

Philippines Tax Knowledgebase

Employee personal income tax

This article provides an overview of the taxation landscape in the Philippines, detailing taxpayer classifications, income tax filing requirements, deadlines, and applicable tax rates. It also covers options for calculating income tax, additional tax reliefs such as minimis benefits, and procedures for submitting tax returns, including the possibility of authorising representatives for filing.

Taxpayer

Individuals

- Resident citizens receiving income from sources within or outside the Philippines;
- Employees deriving purely compensation income from two or more employers, concurrently or successively, at any time during the taxable year;
- Employees deriving purely compensation income regardless of the amount, whether from a single or several employers during the calendar year, the income tax of which has not been withheld correctly (i.e. tax due is not equal to the tax withheld), resulting in a collectable or refundable return;
- Self-employed individuals receiving income from the conduct of trade or business and/or the practice of a profession;
- Individuals deriving mixed income, i.e., compensation income and income from the conduct of trade or business and/or practice of profession;
- Individuals deriving other non-business, non-professional related income in addition to compensation income, not otherwise subject to a final tax;
- Individuals receiving purely compensation income from a single employer, although the income of which has been correctly withheld, but whose spouse is not entitled to substituted filing;
- Non-resident citizens receiving income from sources within the Philippines;
- Foreign people, whether resident or not, receiving income from sources within the Philippines.

Non-individuals

- Corporations, including partnerships, no matter how created or organised;
- Domestic corporations receiving income from sources within and outside the Philippines;
- Foreign corporations receiving income from sources within the Philippines;
- Estates and trusts engaged in trade or business.

Tax report in question

In general, the Philippines can be of two types regarding compensation income and a mix of compensation income and business activities (latest, you can check it in the freelance area):

1 Form 1700 Income tax declaration for compensation income.

Who is not required to file income tax returns?

- a. An individual earning purely compensation income whose taxable income does not exceed P250,000.00
- b. An individual whose income tax has been withheld correctly by his employer, provided that such individual has only one employer for the taxable year
- c. An individual whose sole income has been subjected to final withholding tax or who is exempt from income tax pursuant to the Tax Code and other special laws.

d. An individual who is a minimum wage earner

Resident citizens, resident foreign citizens, and non-residents receiving compensation income from sources within the Philippines must file a declaration, unless the following exceptions apply:

- Taxable income is less than P 250,000;
- Only compensation income with properly withheld taxes;
- Income subject to final withholding tax;
- Minimum wage earners or individuals exempt from taxes;
- Annual income tax declaration for individuals with mixed income or business activities

Due date

The deadline for filing your income tax return falls on the 15th of April every year following the close of a taxable year.

When filing your yearly income tax return, certain documents are required to be attached to the BIR form. Submitting these required attachments depends on how you filed and/or paid your income tax return. For manual filing, you are supposed to submit it upon filing. Meanwhile, for the Electronic Filing Payment System or EFPS and eBIRforms, you are supposed to file 15 days from the deadline of filing or the date of electronic filing of the BIR annual income tax return.

Tax rates

From 1700: General rates, the graduated income tax rates in the Philippines, according to Section 24(A)(2) of the 1997 Tax Code, as amended by Republic Act No. 10963, are as follows:

- For taxable net income up to PHP 250,000: 0% (exempt from tax).
- For taxable net income from PHP 250,000 to PHP 400,000: 20% of the excess over PHP 250,000.
- For taxable net income from PHP 400,000 to PHP 800,000: PHP 30,000 plus 25% of the excess over PHP 400,000.
- For taxable net income from PHP 800,000 to PHP 2,000,000: PHP 130,000 plus 30% of the excess over PHP 800,000.
- For taxable net income from PHP 2,000,000 to PHP 8,000,000: PHP 490,000 plus 32% of the excess over PHP 2,000,000.
- For taxable net income above PHP 8,000,000: PHP 2,410,000 plus 35% of the excess over PHP 8,000,000.

This means the tax rate increases as taxable net income exceeds each threshold, with the tax calculated based on the excess amount over each bracket.

Options for calculating income tax

An individual has two options for calculating their income tax:

- **Flat 8% tax rate:** This option means paying 8% of gross sales as income tax.
- **Graduated tax rates:** Taxpayers follow the rates provided in the BIR tax table. For this method, they can choose one of the following deduction types:

Optional Standard Deduction (OSD): A flat 40% deduction of gross income.

Itemised deductions: Deduct actual expenses, supported by receipts.

Are there personal deductions for the taxpayer?

N/A

Deductions for each dependent family member

N/A

Additional tax reliefs

Minimis benefits are exempt from taxes in the Philippines

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Minimis benefits are small-value benefits granted by the employer to employees to promote their health, well-being, satisfaction, or efficiency. These benefits are not subject to income tax or income tax withholding. Employees receive the full amount of these benefits, as the employer does not make any tax deductions.

Examples of minimis benefits exempt from taxes:

- **Unused vacation credits:** No more than 10 days per year.
- **Cash medical subsidy:** Up to P1,500 per semester or P250 per month for dependents.
- **Rice subsidy:** Up to P2,000 per month or one 50kg sack of rice.
- **Uniform subsidy:** Up to P6,000 per year.
- **Medical assistance:** No more than P10,000 per year.
- **Laundry subsidy:** Up to P300 per month.
- **Achievement awards:** No more than P10,000 per year in tangible personal property (not in cash or gift certificates).
- **Christmas and anniversary gifts:** No more than P5,000 per employee per year.
- **Meal subsidy:** For overtime and night shifts, should not exceed 25% of the minimum wage.

It is also worth mentioning that any amount of minimis benefits exceeding the threshold may still be exempt as “other benefits,” along with the 13th-month pay of employees, but not exceeding P90,000. Therefore, providing minimis benefits can also be a way to utilise the P90,000 tax exemption fully.

For more information on these minimis benefits, you can check out the tax allowances that Native Teams offers.

How to submit the tax return?

BIR Form No. 1700 – Annual income tax for individuals earning purely compensation income (including non-business/Non-profession related income)

Documentary requirements

- Certificate of income tax withheld on compensation (BIR Form No. 2316)
- Duly approved tax debit memo, if applicable
- Proofs of foreign tax credits, if applicable
- Income tax return previously filed and proof of payment, if filing an amended return for the same taxable year.

Procedures

For Electronic Filing and Payment System (eFPS) filer

1. Fill in the applicable fields in the BIR Form No. 1700

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2. Pay electronically by clicking the "Proceed to Payment" button, filling in the required fields in the "eFPS Payment Form", and clicking the "Submit" button.
3. Receive payment confirmation from eFPS-AABs for successful e-filing and e-payment.

For non-eFPS filer

1. Fill in the applicable fields in the BIR Form No. 1700 in the downloaded Electronic Bureau of Internal Revenue Form (eBIRForm) package.
2. Print the duly accomplished BIR Form No. 1700
3. Proceed to the nearest Authorised Agent Bank (AAB) under the jurisdiction of the Revenue District Office where you are registered and present the duly accomplished BIR Form 1700, together with the required attachments and your payment. In places where there are no AABs, proceed to the Revenue Collection Officer or duly authorised City or Municipal Treasurer located within the Revenue District Office where you are registered and present the duly accomplished BIR Form 1700, together with the required attachments and your payment.
4. Receive your copy of the duly stamped and validated form from the teller of the AABs/Revenue Collection Officer/duly authorised City or Municipal Treasurer.

For manual filer

1. Fill in the BIR Form No. 1700 in triplicate copies
2. Proceed to the Revenue District Office where you are registered or to any Tax Filing Centre established by the BIR and present the duly accomplished BIR Form No. 1700, together with the required attachments.
3. Receive your copy of the duly stamped and validated form from the RDO/Tax Filing Centre representative.

Is it possible to authorise others to submit the tax return on behalf of the taxpayer

Yes, it is possible to authorise others to submit the tax return on behalf of the taxpayer in the Philippines. This is done through a Special Power of Attorney (PEE), which grants a representative the authority to handle a specific transaction, such as filing a tax return.

For individuals, the taxpayer must submit the original PEE along with a certified copy. The authorised representative must also provide a government-issued ID, along with a copy of the same with a signature sample, from both the taxpayer and the representative.

This process enables a representative to submit documents on behalf of the taxpayer, provided the required documents and authorisations are presented.

Other taxes/reporting

Withholding tax certificates (BIR Form 2307)

It is a tax certificate issued by your employer that documents the total wages received and the taxes withheld during the year. It is used if you are an employee receiving compensation income. Still, it can also be relevant for workers with mixed income if part of their income comes from employment and another part from freelance activities or business.

The BIR Form 2316 only covers salary income and the taxes that your employer has withheld from those payments.

Fringe benefits tax

Fringe benefits granted to supervisory and managerial employees are subject to a 35 per cent tax on the grossed-up monetary value of the fringe benefit. Under new income tax regulations, fringe benefits refer to any good, service, or other benefit provided in cash or in kind, other than the basic compensation, by an employer to an individual employee.

The benefits include, but are not limited to: housing, expense accounts, vehicles, household personnel, interest on loans at a below-market rate, club membership fees, expenses for foreign travel, holiday and vacation expenses, education assistance, and life or health insurance, as well as other non-life insurance premiums.

Fringe benefits tax, however, is not imposed when the fringe benefits are deemed necessary to the nature of your business.

Payment

Moreover, for tax payments, the same shall be made either electronically through any of the available electronic platforms or manually to an Authorised Agent Bank (AAB) and a Revenue Collection Office (RCO). The RCO can accept check payments regardless of the amount, but only up to a maximum of PHP 20,000 for cash payments. AABs and RCOs shall only accept payments after taxpayers have electronically filed their tax returns, unless an advisory is issued allowing for manual filing

Tax on income from capital

This article outlines the withholding tax (WHT) rates applicable to various types of income in the Philippines, including interest, dividends, royalties, and capital gains. It details the specific tax rates for citizens, resident aliens, and non-resident foreigners, providing essential information for taxpayers regarding their obligations on different income sources.

General WHT interest income: Tax rates

Interest income on FCDU deposits of citizens, resident aliens, and domestic corporations
15%

General WHT dividend income: Tax rates

- Cash dividend payment by domestic corporation to citizens and residents, aliens/NRFCs: 10%/20%
- Property dividend payment by domestic corporation to citizens and resident aliens/NRFCs: 10%/20%
- Cash dividend payment by a domestic corporation to NRFCs whose countries allowed tax deemed paid credit (subject to tax sparing rule): 15%
- Property dividend payment by a domestic corporation to NRFCs whose countries allowed tax deemed paid credit (subject to tax sparing rule): 15%

General WHT royalty income: Tax rates

Royalties (on books as well as literary & musical compositions) are 10%.

In general, it is 20%. 25% withholding tax is levied on royalty payments to non-residents.

Capital gains Tax (CGT) on the sale of unlisted shares by citizens, residents, aliens, non-resident aliens, and domestic corporations:

15%

PCSO and lotto winnings exceeding PHP 10,000 for citizens and resident aliens:

20%

Interest income on FCDU deposits of citizens, resident aliens, and domestic corporations

15%.

Employee tax - Special regimes to apply

This article discusses the Expatriate Law in the Philippines, highlighting tax incentives designed to attract expatriates and digital nomads. It outlines eligibility requirements, tax benefits such as exemptions on foreign income, reduced tax rates, and the application process for obtaining a Taxpayer Identification Number and filing annual tax returns.

Impatriate Law

How to apply and deadlines for employees

N/A

Expatriate Law

The Philippines has implemented tax incentives to attract expatriates and digital nomads, promoting remote work and the digital economy. These incentives include tax exemptions on income earned outside the country, reduced income tax rates, and the possibility to claim tax deductions for expenses related to living in the Philippines. This makes the Philippines an attractive option for international professionals and entrepreneurs looking to establish themselves in the country.

Eligibility requirements:

Expatriates:

- Must be individuals who are not citizens or permanent residents of the Philippines.
- Must be employed by a Filipino company or entity and receive income sourced from the Philippines.

Digital nomads:

- Must work remotely for clients outside of the Philippines.
- Must not have permanent residency in the Philippines.

Tax benefits:

Exemption from foreign income tax:

Expatriates and digital nomads are exempt from paying taxes in the Philippines on income earned from foreign sources, such as salaries, dividends, or business profits from abroad.

Reduced income tax rate:

Expatriates working for Filipino companies may benefit from a reduced income tax rate of 15% on income earned within the Philippines (Filipino-sourced income).

Tax deductions:

Various tax deductions may apply, such as:

- Housing expenses, transportation, children's education, and other expenses related to settling in the Philippines.

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- Deductions vary depending on personal circumstances and local tax regulations.

Application process:

To claim tax exemptions and deductions, expatriates and digital nomads must follow these steps:

1. Obtain a Taxpayer Identification Number (TIN): The first step to working in the Philippines is to obtain a TIN from the Bureau of Internal Revenue (BIR). This is mandatory for all workers, including expatriates and digital nomads.
2. File an annual tax return: Both expatriates and digital nomads must file a yearly income tax return with the Bureau of Internal Revenue (BIR), declaring all income earned both within and outside the Philippines. This return is filed on Form 1701 (Annual Income Tax Return) if you are an individual. If you are self-employed or a freelancer, you must also submit Form 1701A.

Supporting documentation:

To qualify for tax exemptions and deductions, expatriates and digital nomads must submit supporting documents, such as:

- Proof of foreign income (e.g., pay slips or bank statements).
- Invoices and receipts for deductible expenses (e.g., rent payments, transportation, and education).
- Additional documents may be required depending on the taxpayer's specific situation.

Legal references:

- National Internal Revenue Code (NIRC): Section 24(A)(3) of this code provides the exemption for foreign-sourced income.
- Tax Reform Law (RA 10963) - The Tax Reform for Acceleration and Inclusion (TRAIN) Law: Section 27(B)(4) establishes the reduced income tax rate for expatriates.
- BIR Revenue Memorandum Circular No. 59-2019 provides guidelines for handling tax matters of digital nomads, facilitating an understanding of their tax obligations in the country.

Rationale and objectives of tax incentives:

The tax incentives provided by the Philippine government aim to:

- Attract skilled professionals and international entrepreneurs, promoting the growth of the digital economy and remote work.
- Encourage foreign investment and the establishment of digital businesses in the country.

- Support job creation and economic development in the Philippines. Double Taxation Agreements <https://www.bir.gov.ph/doubletaxagreement> Expatriate Law

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Double taxation agreements

<https://www.bir.gov.ph/doubletaxagreement> Expatriate Law

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Employee - Tax reporting for individuals

This article provides a comprehensive overview of the annual income reporting requirements in the Philippines, including details on various BIR forms such as the Certificate of Income Payment Not Subject to Withholding Tax, Certificate of Compensation Payment, and Certificate of Final Tax Withheld. Annual income report BIR Form No. 2304 Certificate of Income Payment Not Subject to Withholding Tax (Excluding Compensation Income)

Description

A Certificate to be accomplished and issued by a Payor to recipients of income not subject to withholding tax. This Certificate should be attached to the Annual Income Tax Return - BIR Form 1701 for individuals, or BIR Form 1702 for non-individuals.

Filing date

The payor must furnish the payee on or before January 31 of the year following the year in which the income payment was made. BIR Form No. 2316 Certificate of Compensation Payment / Tax Withheld For Compensation Payment With or Without Tax Withheld Description

A Certificate to be accomplished and issued to each employee receiving salaries, wages and other forms of remuneration by each employer, indicating therein the total amount paid and the taxes withheld therefrom during the calendar year. This Certificate, in turn, should be attached to the Annual Income Tax Return (BIR Form 1700 - for individuals receiving purely compensation income, or BIR Form 1701 for individuals with mixed income).

Freelancer's personal income tax

This article provides a detailed overview of the tax obligations for self-employed individuals and those earning income from economic activities in the Philippines. It discusses the various categories of taxpayers, the required forms for filing annual income tax returns, and the submission deadlines.

Taxpayer

Self-employed individuals or those earning income from economic activities in the Philippines can be classified as taxpayers in the following categories based on the forms they must submit:

Annual income tax return for Individuals (including those with mixed income), estates, and trusts.

Who must file this form:

- Resident citizens in the Philippines engaged in trade, business, or the practice of a profession, both within and outside the Philippines.
- Resident foreigners, non-resident citizens, or non-resident foreigners engaged in trade, business, or professional activities within the Philippines.
- Trustees, guardians of minors, executors, or administrators of estates acting in a fiduciary capacity for individuals whose estates or trusts are engaged in business or trade.
- Individuals engaged in trade, business, or professional activities who also receive compensated income (e.g., salary).

This form is mandatory for all these taxpayers, regardless of their gross income.

Annual income tax return for individuals earning exclusively from a business or profession

Who must file this form:

Individuals who earn only from business or professional activities, without any other income (e.g., salary).

Tax options for those filing this form:

- Option 1: Taxpayers subject to progressive income tax rates who choose the optional standard deduction (OSD) method for expense deductions, regardless of the amount of sales or non-operating income.
- Option 2: Taxpayers who opt for the 8% flat tax rate on income, provided their total income does not exceed P3 million. If income exceeds this amount, the 8% rate cannot be applied.

Tax report in question

- **BIR Form No. 1701** - Mixed-income earners, for those earning from both business/profession and employment. Generally, this form is intended for individuals with no other sources of income beyond employment income. With this form, you will need to add all employment income and deduct all payroll taxes withheld by your employer(s) and pay the remaining tax due (if any). Since this is used by individuals who had two or more employers within a year, they are no longer qualified for substituted filing (substituted filing means that the employer files taxes on your behalf).
- **BIR Form No. 1701** - A purely business earner, exclusively for individuals earning solely from business or profession. Generally, his ITR form is for 1) you are a mixed-income individual, meaning you are an employee and also earn income from a business or side profession (e.g., consultancy work, freelance writing, etc.) or 2) if you've chosen the graduated tax rate with an Itemised deduction method.
- **BIR Form No. 1701Q** For quarterly filing, regardless of income source, use BIR Form 1701Q. " payment in advances ". Generally, this form is used if you are earning purely business income or income from your profession. This is a new form released by the BIR for those who chose the Optional Standard Deduction Method (OSD) or opted in for 8% GRT in the previous year.

Due date

Both shall be filed on or before April 15 of each year, covering income for the preceding taxable year.

Tax rates

According to the new TRAIN rules, self-employed individuals, including professionals, whose annual sales or gross income, along with other non-operational income, do not exceed P3 million, can choose between two options for paying their taxes:

- 8% on gross sales or income and other non-operational income exceeding P250,000, or
- The new graduated tax rates, ranging from 0% to 35%, are based on taxable income (after deductions).
- For those who have both employment and self-employed income, the 8% rate applies only to their self-employed income. To be eligible for this option, their annual sales or income must not exceed P3 million. If they choose the 8% tax rate, it will apply to everything they earn from their self-employment, without the P250,000 deduction. However, their employment income will still be taxed according to the graduated rates, where they can apply the P250,000 deduction.

Additionally, if a taxpayer chooses the 8% option, they will not only avoid paying the regular income tax but also the 3% Other Percentage Tax (OPT) that applies to sales or income below the VAT threshold. This means those who choose the 8% tax will not need to pay this additional tax.

In summary, the 8% rate is a simplified option for self-employed individuals whose income does not exceed P3 million per year, and it replaces both the income tax and the additional 3% tax on other income.

Personal deductions

N/A

Deductible expenses

Itemised deductions: Freelancers can deduct actual business expenses that are necessary and ordinary for their trade or profession. These can include:

- Office rent
- Utilities (e.g., electricity, water, internet)
- Supplies and materials
- Salaries and wages for employees (if applicable)
- Travel expenses related to the business
- Professional fees (e.g., accountants, lawyers)
- Depreciation of business assets
- Advertising and marketing

These expenses must be directly related to the freelancer's economic activity and must be properly justified with receipts and invoices to ensure they are legitimate business expenses.

Additional tax reliefs

The Optional Standard Deduction (OSD) allows self-employed individuals to deduct 40% of their annual gross income without the need to itemise expenses, simplifying the tax filing process. This option is available to self-employed individuals and small businesses. The OSD reduces the taxable income, which is the amount used to calculate the tax. To apply for it, the taxpayer must choose it when filing their annual tax return (BIR Form 1701) before April 15 of the following year, and this option is irrevocable for the given fiscal year.

Deductions or reductions for economic activities

N/A

Is it possible to authorise others to submit the tax return on behalf of the taxpayer?

If the taxpayer is unable to make his own return, the return may be made by his duly authorized agent or representative or by the guardian or other person charged with the care of his person or property, the principal and his representative or guardian assuming the responsibility of making the return and incurring penalties provided for erroneous, false or fraudulent returns.

Key BIR forms for registering as a self-employed individual:

Steps to complete registration as a self-employed individual in the Philippines:

1. **Fill out the appropriate form (BIR Form 1901 or 1902):** If you are a self-employed individual, complete Form 1901. If you are an employee receiving purely compensatory income, complete Form 1902.
2. **Submit the forms to the BIR office:** Bring the completed forms, along with the required documents (such as valid identification and proof of address), to the BIR Regional District Office (RDO) in your jurisdiction.
3. **Pay the registration fee:** Use BIR Form No. 0605 to pay the registration fee of PHP 500 at an authorised BIR bank.
4. **Obtain your Certificate of Registration:** After processing, you will receive BIR Form No. 2303, which serves as your Certificate of Registration as a taxpayer.

Freelancer VAT

This article provides a comprehensive overview of the Value-Added Tax (VAT) system in the Philippines, detailing who is required to file VAT returns, the applicable tax rates, and the

registration thresholds. It explains the filing frequency for VAT returns, the process for submitting these returns, and the conditions under which taxpayers may opt for VAT registration.

VAT (if applicable)

Required to file VAT returns:

- Any person or entity who, in the course of his trade or business, sells, barter, exchanges, leases goods or properties and renders services subject to VAT, if the aggregate amount of actual gross sales or receipts exceeds three million pesos (Php3,000,000.00).
- A person required to register as a VAT taxpayer but failed to register.
- Any person, whether or not made in the course of their trade or business, who imports goods.

VAT rate

- General tax rate: 12%
- Import and export: 0%

Other thresholds, taxes, and tax rates

Conditions for VAT application

Mandatory registration as VATable (12%):

Mandatory for taxpayers with an annual gross income of PHP 3 million or more.

Once registered, they must:

- Charge 12% VAT on their sales.
- Submit quarterly returns using Form BIR 2550Q.
- Report input VAT on purchases related to their business.

Voluntary registration for below PHP 3 million:

Not mandatory, but taxpayers with gross income below PHP 3 million may opt to register as VATable if they wish to claim input VAT.

VAT exemption

Taxpayers with a gross income below PHP 3 million who do not opt for VAT registration are exempt from VAT and must pay a 3% percentage tax on their gross sales.

Zero-rated VAT conditions

Applies exclusively to specific sales classified by law, such as exports or services rendered abroad.

VAT filing frequency

Filing and payment of VAT shall be done monthly by all VAT taxpayers. However, at the end of the quarter, VAT taxpayers are required to file quarterly VAT returns, which report the consolidated sales for the three months covering the taxable quarter.

The Philippine VAT law and regulations impose an obligation on VAT-registered taxpayers to file monthly VAT declarations and quarterly VAT returns. The monthly VAT declarations are filed for the first two months of the taxable quarter, while the quarterly VAT return is filed at the end of the taxable quarter.

The monthly VAT declaration returns covering the monthly sales and/or receipts must be filed, and the VAT due thereon should be paid no later than the 20th day following the end of the month. In the case of VAT-registered taxpayers enrolled in the electronic filing and payment system (eFPS), their monthly VAT return should be filed on a staggered basis (not later than the 21st to 25th day after the end of the month), depending on their industry grouping.

On the other hand, the quarterly VAT returns cover the amount of gross sales or receipts for the taxable quarter. The VAT payable for the taxable quarter is reduced by the payments in the monthly VAT declarations and allowable input taxes. The quarterly VAT return should be filed by a VAT-registered taxpayer, whether filing manually or under eFPS, not later than the 25th day following the close of the taxable quarter.

However, under the TRAIN Law (RA 10963), beginning in 2023, VAT filing and payment shall be limited to quarterly filing.

No annual VAT return is required to be filed by VAT-registered taxpayers in the Philippines.

How to submit it

VAT returns are generally filed and paid at a duly accredited Authorised Agent Bank (AAB) within the jurisdiction of the Revenue District Office (RDO) where the taxpayer is registered. In places where there are no AABs, the returns are filed with the Revenue Collection Officer or a duly authorised City or Municipal Treasurer. For taxpayers with branches, only one consolidated return is filed for the principal place of business or head office.

Electronic filing and payment may also be made by taxpayers enrolled in the BIR Electronic Filing and Payment System (eFPS). VAT Report (if needed) Those who are VAT registered are required to submit the 2550Q quarterly. While 2550M, which is the monthly return, is no longer necessary.

- BIR Form 2550Q: To declare and pay the 12% VAT (VATable).
- Or maybe 2551Q: To declare and pay the 3% percentage tax (Non-VAT). VAT Registration Threshold

Any person who, in the course of trade or business, sells, barter or exchanges goods or properties or engages in the sale or exchange of services shall be liable to register if:

- His gross sales or receipts for the past twelve (12) months, other than those that are exempt under Section 109 (A) to (U), have exceeded Three Million Pesos (P3,000,000.00): or
- There are reasonable grounds to believe that his gross sales or receipts for the next twelve (12) months, other than those that are exempt under Section 109 (A) to (U), will exceed Three Million Pesos (P3,000,000.00).

When is a new VAT taxpayer required to apply for registration and pay the registration fee?

New VAT taxpayers shall apply for registration as VAT Taxpayers and pay the corresponding registration fee of five hundred pesos (P500.00) using BIR Form No. 1605 for every separate or distinct establishment or place of business before the start of their business, following existing issuances on registration.

Thereafter, taxpayers are required to pay the annual registration fee of five hundred pesos (P500.00) by January 31 of every year.

Summary of tax freelancers in the Philippines: PIT and VAT options for self-employed

Income below 3 million:

- **Option 1:** Income less than 3 million and chooses the 8% PIT (simplified regime).
Income Tax (PIT): The self-employed pay 8% on their gross sales.
 - Percentage Tax (3%):
 - Does not apply because the 8% replaces the 3%. By choosing the 8%, they are exempt from paying this additional tax on sales.
 - VAT: Does not apply, as they are not registered in the VAT system. The self-employed are exempt from charging 12% VAT on sales and are not required to reclaim VAT on purchases.

- **Option 2:** Income less than 3 million and chooses the progressive PIT (0% - 35% according to brackets)
 - Income tax (PIT): The self-employed pay the regular PIT on their net income (after deducting allowable expenses). The percentage depends on the income and can range from 0% to 35% according to the established brackets.
 - Percentage tax (3%): The self-employed must pay 3% on gross sales. This additional tax is mandatory if they are not registered for VAT.
 - VAT: The self-employed is not registered for VAT, so they do not have to charge 12% VAT on sales or reclaim VAT on purchases.

Freelancer withholding taxes

This article summarises the withholding tax rates applicable to various income types in the Philippines, including dividends, interest, royalties, and capital gains. It details the specific rates for cash and property dividends, interest from bank deposits, and royalties, providing essential information for taxpayers regarding their obligations on different income sources.

Withholding tax on dividends: Rates

Cash and/or property dividends actually or constructively received from a domestic corporation, joint stock company, insurance or mutual fund companies and regional operating headquarters of multinational companies, or on the share of an individual in the distributable net income after tax of a partnership (except general professional partnership) of which he is a partner, or on the share of an individual in the net income after tax of an association, a joint account or a joint venture or consortium taxable as a corporation of which he is a member or co-venturer – subject to “10%” FWT.

Withholding tax on interest: Rates

Interest from any peso bank deposit, and yield or any monetary benefit from deposit substitutes and from trust funds and similar arrangements; royalties, prizes (except prizes amounting to Ten thousand pesos [₱10,000] and other winnings (except winnings from Philippine Charity Sweepstakes and lotto amounting to ₱10,000 or less which shall be exempt) derived from sources within the Philippines – subject to “20%” FWT.

Interest income received by an individual taxpayer from a depository bank under the Expanded Foreign Currency Deposit system – subject to “15%” FWT.

General WHT royalty income: Tax rates

Royalties (on books as well as literary & musical compositions) 10%

In general, 20%

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25 per cent withholding tax is levied on royalty payments to non-residents. Capital Gains from Sale of Shares of Stock Not Traded in the Stock Exchange. – On net capital gains realised during the taxable year from the sale, barter, exchange, or other disposition of shares of stock in a domestic corporation, subject to “15%” FWT.

Withholding tax on dividends

Cash and/or property dividends actually or constructively received from a domestic corporation, joint stock company, insurance or mutual fund companies and regional operating headquarters of multinational companies, or on the share of an individual in the distributable net income after tax of a partnership (except general professional partnership) of which he is a partner, or on the share of an individual in the net income after tax of an association, a joint account or a joint venture or consortium taxable as a corporation of which he is a member or co-venturer – subject to “10%” FWT.”

Withholding tax on interest

Interest from any peso bank deposit, and yield or any monetary benefit from deposit substitutes and from trust funds and similar arrangements; royalties, prizes (except prizes amounting to Ten thousand pesos [₱10,000] and other winnings (except winnings from Philippine Charity Sweepstakes and lotto amounting to ₱10,000 or less which shall be exempt) derived from sources within the Philippines – subject to “20%” FWT.

Interest income received by an individual taxpayer from a depository bank under the Expanded Foreign Currency Deposit system – subject to “15%” FWT.

Capital gains from the sales of shares of stock not traded on the stock exchange.

On net capital gains realised during the taxable year from the sale, barter, exchange, or other disposition of shares of stock in a domestic corporation, subject to “15%” FWT.

General WHT Royalty Income: Tax Rates

Royalties (on books as well as literary & musical compositions) are 10%

In general is 20% 25% withholding tax is levied on royalty payments to non-residents.

Other mandatory taxes for freelancers

This article explores the taxation framework in the Philippines, covering various taxpayer categories, income tax filing requirements, and exemptions. It highlights essential forms for income reporting, withholding taxes, and available deductions, along with guidance on submitting tax returns and authorising representatives for filing.

BIR Form 2307: It is a tax certificate used in the Philippines to document taxes withheld from payments made to a taxpayer. It serves as proof of the withholding and can be used as a tax credit when filing income tax returns.

Freelancers, self-employed individuals, employers who withhold taxes from payments to contractors or employees, and business owners who are responsible for issuing this form are required to file it.

The form must be issued by the 20th of the month following each quarter. For the annual tax return, it should be submitted by April 15th. This form is crucial for taxpayers to claim the tax withheld as a credit toward their income tax obligations.

BIR Form 2316: if you're a mixed-income earner, and all receipts for your expenses is a Certificate of Withheld Income Tax, issued by the employer, documenting the salary income and taxes withheld during the fiscal year.

Who needs to file it?

- If you are an employee, your employer must provide you with BIR Form 2316 to report your salary income and taxes withheld.
- If you are a self-employed person but also receive salary income, you should request this form from your employer.
- If you are a self-employed person with employees, you are also obligated to file BIR Form 2316 to report the salary income and taxes withheld from your employees.

Deadline: The employer must provide it to you no later than February 28 of the following year.

This form is important for adjusting the taxes already withheld from salary income when filing your tax return. BIR Form 2307

It is a tax certificate used in the Philippines to document taxes withheld from payments made to a taxpayer. It serves as proof of the withholding and can be used as a tax credit when filing income tax returns.

Native Teams

Freelancers, self-employed individuals, employers who withhold taxes from payments to contractors or employees, and business owners who are responsible for issuing this form are required to file it.

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BIR Form 2316 if you're a mixed-income earner, and all receipts for your expenses: Is a Certificate of Withheld Income Tax, issued by the employer, documenting the salary income and taxes withheld during the fiscal year.

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If you are a self-employed person but also receive salary income, you should request this form from your employer.

If you are a self-employed person with employees, you are also obligated to file BIR Form 2316 to report the salary income and taxes withheld from your employees.

Deadline: The employer must provide it to you no later than February 28 of the following year.

This form is important for adjusting the taxes already withheld from salary income when filing your tax return.

Tax report for freelancers

This article provides an overview of various BIR forms essential for tax reporting in the Philippines, including the Certificate of Income Payment Not Subject to Withholding Tax, the Certificate of Final Tax Withheld, and the Certificate of Creditable Tax Withheld.

BIR Form No. 2304 Certificate of Income Payment Not Subject to Withholding Tax (Excluding Compensation Income) **Description**

A Certificate to be accomplished and issued by a Payor to recipients of income not subject to withholding tax. This Certificate should be attached to the Annual Income Tax Return - BIR Form 1701 for individuals, or BIR Form 1702 for non-individuals.

BIR Form No. 2306 – Certificate of Final Tax Withheld at Source

Filing date

Payor must furnish the payee on or before January 31 of the year following the year in which the income payment was made.

Description

A Certificate to be accomplished and issued by a Payor/Withholding Agent (WA) to each recipient of income subject to final tax. The amount of payment should indicate the total amount paid and the total taxes withheld and remitted during the period.

BIR Form No. 2307 – Certificate of Creditable Tax Withheld at Source

Description

A Certificate to be accomplished and issued to recipients of income subject to expanded withholding tax paid by a Payor/Withholding Agent, including government money payments made by a government office. It provides a monthly breakdown of the total income payments made and the total taxes withheld and remitted during the quarter or period.

For EWT – This Certificate should be attached to the Quarterly/Annual Income Tax Return:

- BIR Forms 1701Q / 1701 for individuals
- BIR Form 1702Q / 1702 for non-individuals

The amount of withholding tax may be credited against the income tax liability in the quarter/year in which the income was earned or received.

For Percentage Taxes on Government Money Payments – Attach to quarterly percentage **Tax Return:**

- BIR Form No. 2551M and 2551Q

For VAT withholding – attach to:

- Monthly VAT declaration (BIR Form No. 2550M)
- Quarterly VAT return (BIR Form No. 2550Q)

Filing date

Native Teams

EWT – On or before the 20th day of the month following the close of the taxable quarter. Upon request, the payor must furnish it at the time of payment.

Percentage tax – On or before the 10th day of the month following the month of withholding.

VAT withholding – On or before the 10th day of the month following the month of withholding.

In all cases, upon request of the payee, the statement must be furnished simultaneously with the income payment.

BIR Form No. 2304 – Certificate of Income Payment Not Subject to Withholding Tax (Excluding Compensation Income)

Description

A Certificate to be accomplished and issued by a Payor to recipients of income not subject to withholding tax. This Certificate should be attached to the Annual Income Tax return:

- BIR Form 1701 for individuals
- BIR Form 1702 for non-individuals

Filing date

Payor must furnish the payee on or before January 31 of the year following the year in which the income payment was made.