

Tax Updates

January 18, 2024
Issue: RCC1- 24



Romero & Co. CPA's

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R.A. No. 11976

R.A. No. 11976 – EASE OF PAYING TAXES ACT (EOPT ACT)

The new law introduces administrative tax reforms and amendments to several sections of the National Internal Revenue Code of 1997. It also aims to update the Philippine taxation system, adopt best practices, and replace antiquated procedures. The Ease of Paying taxes Act was signed and published (January 05, 2024). It will take effect 15 days after its publication in the Official Gazette.

The salient features of EOPT Act are as follows:

GENERAL UPDATES											
New classification of taxpayers	<table><tr><th>GROUP</th><th>GROSS SALES</th></tr><tr><td><i>MICRO</i></td><td>Less than 3M</td></tr><tr><td><i>SMALL</i></td><td>3M to less than 20M</td></tr><tr><td><i>MEDIUM</i></td><td>20M to less than 1B</td></tr><tr><td><i>LARGE</i></td><td>1B and above</td></tr></table>	GROUP	GROSS SALES	<i>MICRO</i>	Less than 3M	<i>SMALL</i>	3M to less than 20M	<i>MEDIUM</i>	20M to less than 1B	<i>LARGE</i>	1B and above
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<i>LARGE</i>	1B and above										
Special concession for <u>micro and small</u> taxpayers	<p>The following shall be made available to micro and small taxpayers:</p> <table><tr><th colspan="2">REDUCED CIVIL PENALTIES</th></tr><tr><td colspan="2">10% surcharge</td></tr><tr><td colspan="2">6% legal interest rate</td></tr><tr><td colspan="2">Php500 per failure to file certain information returns</td></tr><tr><td colspan="2">50% of compromise penalty on violations on invoicing/printing of invoices</td></tr></table> <ul style="list-style-type: none">- 2-page Income tax return- Veto: exemption from withholding tax obligation	REDUCED CIVIL PENALTIES		10% surcharge		6% legal interest rate		Php500 per failure to file certain information returns		50% of compromise penalty on violations on invoicing/printing of invoices	
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Venue of Filing and Payment	<ol style="list-style-type: none">1. Added in the venue – Authorized tax software provider.2. Surcharge on wrong venue filing is now REMOVED.										
INCOME TAX											
Requirement for Deductibility of Certain Payments/Expenses	NOW REPEALED: Withholding of income taxes shall no longer be a requirement for deductibility of expenses for purpose of computing income taxes.										
Timing of Withholding	The obligation to withhold arises at the time the income has become payable.										
VALUE-ADDED TAX (VAT)											
Output VAT on Uncollected Receivables	<p>A seller of goods or services <u>may deduct the output VAT on uncollected receivables on the next quarter after the lapse of the agreed period</u> to pay subject to the following conditions:</p> <ol style="list-style-type: none">1. The seller fully paid the VAT on the transaction2. VAT component of the uncollected receivable has not been claimed as deductible bad debts from gross income <p><i>*In case of recovery of uncollected receivables, VAT shall be remitted during the period of recovery.</i></p>										

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VALUE-ADDED TAX (VAT)	
VAT Invoicing Requirements	<p>Here are some Important points to be considered:</p> <ol style="list-style-type: none"> 1. <u>Sales Invoice</u> - For every sale of goods, properties, services, use or lease of properties. 2. <u>Business Style is not required</u> <p>Input VAT on Sales Invoice with lacking information can still be claimed provided the lacking information do not pertain to the following: <u>amount of sales and VAT</u>; <u>Name and TIN of both buyer and seller</u>; <u>Description or nature of good or services</u>; <u>And date of transaction</u>.</p>
VAT Refund claims	<p>Classification of Claims</p> <ol style="list-style-type: none"> I. Low risk, medium risk, high risk based on amount of claim, tax compliance history, frequency of filing of claim, among others II. Medium and high risk shall be subject to audit or verification process by the BIR <ul style="list-style-type: none"> • Appeal to CTA within 30 days from (a) receipt of decision denying the claim OR (b) after the lapse of the 90-day period for the BIR to act on the claim • In case of disallowance by the Commission on Audit, only the taxpayer shall be liable for the disallowed amount without prejudice to any administrative liability on the part of any employee of the BIR who may be found to be grossly negligent in the grant of refund.
OTHER PERCENTAGE TAX (OPT)	
Tax Base for OPT (Sec. 116, 117, 118, 119, 120, 128)	Shall be based on GROSS SALES
REMEDIES	
Refund of Erroneously Paid Taxes/ Penalties	<p>ADDED:</p> <ol style="list-style-type: none"> A. Filing of the claim for refund with BIR: Within two years after the payment of tax or penalty. B. Period for the BIR to act on the application: within 180 days from submission of complete documents. <p>NOW: Filing of Appeal must be filed within 30 days from receipt of denial or laps of 180-day period.</p>
COMPLIANCE REQUIREMENTS/ADMINISTRATIVE PROVISIONS	
Annual Registration Fee	NOW REMOVED - Requirement to pay annual registration Fee.
Authority to Print	Tax payer shall secure, FREE OF CHARGE from the BIR.
Issuance of Invoice	<p>Threshold adjustment: Five hundred pesos (P500.00).</p> <p><i>*Note that VAT registered taxpayers shall issue registered VAT invoice regardless of amount</i></p>
Preservation of Books of Accounts and other accounting records	<p>Book of accounts shall be preserved for a period of 5 years reckoned:</p> <ol style="list-style-type: none"> 1. from the day following the deadline in filing a return, or 2. if filed after the deadline, from the date of the filing of the return, for the taxable year when the last entry was made in the book of accounts.
Cancellation of VAT Registration	ADDED: Electronic application
Transfer or Cancellation of Registration	<p>NEW:</p> <ol style="list-style-type: none"> 1. Transferred by mere filing of application 2. If taxpayer is being audited, the same shall be continued by the initiating RDO.

SOURCE: officialgazette.gov.ph/2024/01/05/republic-act-no-11976

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