 2. Total IT due = sum of both the taxable income from compensation and business/profession multiply by graduated IT rate		Under the 8% IT regime: Total IT due = Income tax due from compensation (using graduated rates) *plus* income tax due from business/practice of profession (8% of gross sales/receipts & other non-operating income)

Q 28 : Is an individual under a contract of service or job order arrangement considered self-employed?

A 28 : Yes, an individual under a contract of service or job order arrangement is considered self-employed.

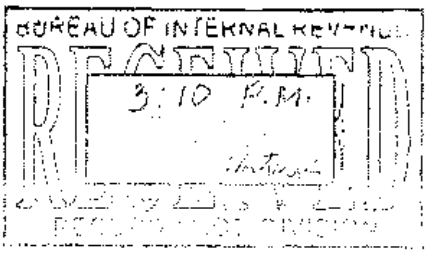
Q 29 : What are the applicable withholding taxes and corresponding rates for individuals hired under a Job Order or Contract for Service scheme?

A 29 : 1. Hired by Public or Government Sector. –

If the income-payor/withholding agent is a government entity, it shall withhold both income and the applicable business taxes, if any. However, if the payee's annual gross receipts will not exceed P250,000.00 from a lone payor, the income payments may be exempt from both withholding tax on income upon submission of a Sworn Declaration of Gross Receipts/Sales attached as "Annex B-2" of RR No. 11-2018, together with the copy of the Certificate of Registration (COR) or Copy of the BIR Form 1901 (duly received by the concerned BIR office), and withholding of percentage tax, if payee signified the option to avail the 8% income tax rate regime in the sworn declaration.

2. Hired by Private Sector. –

If the income-payor/withholding agent is a private entity, it shall withhold income tax only since the corresponding business tax shall be paid by the payee him/herself. However, if the payee's annual gross receipts will not exceed P250,000.00 from a lone income payor, the income payments may be exempt



from withholding tax on income upon submission of a Sworn Declaration of Gross Receipts/Sales attached as "Annex B-2" of RR No. 11-2018 together with the copy of the COR or Copy of the BIR Form 1901 (duly received by the concerned BIR office).

The nature of the service rendered shall determine the applicable withholding tax rates on income. For services rendered by individuals falling under Section 2.57.2 (A) of RR No. 11-2018, the rates prescribed thereon shall be used, and all others not under the aforesaid section, shall be subject to two percent (2%).

Q 30 : Why do taxpayers need to submit a copy of the COR together with their Sworn Declaration to their Withholding Agent/Payor?

A 30 : The copy of the COR is required for the withholding agent/payor to determine if the payee is actually registered with the BIR, and if payee is a non-VAT taxpayer who may be qualified to avail of the option to be taxed at 8% flat income tax rate if gross sales/receipts and other non-operating income did not exceed P3M for the taxable year.

Q 31 : Are individuals under a contract of service or job order arrangement exempt from income tax under the TRAIN law?

A 31 : No. In general, all individuals rendering service are subject to income tax.

Q 32 : If the Job Order personnel received only P6,000 or less per month, do they need to execute sworn statement under Annex B-2?

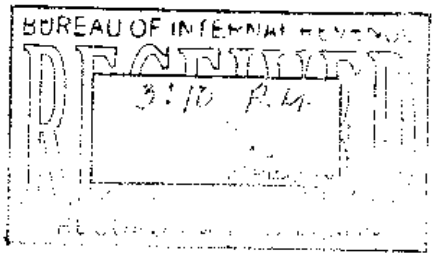
A 32 : Under the above scenario, since the income shall be less than P250,000.00 per annum, they need to execute the sworn declaration using the format of Annex B-2 so that no income tax withholding shall be made by the lone income payor/withholding agent on the stated income payment.

Q 33 : In RR No. 8-2018, self-employed individual is defined/classified as professional or non-professional. In RR No. 11-2018, only professionals have the rates of 5% or 10%, what is the withholding tax rate for the non-professionals?

A 33 : If the individual's service is not covered by the definition of a professional under RR No. 8-2018 and does not fall under Section 2.57.2(A) of RR No. 2-98, as amended by RR No. 11-2018, the same shall be subjected to 2% income tax withholding.

Q 34 : What is the applicable withholding tax rate for director's fees?

A 34 : If the director receiving the director's fees is also an employee of the same entity, the fees shall form part of the compensation subject to withholding tax on compensation. However, if the director is *not* an employee of the income payor then the subject taxpayer is considered a professional subject to the creditable expanded withholding tax prescribed for a professional, and subject also to the applicable business tax. Moreover, in the case of government employee who seats as board member of other Government Owned & Controlled Corporations (GOCCs) and is receiving director's fees, honoraria and/or other benefits shall be subject to creditable withholding tax at the higher rate for professional at 10%. The said income shall be reported by the payee as other income to be included as part of the compensation income in arriving at the total taxable income. The corresponding withholding tax shall form part of the tax credits against the income tax due.



Q 35 : Is a general professional partnership (GPP) subject to the creditable expanded withholding tax?

A 35 : No. a GPP is not subject to income tax and thus, not subject to the creditable expanded withholding tax. However, it is subject to the applicable business tax. Further, the partners of the GPP is subject to income tax and to the applicable withholding tax.

Q 36 : Are individual contractors also subject to the creditable expanded withholding tax?

A 36 : Yes. they are still subject to the creditable expanded withholding tax at the same withholding tax rate of 2%.

Q 37 : Will the withholding tax rates to be used for doctors/consultant who submitted sworn declaration and signified to be taxed at 8% income tax rate differ from those who opted the graduated income tax?

A 37 : No. The withholding tax rate for doctors/consultants who submitted the sworn declaration (Annex B-2 of RR 11-2018) shall be 5%, regardless of whether they are availing of the 8% income tax or the graduated income tax rates. If the income payor/withholding agent, however, is a government entity, it shall also withhold business tax if the payee selected to be taxed using the graduated income tax rates.

Q 38 : What happens when Annex B-2 is submitted beyond the deadline of April 20, 2018?

A 38 : If the sworn declaration was only submitted by the income payee to the payor after the deadline of April 20, 2018, the payee's excess tax withheld, if any, prior to the approval of RR 11-2018, shall not be refunded by the income payor. The payee's executed sworn declaration shall only be applied by the withholding agent on all income payments after receipt of such declaration.

Q 39 : Is the Affidavit of Declaration of Gross Income no longer required for non-individuals in relation to the P720,000 threshold?

A 39 : It is still required under the existing rules and regulations and was not part of the amendments under the TRAIN Act.

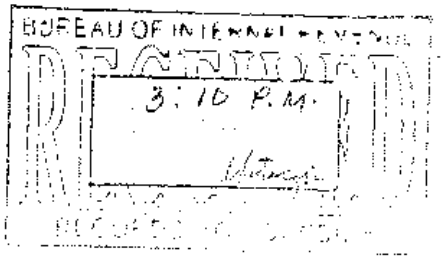
Q 40 : What is the withholding tax applicable to a diplomat's wife who is locally employed?

A 40 : An individual who is employed locally is subject to withholding tax using the withholding tax table on compensation.

Q 41 : What is the applicable withholding tax on income payments made to self-employed professionals who failed to submit their sworn declaration to the payor?

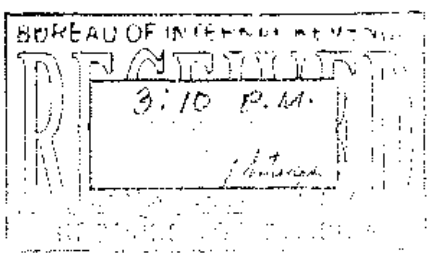
A 41 : The applicable withholding tax rate for self-employed professionals who failed to submit sworn declaration to the payor is 10% for income tax. Moreover, if the payor is a government entity, the same income payment is also subject to either 3% percentage tax or 5% withholding VAT, whichever is applicable.

Q 42 : Can you provide a guide for individual taxpayers on the taxability of their earned income from business and/or practice of profession, and for withholding agents/payors on the treatment of income payments if the payee is under the graduated IT rates; if payee is qualified and opted for the 8% IT rate; if subject or not to withholding taxes (WT)?



A 42 : This will serve as a guide for individual taxpayers engaged in business and/or practice of profession as well as for withholding agents/payors on the treatment of individual income earnings/payments:

Sales/Receipts		**If Graduated IT rates**		**If 8% IT rate**	
Gross Amt.	***Tax***	***Taxability***	***WT***	***Taxability***	***WT***
₱250,000 and below	IT	Taxable at 0%	Not subject	Exempt, if taxpayer's entire income is derived *purely* from business and/or practice of profession; subject to 8%, if mixed income earner (with income from both compensation and business and/or profession), based on gross sales/receipts & other non-operating income	No, for purely business and/or profession; Yes, if mixed income earner
	PT	Subject	Subject, if government payor	Not subject	Not subject
	Doc	Payee's Sworn Declaration and COR		Payee's Sworn Declaration and COR	
Above ₱250,000 to ₱5,000,000	IT	Taxable at applicable graduated rates on net income	Subject at applicable rates	8% on gross sales/receipts and other non-operating income; however, for *purely* business/practice – entitled to reduction of ₱250,000	Subject to applicable rate
	PT	Subject	Subject, if government payor	Not subject	Not subject
	Doc	Payee's Sworn Declaration and COR		Payee's Sworn Declaration and COR	



Sales/Receipts		If Graduated IT rates		If 8% IT rate	
Gross Amt.	*Tax*	*Taxability*	*WT*	*Taxability*	*WT*
Above ₱3,000,000	IT	Subject to applicable rate	Subject to WT	Not entitled to avail	
	BT	Now subject to VAT	Subject to WT of VAT, if government payor		

IT – Income tax; WT – Withholding tax; PT – Percentage tax; BT – Business tax

Q 43 : What shall be the treatment of withheld taxes remitted using the old BIR Form Nos. 1601-E, 1601-F and 0605 for the first two (2) months of the quarter?

A 43 : The payments shall be deducted from the taxes due to be remitted for the entire quarter.

Q 44 : Are individuals with consecutive employers qualified to avail of the substituted filing of annual Income Tax Return (AITR) if the latest employer will consolidate income of the individual from previous employment to the current employment income and the entire income is subjected to the year-end adjustment wherein the tax due is computed prior to the payment of the last compensation for the year?

A 44 : Based on existing policy, individuals with consecutive employers are not qualified to avail of the substituted filing of AITR. Hence, they are required to file an AITR.

Q 45 : What withholding tax certificate shall be issued to individuals under Job Order or contract of service arrangement?

A 45 : The tax being withheld from an individual under Job order or Contract of Service arrangement is a creditable withholding tax; thus, the Certification that shall be issued by the withholding agent shall be BIR Form 2307.

Q 46 : Is an employee with a lone employer within a year but is receiving retirement pension qualified for substituted filing of the annual income tax return (AITR)?

A 46 : Yes, the employee with a lone employer is still qualified to avail of the substituted filing of AITR provided the income tax has been withheld correctly. The retirement pension is not taxable.

Q 47 : What form shall be used by an employee who is not qualified for substituted filing and what is the responsibility of the employer?

A 47 : An employee who is not qualified for substituted filing of Income Tax Return is required to either use BIR Form No. 1700 (for purely compensation income earner) or BIR Form No. 1701 (for self-employed or mixed income earner). The responsibility of the employer is to provide the employee with BIR Form No. 2316 (Certificate of Compensation and Tax Withheld) not later than January 31 after the close of the calendar year.

BUREAU OF INTERNAL REVENUE
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Q 48 : Are the certificates of tax withheld filed by the employers and duly stamped "received" by the Bureau tantamount to the substituted filing of Annual Income Tax Returns (AITR) of the employees?

A 48 : Yes, it applies to all qualified employees. As discussed under RR No. 11-2018, "Qualified employees are those whose income comes from a *lone employer* and the tax due on the compensation income was correctly withheld by the employer."

Under the same RR, the Certificates of Tax Withheld shall refer to the Certified List of Employees Qualified for Substituted Filing prescribed in Annex "F" of the RR, with accompanying soft copy of the corresponding BIR Form No. 2316. The list shall be stamped "Received" by the Bureau, and this stamping is tantamount to the substituted filing of AITR of the concerned employees.

Q 49 : The Creditable Withholding Tax Certificate and Form No. 1604C/F were not included in the TRAIN Law. Do we still need to file/issue them?

A 49 : Yes, existing rules shall still apply since the TRAIN Law did not make amendments on these issues.

Q 50 : Can eFPS filers still use the staggered filing allowed before in filing the creditable and final withholding tax forms/returns to avoid eFPS downtime?

A 50 : Yes, the same rules still apply with regards to eFPS filers who can file the withholding tax forms/returns on staggered basis depending on industry grouping.

Q 51 : Is an employee who is earning purely compensation income not exceeding ₱250,000 from a lone employer still need to file an Annual Income Tax Return (AITR)?

A 51 : No, an employee earning purely compensation income that does not exceed ₱250,000 from a *lone* employer is *not required* to file an AITR. In this case, the employer shall include the name of such employee in the alphalist to be submitted to the BIR. However, an employee is required to file an AITR for compensation earned within the same taxable year from multiple employers, whether successive or concurrent, regardless of the amount of compensation.

Q 52 : Is an employee who resigned before the year ends with only one employer for the year required to file an AITR?

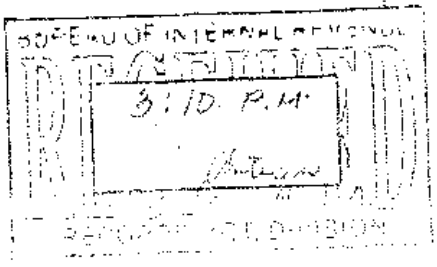
A 52 : No, the employee is not required to file an AITR if there is only one employer during the year and the amount of withheld tax is equal to the income tax due for the taxable year.

Q 53 : Are those who opted and are qualified for the 8% Income Tax rate still required to attach the Financial Statement when filing an AITR?

A 53 : No, the Financial Statement is not required to be attached when filing an AITR for those who opt and qualify for the 8% income tax rate.

Q 54 : A professional or self-employed did not avail of the 8% and opt for the graduated table but claimed the OSD, can he be exempt from FS submission?

A 54 : Yes, a taxpayer who opts for the OSD as the deduction to arrive at the taxable income subject to the graduated income tax rates is exempt from FS submission.



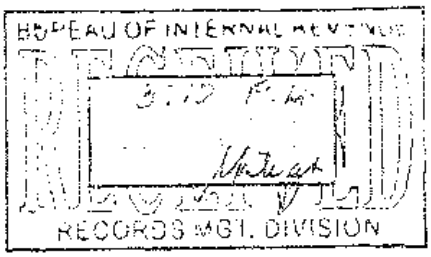
Q 55 : If a taxpayer opts to use the graduated income tax rate on income from business or from practice of profession, when is the deadline for filing the 3% percentage tax?

A 55 : If a taxpayer opted to use the graduated tax rate on professional income, he shall file a quarterly return of the amount of gross sales, receipts or earnings and pay the 3% percentage tax due thereon within twenty-five (25) days after the end of each taxable quarter.

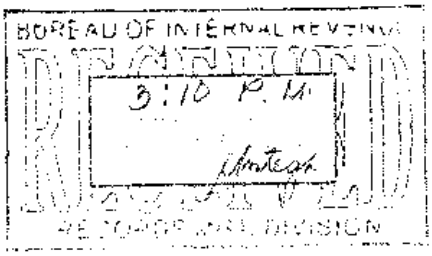
Q 56 : What are the withholding tax forms that we can use? When are the due dates for their filing?

A 56 : The matrix below shall serve as the taxpayer's guide on the withholding tax forms to use and their due dates:

Withholding	Frequency	Forms/List	Due Dates
Withholding Tax on Compensation	Monthly	1601C – Monthly Remittance Return of Income Taxes Withheld on Compensation	On or before the 10th day of the month following the month of withholding (eFPS filers on staggered basis depending on grouping)
	Annually	1604C - Annual Information Returns of Income Taxes Withheld on Compensation and Annual Alphalist of Employees	January 31 following the close of the taxable year
		2316 – Certificate of Compensation Payment/Tax Withheld for Compensation Payments with or without Tax Withheld (for employees)	
		Certified List of Employees Qualified for Substituted Filing of ITR with copies of Form 2316 (For large taxpayers- scanned copies of Form 2316 on storage media, i.e. usb, cd,etc)	On or before February 28 following the close of the taxable year



Withholding	Frequency	Forms/List	Due Dates
Expanded Withholding Tax	Monthly (1st two months of the quarter)	0619E – Remittance of Creditable Income Taxes Withheld (Expanded)	On or before the 10th day following the close of the month (eFPS filers on staggered basis depending on grouping)
	Quarterly	1601EQ Quarterly Remittance Return of Creditable Income Taxes Withheld and Quarterly Alpha list of Payees (QAP)	On or before the end of the month following the close of the quarter
		Form 2307-Certificate of Creditable Tax Withheld at Source (for payees)	On or before the 20th day after the close of the quarter or upon demand of the payee
	Annually	1604E- Annual Information Return of Creditable Income Taxes Withheld (Expanded) /Income Payments Exempt from Withholding Tax and Annual Alphalist of Payees	March 1 following the close of the taxable year
Final Withholding Tax	Monthly (1st two months of the quarter)	0619F – Monthly Remittance Form of Final Income Taxes Withheld	On or before the 10th day following the close of the month (eFPS filers on staggered basis depending on grouping)
	Quarterly	1601FQ – Quarterly Remittance Return of Final Income Taxes Withheld; Quarterly Alphalist of Payees (QAP)	On or before the end of the month following the close of the quarter
		Form 2306- Certificate of Final Tax Withheld at Source (for payees)	On or before the 20th day after close of the quarter or upon demand of payee

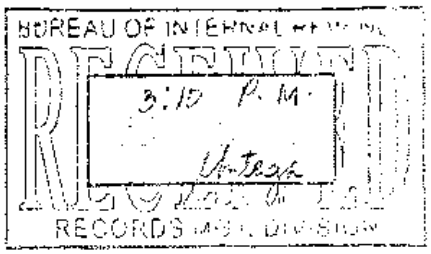


Withholding	Frequency	Forms/List	Due Dates
Final Withholding Tax	Annually	1604F – Annual Information Return on Final Income Taxes Withheld and Annual Alphalist of Payees	January 31 following the close of the taxable year
Final WT on Interest paid on deposit, etc.	Quarterly	1602Q – Quarterly Remittance Return of Final Income Taxes Withheld on Interest Paid on Deposit and Deposit Substitutes/Trusts/Etc.	On or before the end of the month following the close of the quarter
Final WT on Fringe Benefits	Quarterly	1603Q – Quarterly Remittance Return of Final Income Taxes Withheld on Fringe Benefits Paid to Employees Other Than Rank and File; Annual Alphalist of Employees with Fringe Benefits	On or before the end of the month following the close of the quarter
Government Money Payments	Monthly	1600 – Monthly Remittance Return of Value-Added Tax and Other Percentage Taxes Withheld	On or before the 10th day following the close of the month
	Quarterly	Form 2307-Certificate of Creditable Tax Withheld at Source (for payees)	On or before the 20th day after the close of the quarter or upon demand of the payee
		Form 2306- Certificate of Final Tax Withheld at Source (for payees)	On or before the 20th day after close of the quarter or upon demand of payee

Q 57 : For new forms like 1601EQ for quarterly remittance returns of creditable withholding tax, will there be an automatic updates on eFPS of the revised and new forms?

A 57 : Yes, the revised and new forms will also be available in the eFPS. Kindly wait for the advisory of its availability either in hard copy, in eBIRForms and finally in eFPS. There will be workaround procedures in case of system downtime.

Q 58 : Are the partners of the general professional partnership (GPP) required to register as professionals? Can they opt to choose the 8%? Is there any special registration required?



A 58 : Yes, they are required to register as professionals. However, there is no option to avail the 8% income tax rate since their distributive share in the net income of the GPP is already net of cost and expenses. No special registration is required.

Q 59 : For the creditable expanded withholding tax, are we still required to submit the Monthly Alphalist (MAP)?

A 59 : No. The requirement is to submit a Quarterly Alphalist (QAP) as an attachment to the quarterly creditable/expanded withholding tax returns (form 1601EQ).

Q 60 : On the electronic submission of Alpha List, are there changes in the formatting?

A 60 : Yes, there are revisions in the formatting of the quarterly as well as the annual Alpha List. The Bureau shall issue an advisory on the availability of these formats and a memorandum circular for the procedures on its use.

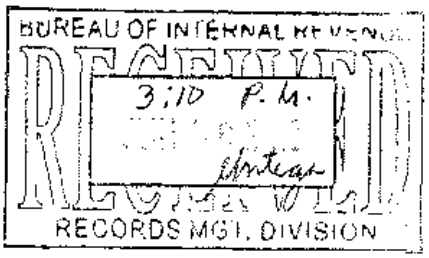
Q 61 : What is the retention period of our books of accounts under the TRAIN law?

A 61 : The TRAIN Law did not amend the retention period prescribed by Section 203 of the Tax code, as amended, and implemented by RR No. 17-2013.

Q 62 : For record keeping, can we scan the documents for the years 2017 and earlier to comply with the BIR regulation of 10 years' record keeping?

A 62 : Under RR No. 5-2014, within the first 5 years reckoned from the day following the deadline in filing a return or if filed after the deadline, from the date of the filing of the return, the taxpayer shall retain hardcopies of the books of accounts, including subsidiary books and other accounting records. Thereafter, taxpayer may retain only an electronic copy in an electronic storage system which complies with the requirements under the said RR. Failure to meet the requirements of the RR, the taxpayer shall maintain and preserve the original hardcopy of the said books of accounts and other accounting records for 10 years.

All internal revenue officials, employees and other concerned are hereby enjoined to give this Circular as wide a publicity as possible.



CAESAR R. DULAY
Commissioner of Internal Revenue

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