

TAX ALERT
Special Issue
Ease of Paying Taxes Act (EOPT)

The changes introduced by EOPT to the National Internal Revenue Code of 1997 (“1997 NIRC”) are as follows:

TAX MATTER	1997 NIRC	EOPT										
Administrative Matters												
Classification of taxpayers		<p>Sec. 21(b). Sources of Revenue.</p> <p>Classifies taxpayers according to the amount of gross sales as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">GROUP</th> <th style="text-align: center;">GROSS SALES</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Micro</td> <td style="text-align: center;">Less than P3M</td> </tr> <tr> <td style="text-align: center;">Small</td> <td style="text-align: center;">P3M to less than P20M</td> </tr> <tr> <td style="text-align: center;">Medium</td> <td style="text-align: center;">P20M to less than P1Bn</td> </tr> <tr> <td style="text-align: center;">Large</td> <td style="text-align: center;">P1Bn and above</td> </tr> </tbody> </table> <p>Provides for the following special concessions to Micro and Small taxpayers:</p> <ol style="list-style-type: none"> 1. Two-page maximum for Income Tax Return; 2. 10% penalties, instead of 25% as prescribed in Sec. 248; 3. 50% reduction on the interest rate imposed by Sec. 249; 4. Penalty of P500.00 as penalties for failure to file certain information returns; and 5. Reduced compromise penalty rate of at least 50% for violations of invoicing requirements, issuance of invoices, and electronic sales reporting system. 	GROUP	GROSS SALES	Micro	Less than P3M	Small	P3M to less than P20M	Medium	P20M to less than P1Bn	Large	P1Bn and above
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		The additional concession for micro taxpayers on exemption from the requirement of withholding taxes under Sec. 57(B) was vetoed by the President in his Veto Message dated January 5, 2024.
Filing of returns and payment of taxes		Sec. 22. Definitions. Filing of returns and payment of taxes may be done <u>either manually or electronically to any authorized agent bank, Revenue District Office through Revenue Collection Officer, or authorized tax software provider.</u>
Issuance of sales or commercial invoices	Sec. 237. Issuance of Receipts or Sales or Commercial Invoices. Persons subject to internal revenue taxes are required to issue receipts or sales or commercial invoices <u>if the goods sold or services rendered is valued at P100.00 or more.</u>	Sec. 237. Issuance of Sales or Commercial Invoices. The amendment increased the amount from P100.00 to <u>P500.00.</u> <u>VAT-registered persons</u> are mandated to issue invoices for sales of goods and services <u>regardless of the amount involved.</u>
Withholding of taxes		
Requirement of withholding taxes for income payments to be deductible	Sec. 34(K). Deductions from Gross Income. A requirement before an income payment may be <u>allowed as a deduction</u> in computing for taxable income is that the <u>tax thereon had been deducted and withheld by the income payor.</u>	This requirement had been <u>repealed by the amendment;</u> income payments may now be considered deductible even if the applicable taxes thereon had not yet been withheld.

Timing of withholding taxes		<p>Sec. 58. Returns and Payment of Taxes Withheld at Source.</p> <p>Obligates the withholding agent to deduct and withhold the tax <u>at the time the income becomes payable.</u></p> <p>Claims for tax credit or refund of any creditable income tax which was deducted and withheld on income payments shall be given due course only when it is shown that the income payment has been declared as part of the gross income and the fact of withholding is established. Claims for tax credit of any creditable income tax deducted and withheld in a previous period can still be creditable in the subsequent calendar or fiscal year: Provided, That the same had been declared in the tax return where the corresponding income is reported.</p>
Application of excess tax credits		
Income tax credit in case of dissolution or cessation of business	<p>Sec. 76. Final Adjustment Return.</p> <p>In case there is excess creditable withholding tax, the taxpayer may opt to apply for refund or issuance of a tax credit certificate. However, should the taxpayer elect to have the excess creditable withholding tax carried over to the succeeding quarters and credited against tax liabilities during said quarters, such is irrevocable.</p>	<p>Under the amendment, <u>in case the taxpayer cannot carry over the excess income tax credit due to the dissolution or cessation of its business, it can file an application for refund of any unutilized excess income tax credit.</u></p> <p>The Bureau of Internal Revenue (“BIR”) has two years from the date of</p>

		dissolution or cessation to decide on the application.
Value Added Tax (“VAT”)		
Tax base for imposition of VAT on sale of goods	<p>Sec. 106(A). <i>Value-Added Tax on Sale of Goods or Properties.</i></p> <p>Output VAT to be imposed on sale of goods is computed based on the <u>gross selling price or gross value in money</u> of the goods or properties sold, bartered or exchanged.</p>	<p>The amendment now computes the output VAT based on the <u>gross sales</u> of the goods or properties sold, bartered or exchanged.</p>
Tax base for imposition of VAT on sale of services	<p>Sec. 108(A). <i>Value-Added Tax on Sale of Services and Use or Lease of Properties.</i></p> <p>Output VAT to be imposed on sale of services is computed based on the <u>gross receipts, actually or constructively received,</u> from the sale or exchange of services, including the use or lease of properties.</p>	<p>The amendment now computes the output VAT based on the <u>gross sales</u> derived from the sale or exchange of services, including the use or lease of properties.</p> <p>“Gross sales” means the total amount of money or its equivalent representing the contract price ... for the services performed for another person, which the purchaser <u>pays or is obligated to pay</u> to the seller in consideration for the service that has already been rendered by the seller.</p> <p>The amendment changes the timing for payment of VAT on sale or exchange of service from actual or constructive</p>

		receipt of the fee, remuneration or consideration to upon completion of the service irrespective of the timing for payment of the consideration.
Threshold amount for exemption from VAT	<p>Sec. 109(CC). <i>Exempt Transactions.</i></p> <p>The taxpayer is exempted from VAT on its sales of goods or services, not otherwise exempt under the other provisions of Sec. 109, provided that its <u>gross annual sales and/or receipts do not exceed the amount of P3,000,000.00.</u></p>	<p>The amendment provides that the exemption applies if the <u>gross annual sales do not exceed P3,000,000.00.</u></p> <p>Said amount, however, is <u>subject to adjustments to its present value based on the consumer price index,</u> as published by the Philippine Statistics Authority (“PSA”) every 3 years.</p>
Recognition of input VAT in payment of sale of services	<p>Sec. 110(A)(1)(b). <i>Tax Credits.</i></p> <p>Input VAT is recognized <u>upon actual payment</u> of purchase of services.</p>	<p>Input VAT is recognized <u>upon accrual</u> of purchase of services.</p>
Output VAT credit on uncollected receivables		<p>Sec. 110(D).</p> <p>Allows the seller of goods or services to <u>deduct output VAT pertaining to uncollected receivables from its output VAT on the next quarter if the agreed upon period to pay had already lapsed.</u></p> <p>If the uncollected receivables are <u>later on recovered, the related output VAT shall be added to the output VAT</u></p>

		<u>during the period of recovery.</u>
Refund of input VAT in case of cancellation of registration	<p>Sec. 112(B). Refunds of Input Tax</p> <p>Within two years from the date of cancellation of registration due to retirement from or cessation of business, or due to changes in or cessation of status under Sec. 106(C), the taxpayer may apply for the <u>issuance of a tax credit certificate for any unused input tax</u> which may be used in payment of his other internal revenue taxes.</p>	<p>The amendment gives the taxpayer the choice between applying for <u>a tax credit certificate or for a refund for any unused input tax.</u></p>
Classification of applications for VAT refund		<p>Sec. 112(C). Refunds of Input Tax.</p> <p>VAT refund claims are now classified into <u>low-risk, medium-risk, and high-risk</u> claims based on the amount of refund claim, tax compliance history, frequency of filing VAT refund claims, among others.</p> <p>Subjects medium-risk and high-risk claims to audit or other verification processes.</p>
Disallowance of VAT refund		<p>Sec. 112(C). Refunds of Input Tax.</p> <p>If the refund is disallowed by the Commission on Audit after post-audit procedures, the <u>taxpayer is liable for the disallowed amount</u> without prejudice to any</p>

		<u>administrative liability on the erring BIR employee who may be found to be grossly negligent in granting the refund.</u>
Invoicing requirements for input VAT	<p>Sec. 113(A). <i>Invoicing and Accounting Requirements for VAT-Registered Persons.</i></p> <p>A VAT-registered person is required to issue a <u>VAT invoice for sale of services</u> and a <u>VAT official receipt for sale of goods.</u></p>	<p>A VAT-registered person is now required to only issue an <u>invoice for both sales of goods and services.</u></p>
Consequence of issuing an erroneous VAT invoice		<p>Sec. 113(D)(3). <i>Invoicing and Accounting Requirements for VAT-Registered Persons.</i></p> <p>In a sale between two VAT-registered persons, the seller's failure to provide the required information in the VAT invoice under Sec. 113(B) would render him liable for noncompliance with the invoicing requirement.</p> <p>The same invoice may, nevertheless, still be used by the purchaser provided that the lacking information does not pertain to:</p> <ol style="list-style-type: none"> 1. The amount of sales; 2. The amount of VAT; 3. The names of both the seller and purchaser; 4. Description of the goods or nature of the services; and 5. The date of the transaction.

Percentage Taxes		
<p>Tax base for imposition of percentage tax for persons exempt from VAT</p>	<p>Sec. 116. Tax on Persons Exempt from Value-Added Tax.</p> <p>The tax base for imposition of the 3% percentage tax is the amount of <u>gross quarterly sales or receipts</u>.</p>	<p>The amendment now imposes the tax based on the <u>gross quarterly sales</u>.</p> <p>Thus, the amendment, similar to the timing for payment of VAT on the sale or exchange of services, harmonizes the rule on timing of payment for both sale of goods and services. Under the old rule, the 3% percentage tax on “gross receipts” became due and payable only upon actual or constructive receipt of the gross receipts.</p>
<p>Tax base for imposition of common carriers’ tax</p>	<p>Sec. 117. Percentage Tax on Domestic Carriers and Keepers of Garages.</p> <p>The tax base for imposition of the 3% common carriers’ tax is the amount of <u>quarterly gross receipts</u>.</p>	<p>The amendment now imposes the tax based on the <u>quarterly gross sales</u>.</p>
<p>Tax base for imposition of international carriers’ tax</p>	<p>Sec. 118. Percentage Tax on International Carriers.</p> <p>The tax base for imposition of the 3% international carriers’ tax, for both international air carriers and international shipping carriers, is the amount of <u>quarterly gross receipts</u>.</p>	<p>The amendment now imposes the tax based on the <u>quarterly gross sales</u>, for both international air carriers and international shipping carriers.</p>

Tax base for imposition of franchise tax	<p>Sec. 119. Tax on Franchises.</p> <p>The tax base for imposition of the 3% franchise tax for radio and/or television broadcasting companies, and the 2% franchise tax on gas and water utilities is the amount of <u>gross receipts</u>.</p>	<p>The amendment now imposes the tax based on the <u>gross sales</u>, for both radio and/or television broadcasting companies, and gas and water utilities.</p>
Tax base for imposition of overseas communications tax	<p>Sec. 120. Tax on Overseas Dispatch, Message or Conversation Originating from the Philippines.</p> <p>The tax base for imposition of the 10% overseas communications tax is the <u>amount paid for such service</u>.</p>	<p>The amendment now imposes the tax based on the <u>amount billed for such service</u>.</p>
Tax Remedies		
Period for the Commissioner to act on an application for refund or credit		<p>Sec. 204. Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes.</p> <p>The amendment mandates the Commissioner to decide the claim within a period of <u>180 days from complete submission of the documents</u> in support of the claim.</p> <p>Failure to act within the same period would render the official, agent, or employee concerned punishable under Sec. 269.</p>

<p>Period to file a judicial claim for refund or credit</p>	<p>Sec. 229. Recovery of Tax Erroneously or Illegally Collected.</p> <p>The judicial claim should be filed with the Court of Tax Appeals (“CTA”) <u>within a period of two years from the date of payment of the tax or penalty</u> regardless of any supervening cause that may arise after payment.</p>	<p>The amendment removed the two-year period to file the judicial claim, and now provides that the same should be filed with the CTA <u>within 30 days from the date of receipt of the Commissioner’s decision to deny the claim in full or in part, or, in case of inaction, from the lapse of the 180-day period to decide,</u> as provided in Sec. 204.</p>
<p>Compliance Requirements</p>		
<p>Period to preserve books of accounts and other accounting records</p>	<p>Sec. 235. Preservation of Books of Accounts and Other Accounting Records.</p> <p>The taxpayer should preserve its books of accounts and other accounting records for a period beginning <u>from the last entry in each book until the last day prescribed by Section 203</u> -- three years after the last day to file the return or the day when the return was actually filed, whichever is later -- <u>within which the Commissioner is authorized to make an assessment.</u></p>	<p>Under the amendment, the taxpayer should preserve its books of accounts and other accounting records for a period of <u>five years reckoned from the day following the deadline for filing a return, or from the date the return was actually filed, whichever is later.</u></p>
<p>Registration</p>		
<p>Manner of registration and subsequent cancellation thereof</p>		<p>A person subject to internal revenue taxes may now <u>register</u> with the appropriate Revenue District Office</p>

		<p><u>either manually or electronically.</u></p> <p>Any <u>transfer of registration</u> may also be done <u>either manually or electronically</u> but the Revenue District Office who initiated any ongoing audit investigation would retain jurisdiction over the same, notwithstanding the transfer of registration.</p> <p>To <u>cancel his registration</u>, the taxpayer may file, <u>either manually or electronically</u>, with the Revenue District Office where he is registered, an application for registration update in a form prescribed thereof. The Commissioner, or his authorized representative, may conduct an audit of the taxpayer to determine any tax liability.</p>
Payment of annual registration fee	<p>Sec. 236(B). Registration Requirements.</p> <p>Prescribes the payment of an <u>annual registration fee of P500.00</u> for every separate or distinct establishment or place of business.</p>	<p>As amended, the taxpayer is <u>no longer required to pay</u> the annual registration fee of P500.00.</p>
Penalties		
Penalty for filing a return with an internal revenue officer other than those with whom the return is required to be filed	<p>Sec. 248(A)(2). Civil Penalties.</p> <p>A taxpayer is liable for a penalty of <u>25% based on the amount due.</u></p>	<p>Under the amendment, the taxpayer is <u>no longer liable for civil penalties</u> for filing a return with an internal revenue officer other than those with</p>

		whom the return is required to be filed.
Penalty for erring government enforcement officers.	<p>Sec. 269(J). <i>Violations Committed by Government Enforcement Officers.</i></p> <p>Punishes the <u>deliberate failure to act on applications for VAT refund within the period prescribed under Sec. 112.</u></p>	<p>Now also punishes the <u>deliberate failure to act on applications for refund on erroneously or illegally collected tax within the period prescribed under Sec. 204.</u></p>

Note: The information provided herein is general and may not be applicable in all situations. It should not be acted upon without specific legal advice based on particular situations. If you have any questions, please feel free to send us an email at mail@baniquedlaw.com.

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