

Get on board the Philippine's TRAIN

Philippine's TRAIN introduced amendments to personal income taxation, transfer taxes, taxation of sale of shares of stocks, and documentary stamp tax.

BY:

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THE PHILIPPINE GOVERNMENT HAS COMMENCED A MASSIVE TAX reform program, consisting of several packages.

The first package of the Tax Reform for Acceleration and Inclusion ("TRAIN"), or Republic Act No. 10963, was enacted into law in December 2017 and became effective on 1 January 2018. The TRAIN introduced amendments to personal income taxation, transfer taxes, taxation of sale of shares of stocks, and documentary stamp tax, among others.

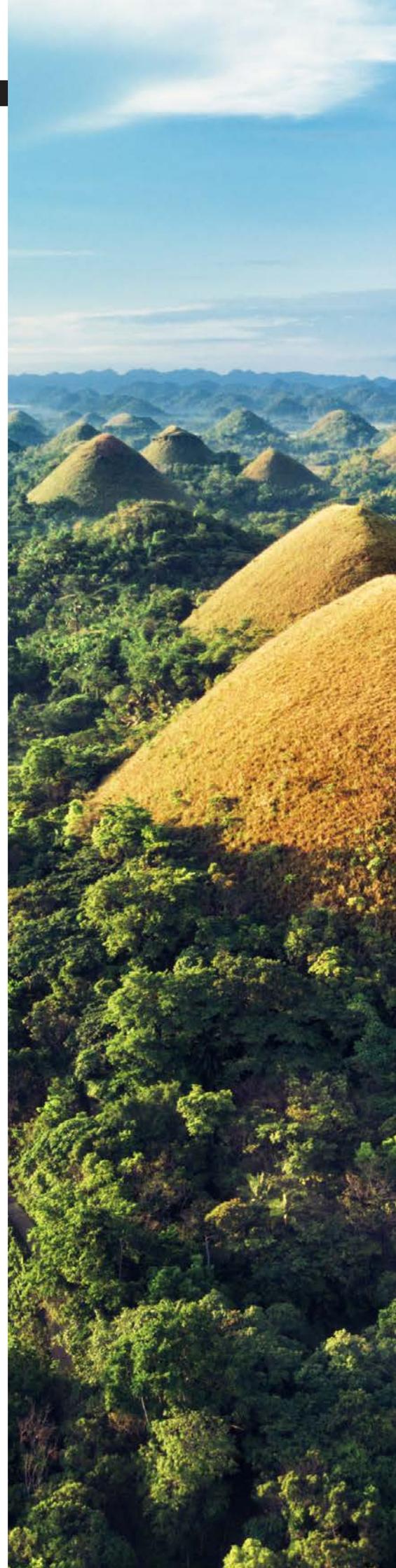
The second package of the TRAIN ("TRAIN 2") has also been submitted to Congress. TRAIN 2 seeks the reduction of the corporate income tax. It also proposes to modify the fiscal incentives granted to certain businesses. TRAIN 2 is expected to take effect in 2019.

A tax amnesty is also being proposed and is expected to accompany the tax reform program. A tax amnesty bill has also been filed in Congress.

TRAIN

Personal income tax

Prior to the enactment of the TRAIN law, an individual employee or self-employed taxpayer was taxed at graduated rates ranging from 5% to 32%, depending on the taxpayer's income bracket. Under the TRAIN, an individual with a taxable income of P250,000 or less will be exempt from income tax.



Those with a taxable income above P250,000 will be subject to the graduated rates of 20% to 35% effective 2018, and 15% to 35% effective 2023. The top income tax bracket is P8,000,000.

EFFECTIVE 1 JANUARY 2018

NOT OVER PHP250,000	%
Over 250,000 but not over 400,000	20% of the excess over 250,000
Over 400,000 but not over 800,000	30,000 + 25% of the excess over 400,000
Over 800,000 but not over 2,000,000	130,000 + 30% of the excess over 800,000
Over 2,000,000 but not over 8,000,000	490,000 + 32% of the excess over 2,000,000
Over 8,000,000	2,410,000 + 35% of the excess over 8,000,000

EFFECTIVE 1 JANUARY 2023

NOT OVER PHP250,000	%
Over 250,000 but not over 400,000	15% of the excess over 250,000
Over 400,000 but not over 800,000	22,500 + 20% of the excess over 400,000
Over 800,000 but not over 2,000,000	102,000 + 25% of the excess over 800,000
Over 2,000,000 but not over 8,000,000	402,500 + 30% of the excess over 2,000,000
Over 8,000,000	2,202,500 + 35% of the excess over 8,000,000

The deductible 13th month pay and other benefits are increased to P90,000 (previously, P82,000).

Further, under the TRAIN, self-employed individuals and/or professionals, whose gross sales or receipts do not exceed P3,000,000, have the option to avail of an 8% tax on gross sales or gross receipts in excess of P250,000, in lieu of the graduated income tax rates.

While the individual income tax rates have been reduced under the TRAIN, note that some items that were previously deducted to arrive at taxable income had been removed, i.e., personal exemption of P50,000, additional exemption of P25,000 per dependent child, and the premium for health and hospitalization insurance of P2,400 per year.

Estate tax

The estate tax rate was also amended. Under the old law, the estate tax rates range from 5% to 20% of the net estate. Under TRAIN, the estate tax was reduced to a single rate of 6% of the net estate.

The TRAIN also increased the allowed deductions from the gross estate of the deceased:

- P5,000,000 standard deduction (previously, P1,000,000)
- P10,000,000 for the family home (previously, P1,000,000) ■