



# COMPREHENSIVE TAX REFORM PACKAGE

27<sup>TH</sup> ACCOUNTING TEACHERS' CONFERENCE  
1 MAY 2019 | CAGAYAN DE ORO CITY

HENTJE LEO L. LEAÑO

# DISCUSSION OUTLINE

- Tax Reform Packages
- Tax Reform for Acceleration and Inclusion (TRAIN) Law
- Tax Amnesty
- Tax Reform for Attracting Better and High-Quality Opportunities (TRABAHO) Bill

# UPDATES ON THE COMPREHENSIVE TAX REFORM PROGRAM

## Package 1: Personal Income Tax

- Reduction of tax rates
- Shift to simplified Personal Income Tax (PIT) system
- Expansion of Value Added Tax (VAT) Base
- Excise tax on cigarettes, sugar, automobiles and petroleum products

## Package 1b: Tax Amnesty

- Estate tax amnesty
- General tax amnesty
- Motor vehicle user tax
- Relaxation of bank secrecy & automatic exchange of information

## Package 3: Property Tax

- Lower rate of transaction taxes on land
- Updated schedule of zonal values

## Package 2: Corporate Income Tax

- Reduction of tax rate
- Simplification of tax provisions
- Rationalization of fiscal incentives

## Package 2+: Universal Health Care

- Removal of VAT exemption of coal and casino
- Increase in alcohol, tobacco, and mining tax

## Package 4: Capital Income Tax

- Harmonization of capital income tax rates on deposits and investments, dividends, equity and other passive income to 10%

# TRAIN LAW



Lowering the  
Personal  
Income Tax



Increasing the  
Excise Tax of  
Petroleum  
Products



Amendment to  
Value Added  
Tax (VAT) Law



Increasing the  
Excise Tax of  
Automobiles



Simplifying  
Estate and  
Donor's Tax



Excise Tax on  
Sweetened  
Beverages



Effect in  
Inflation



Growth in  
the Economy



Employment  
Generation

# Impact of TRAIN Law

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PACKAGE 1B



# Tax Amnesty

[Republic Act (RA) No. 11213]

# Tax Amnesty Act

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Republic Act (R.A.) No. 11213

“An Act Enhancing Revenue Administration and Collection by Granting an Amnesty on all Unpaid Internal Revenue Taxes imposed by the National Government for Taxable year 2017 and Prior Years with respect to Estate Tax, Other Internal Revenue Taxes and Tax on Delinquencies”



# TAX AMNESTY ACT

2019

14 February

Signed into law by President Rodrigo Duterte with certain items vetoed

18 February

Published in the Official Gazette

26 February

BIR issued RMC No. 26-2019, wherein Commissioner of Internal Revenue (CIR) Caesar Dulay circularized both the Tax Amnesty Act and the Veto Message of President Duterte

5 March

Effectivity of the Tax Amnesty Act





# TYPES OF TAX AMNESTY

Enrolled Bill

RA No. 11213



General Tax Amnesty



Estate Tax Amnesty

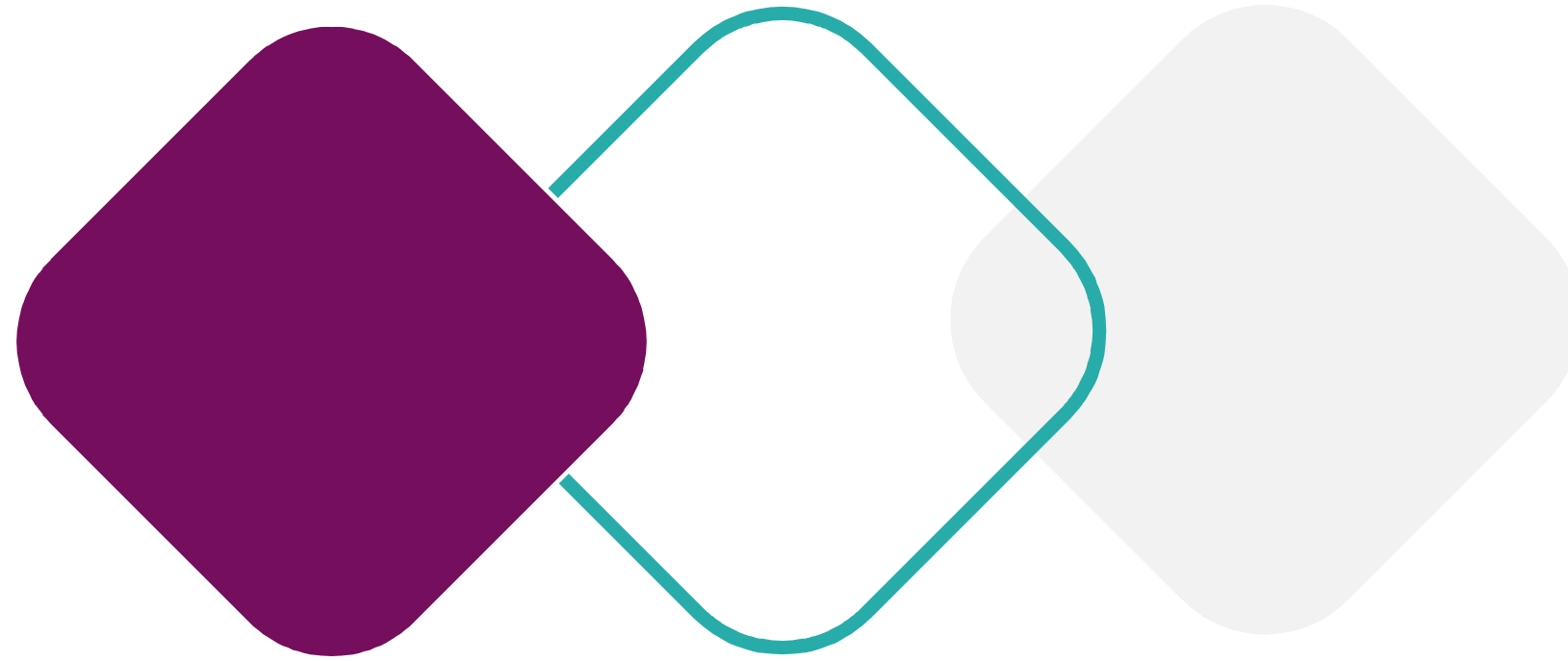


with certain provisions  
vetoed by the President



Tax Amnesty on  
Delinquencies





General Tax Amnesty

# SALIENT PROVISIONS OF THE VETOED GENERAL TAX AMNESTY



## Taxes covered

All national internal revenue taxes collected by the BIR and the Bureau of Customs (BOC)

## Period covered

Taxable year 2017 and prior years, with or without assessments duly issued therefor, that remained unpaid

## Taxpayers not entitled to the General Tax Amnesty



Withholding tax agents who withheld taxes but failed to remit the same to the BIR



Taxpayers with cases pending in appropriate courts



Tax cases that have become final and executory



Delinquencies and assessments that have become final and executory

SALIENT  
PROVISIONS  
OF THE  
VETOED  
GENERAL  
TAX  
AMNESTY

## Taxpayers not entitled to the General Tax Amnesty



Taxpayers with cases pending in appropriate courts

1. Falling under the jurisdiction of the Presidential Commission on Good Government (PCGG)
2. Unexplained or unlawfully acquired wealth under the Anti-Graft and Corrupt Practices Act, and Act Defining and Penalizing the Crime of Plunder
3. Violations under Anti-Money Laundering Act (AMLA), as amended
4. Tax Evasion and other criminal offenses under Chapter II of Title X of National Internal Revenue Code (NIRC) of 1997, as amended
5. Felonies of frauds, illegal exactions and transactions, and malversation of public funds and property under Chapters III and IV of Title VII of the Revised Penal Code

# SALIENT PROVISIONS OF THE VETOED GENERAL TAX AMNESTY

## Immunities and Privileges



Immunity from payment of taxes and civil, criminal and administrative penalties which are all subject of the amnesty



Tax Amnesty Return and SALN shall not be admissible as evidences in all proceedings brought against the taxpayer that pertain to taxable year 2017 and prior years



Books and records of the years covered by the amnesty shall not be examined except for the purpose of verifying the validity or correctness of (1) Tax refund/credit claims (except taxes withheld on wages); and (2) Tax incentives and/or exemptions under existing laws



# SALIENT PROVISIONS OF THE VETOED GENERAL TAX AMNESTY

## Asset Option

Base

Total assets  
as of December 31, 2017

Declaration

Statement of  
Total Assets

Rate

2%

## Net Worth Option

Total net worth  
as of December 31, 2017

Statement of Assets,  
Liabilities and Net  
Worth

The higher of 5%  
of net worth or the  
amount of  
PHP 75K to PHP 1M

(based on the graduated table  
provided under the law)

# SALIENT PROVISIONS OF THE VETOED GENERAL TAX AMNESTY



The availment of the general tax amnesty **do not imply any admission of criminal, civil or administrative liability** on the part of the availing taxpayer.



There is also a provision stating that “[t]he statement of total assets, and the SALN filed at the option of the taxpayer, shall be **conclusively presumed as true, correct, and final** upon filing thereof, and shall be deemed complete upon full payment of the amount due.



# REASONS FOR THE PRESIDENT VETO

1

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The President disagrees as to the degree granted

2

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The General Tax Amnesty is overgenerous and unregulated

3

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Experience with 2007 Tax Amnesty under R.A. No. 9480 has shown that without safeguards and measures against tax evasion



# PRESIDENT'S RECOMMENDATION

1

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Break down the walls of  
bank secrecy

2

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Legal framework to comply  
with international  
standards on exchange of  
information for tax purpose

3

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Safeguard against those  
who abuse the amnesty by  
declaring an untruthful  
asset or net worth

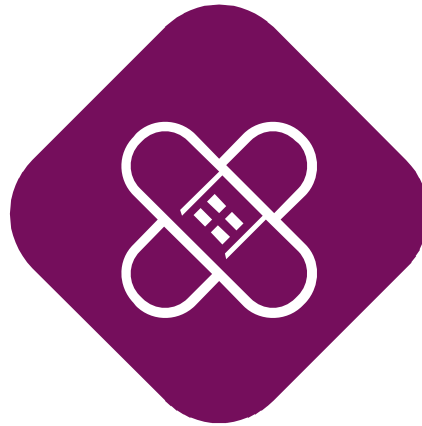
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Given these, I ask Congress to pass another general tax amnesty bill that includes the lifting of bank secrecy for fraud cases, the inclusion of automatic exchange of information, and safeguards to ensure that asset or net worth declarations are truthful. With these provisions, the general tax amnesty will meet both its tax administration and revenue purposes.

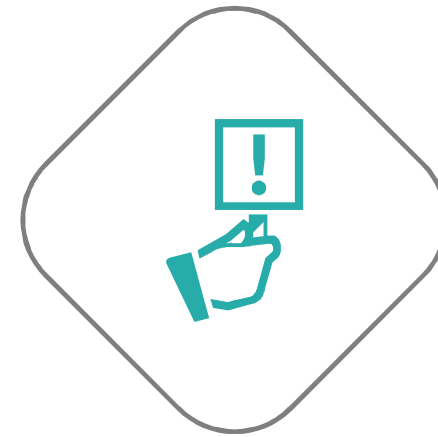
# UPDATES ON THE GENERAL TAX AMNESTY



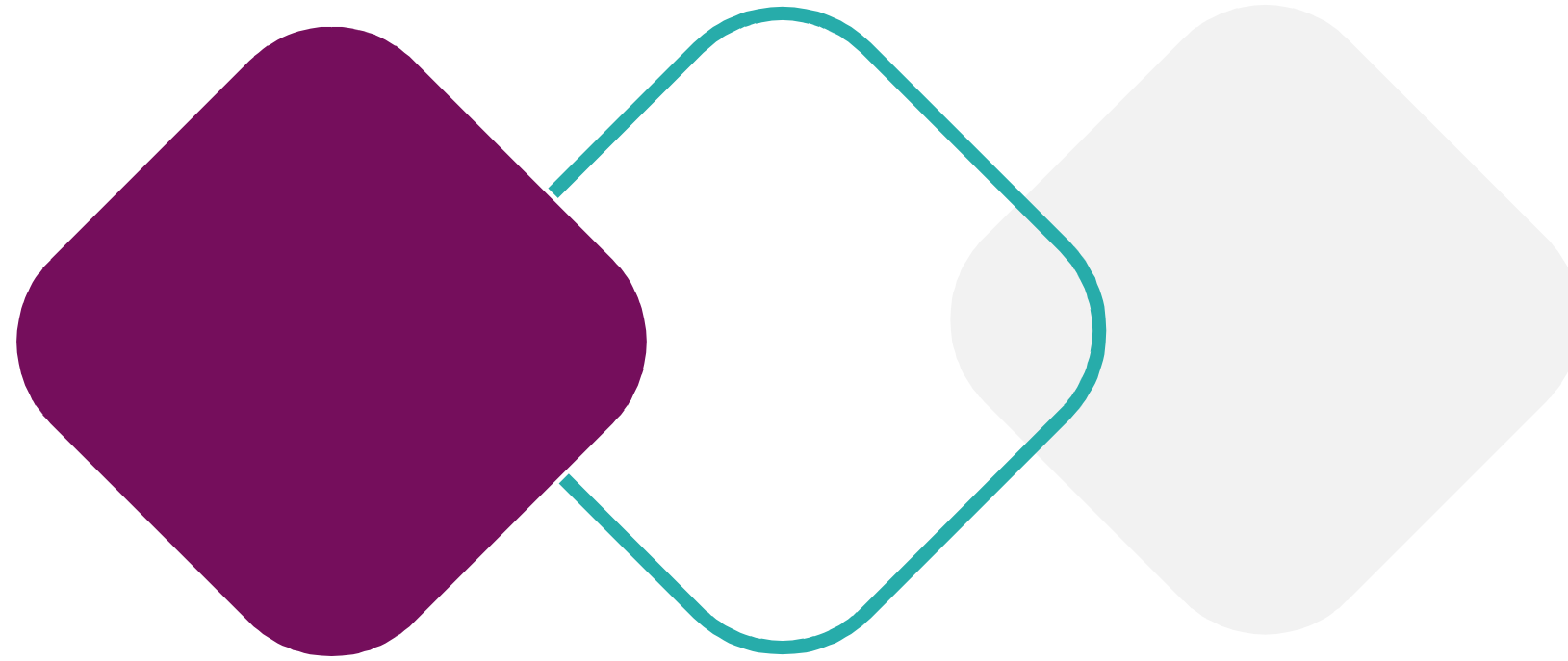
Quirino Representative Dakila Carlo E. Cua, one of the original authors of the Tax Amnesty Bill, has already filed House Bill No. 9153, or the General Tax Amnesty Act.



The Bill contains provisions that remedy the President's veto.



Congress is currently on break from February 9 to May 19. Session will resume on May 20 until it finally closes on June 7.



Estate Tax Amnesty

# ESTATE TAX AMNESTY

## Coverage

- Estate of decedents who died on or before December 31, 2017, with or without assessments duly issued therefore, whose state taxes have remained unpaid or have accrued as of December 31, 2017

## Exceptions



Estate tax cases which shall have become final and executory



Properties involved in cases pending in appropriate courts:

# ESTATE TAX AMNESTY

## Exceptions to the Estate Tax Amnesty

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Properties involved in cases pending in appropriate courts

1. Falling under the jurisdiction of the Presidential Commission on Good Government (PCGG)
2. Unexplained or unlawfully acquired wealth under the Anti-Graft and Corrupt Practices Act, and Act Defining and Penalizing the Crime of Plunder
3. Violations under Anti-Money Laundering Act (AMLA), as amended
4. Tax Evasion and other criminal offenses under Chapter II of Title X of National Internal Revenue Code (NIRC) of 1997, as amended
5. Felonies of frauds, illegal exactions and transactions, and malversation of public funds and property under Chapters III and IV of Title VII of the Revised Penal Code

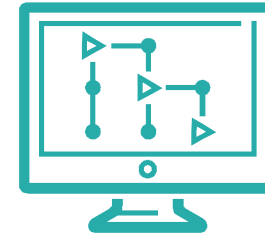
# ESTATE TAX AMNESTY

## Immunities and Privileges



Immunity from the following:

- Payment of all estate taxes, as well as any increments and additions thereto
- Payment of civil, criminal, or administrative cases and penalties



Set up a system enabling the transfer of title over properties to heirs and/or beneficiaries and cash withdrawals from the bank accounts of the decedent, when applicable.



Upon full compliance with all the conditions, the tax amnesty granted under this title shall be final and irrevocable.

# ESTATE TAX AMNESTY

## When to file



Within two years from  
the effectivity of IRR  
of this Act

## Certificate of Availment



Shall be issued by the BIR as the proof of availment of the Estate Tax Amnesty. Otherwise, duplicate copies of the Acceptance Payment Form, stamped as received, and the Estate Tax Amnesty Return shall be deemed as sufficient proof of availment.

# 6%

Estate amnesty tax rate based on the decedent's total net estate at the time of death

If an estate tax return was previously filed with the BIR



6% shall be based on the decedent's net undeclared estate.



The provisions of the Tax Code, or the applicable estate tax laws prevailing at the time of death of the decedent, on valuation, manner of computation, and other related matters shall apply suppletorily, at the time of the entitlement.



If the allowable deductions applicable at the time of the decedent exceed the value of the gross estate, estate amnesty tax may be availed of by paying the minimum amnesty tax of PHP 5,000



# DIRECT VETO - ESTATE TAX AMNESTY

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One-time Declaration  
and Settlement of Estate  
Taxes on Properties  
Subject of Multiple  
Unsettled Estates



Provided, further, that if the estate involved has properties which are still in the name of another decedent or donor, the present holder, heirs, executors or administrators thereof shall only file one (1) Estate Tax Amnesty Return and pay the corresponding estate amnesty tax thereon based on the total net estate at the time of death of the last decedent covering all accrued taxes under the National Internal Revenue Code of 1997, as amended, arising from the transfer of such estate from all prior decedents or donors through the property or properties comprising the estate shall pass.

## REASONS FOR PRESIDENTIAL VETO

- Estate tax amnesty needs to be applied at every stage of the transfer of the property.
- Tax on estates is imposed not because of the property itself but on the privilege of transferring the property to the heirs.
- The flat rate of 6% estate amnesty tax, without penalties, imposed at every stage of transfer is more than a fair imposition on the privilege.
- Implementation of the one-time settlement across multiple estate would erode the expected revenue of the government from the estate tax amnesty.

# DIRECT VETO - ESTATE TAX AMNESTY

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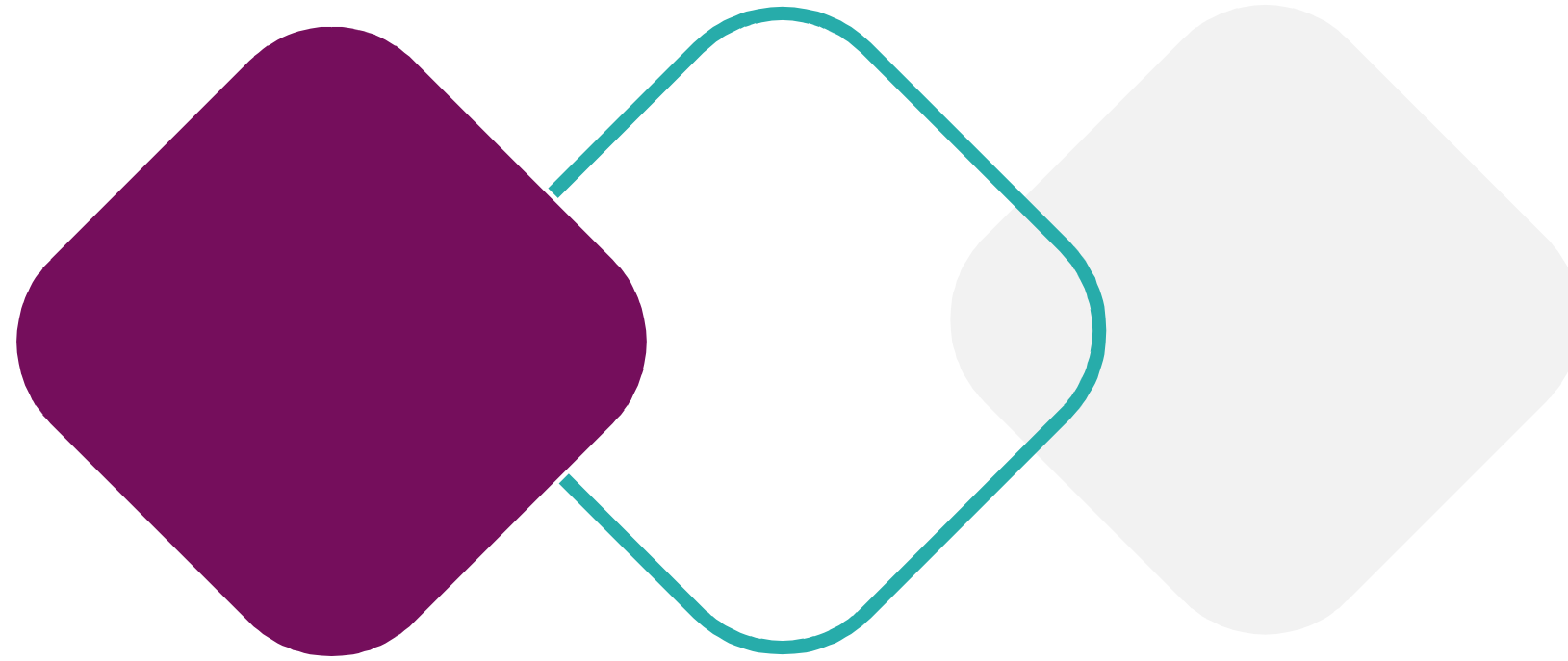
Presumption of  
Correctness of Estate Tax  
Amnesty Returns



The Estate Tax Amnesty Returns shall be conclusively presumed as true, correct, and final upon filing thereof, and shall be deemed complete upon full payment of the amount due.

## REASONS FOR PRESIDENTIAL VETO

- Grant of amnesty is a privilege that is open to abuse. Hence, this privilege must be balanced with accountability.
- Valuation of subject properties in succession is a technical aspect that cannot be left to the mere self-declaration. An erroneous valuation not only impacts the revenue for the current estate but will also carry-over to the subsequent transfer of the property.
- Implementing agencies cannot act as mere stamping pads of approval; instead these must be empowered to correct apparent misinformation and misdeclaration made in the course of amnesty



# Tax Amnesty on Delinquencies

# IMPLEMENTING RULES AND REGULATIONS (IRR)

Revenue Regulations  
(RR) No. 4-2019



The BIR released the IRR of the Act, which provide for the guidelines on the processing of tax amnesty application on tax delinquencies.

2019

5 March

Effectivity of the Tax Amnesty Act

12 March

Public consultation was conducted on the Draft IRR

8 April

BIR issued RR. No. 4-2019, providing the guidelines on the processing of tax amnesty application on tax delinquencies

# TAX AMNESTY ON DELIQUENCIES



TAXES COVERED  
All national  
internal revenue  
taxes collected by  
BIR and BOC



PERIOD COVERED  
December 31,  
2017 and prior  
years

# TAX AMNESTY ON DELIQUENCIES

## PERSONS COVERED

1

Those with tax delinquencies and assessments, which have become final and executory on or before the IRR takes effect.

2

Those who have pending criminal cases with the DOJ/Prosecutor's Office or the courts for tax evasion and other criminal offenses under Chapter II of Title X and Section 275 of the NIRC, with or without assessments duly issued.



3

Those with tax cases subject of final and executory judgment by the courts on or before the IRR takes effect.

4

Withholding tax agents who withheld taxes but failed to remit the same to the BIR.

Includes delinquent tax account, where the application for compromise has been requested on the basis of:

- a) financial incapacity of the taxpayer,
- b) doubtful validity of the assessment; or

but the same was denied by the Regional Evaluation Board (REB) or the National Evaluation Board (NEB), as the case may be.

# TAX AMNESTY ON DELIQUENCIES

## PERSONS COVERED

1

Those with tax delinquencies and assessments, which have become final and executory on or before the IRR takes effect.

Includes delinquent tax account, where the application for compromise has been requested on the basis of:

- a) financial incapacity of the taxpayer,
  - b) doubtful validity of the assessment; or
- but the same was denied by the Regional Evaluation Board (REB) or the National Evaluation Board (NEB), as the case may be.

1 

Those with delinquent accounts as of the effectivity of these Regulations, including the following:

- a. With application for compromise settlement either on the basis of: (a) doubtful validity of the assessment; or (b) financial incapacity of the taxpayer, but the same was denied by the REB or the NEB, as the case may be, on or before the effectivity of these Regulations;
- b. Where the application for compromise settlement is still pending as of the effectivity of these Regulations;
- c. Delinquent withholding tax liabilities arising from non-withholding of tax;
- d. Delinquent estate tax liabilities

Excluded under this category are unpaid tax liabilities arising from non-payment of self-declared or self-assessed tax (i.e., unpaid tax due per return filed).

# TAX AMNESTY ON DELIQUENCIES

40%


Delinquencies and assessments which have become final and executory

50%

Tax cases subject of final and executory judgment by the courts\*

\* The tax amnesty rate of 100% shall be applicable in tax cases subject of final and executory judgment by the courts for non-remittance of withholding taxes.

60%

Pending criminal cases with criminal information filed with the DOJ/Prosecutor's Office  or the courts for tax evasion and other criminal offenses under Chapter II of Title X and Section 275 of the NIRC, with assessments duly issued and otherwise excluded in Titles II and III hereof

100%

Withholding agents who withheld taxes but failed to remit the same to the BIR



# TAX AMNESTY ON DELIQUENCIES

## When to apply



Within one year from the effectivity of IRR of this Act

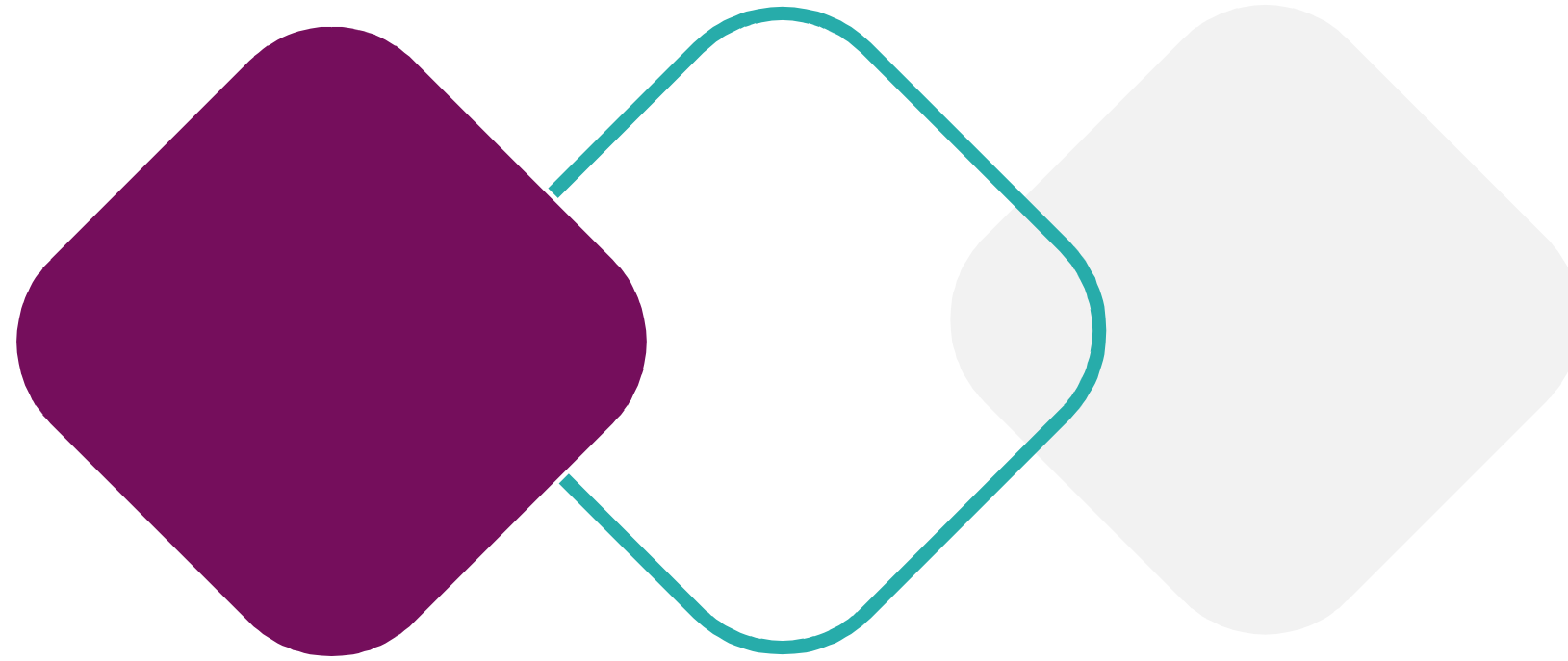
## What to file



The Tax Amnesty on Delinquencies Return and the Acceptance Payment Form shall be submitted to the RDO after complete payment. Completion of these requirements shall be deemed full compliance with the provisions of the Act

# TAX AMNESTY ON DELIQUENCIES

Availment of the Tax Amnesty on Delinquencies and the issuance of the corresponding Acceptance Payment Form do not imply any admission of criminal, civil or administrative liability on the part of the availing taxpayer.



Other Matters

# OTHER MATTERS

## Confidentiality and non-use of information

Any information or data contained in, derived from or provided by a taxpayer in the Tax Amnesty Return as the case may be and appurtenant documents shall be:



Confidential in nature



Shall not be used in any investigation or prosecution before any judicial, quasi-judicial and administrative bodies

## Amendment of statements previously submitted



Any financial statements, information sheets, and any such other statements or disclosures are deemed to have been amended by the Tax Amnesty Return.



These may not be the subject of any investigation or prosecution before any judicial, quasi-judicial, and administrative bodies.

# PENALTIES ON UNLAWFUL DIVULGENCE OF INFORMATION

## Any Person

### Divulgence of Tax Amnesty Return and Documents

- Fine of PHP 150,000 and
- Imprisonment of 6 to 10 years
- Perpetual disqualification to hold public office

## BIR Officers and Employees

### Information on income, business, estate or any confidential information

- Fine of PHP 50,000 to PHP 100,000 and/or
- Imprisonment of 2 to 5 years

### Information obtained from banks and financial institutions

- Fine of PHP 500,000 to PHP 1 million and/or
- Imprisonment of 2 to 5 years

# DISPOSITION OF PROCEEDS FROM THE TAX AMNESTY

PHP 500M



ANY EXCESS





PACKAGE 2



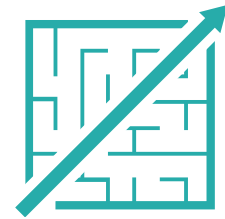
# TRABAHO Bill

(Corporate income tax and incentives reform)

# TRABAHO BILL



Reduced  
Corporate  
Income Tax  
Rates



Simplification of  
Tax Provisions

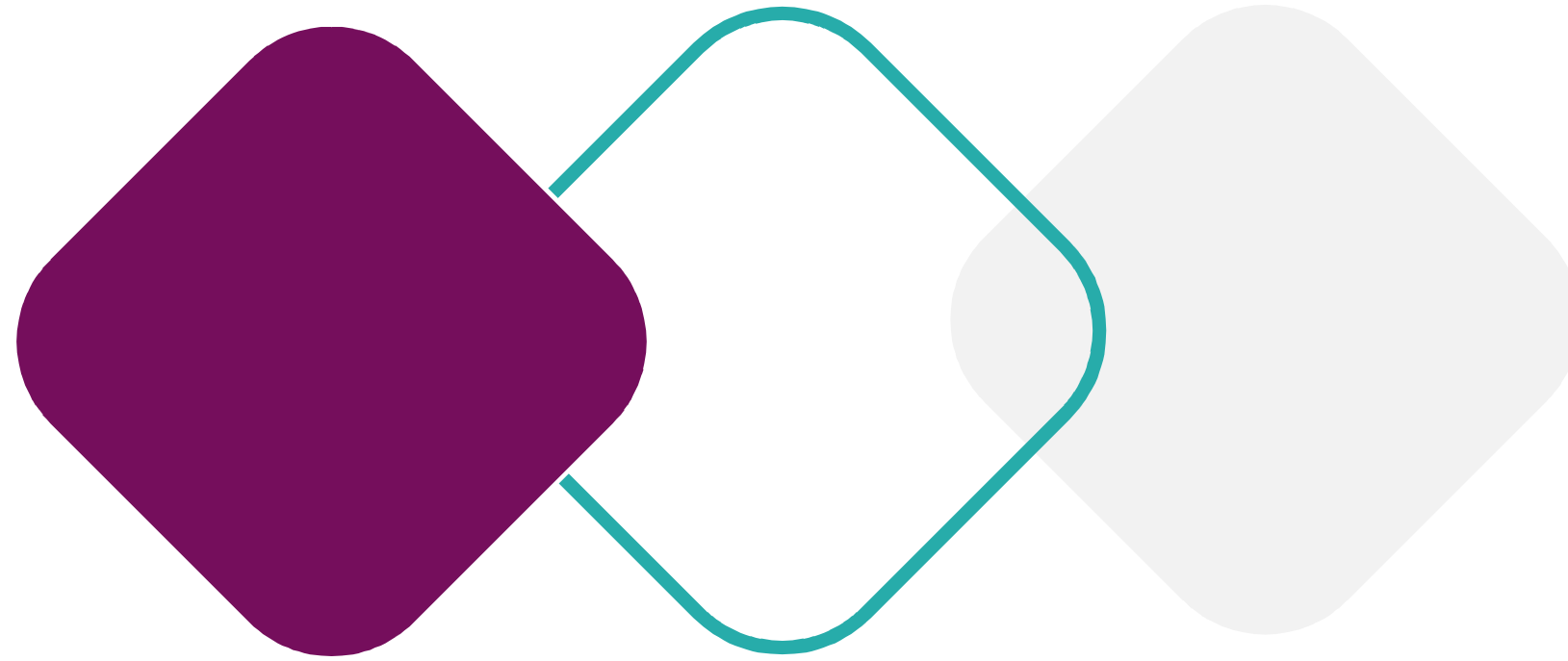


Simpler, fairer, and  
more transparent  
Corporate Tax  
System



Rationalization  
of Fiscal  
Incentives





# Corporate Income Tax Reform

# REDUCED CORPORATE INCOME TAX (CIT) RATE

HB No. 8083

SB No. 1906

The CIT rate shall be as follows:

| Beginning       | CIT Rate |
|-----------------|----------|
| January 1, 2021 | 28%      |
| January 1, 2023 | 26%      |
| January 1, 2025 | 24%      |
| January 1, 2027 | 22%      |
| January 1, 2029 | 20%      |

# 25%

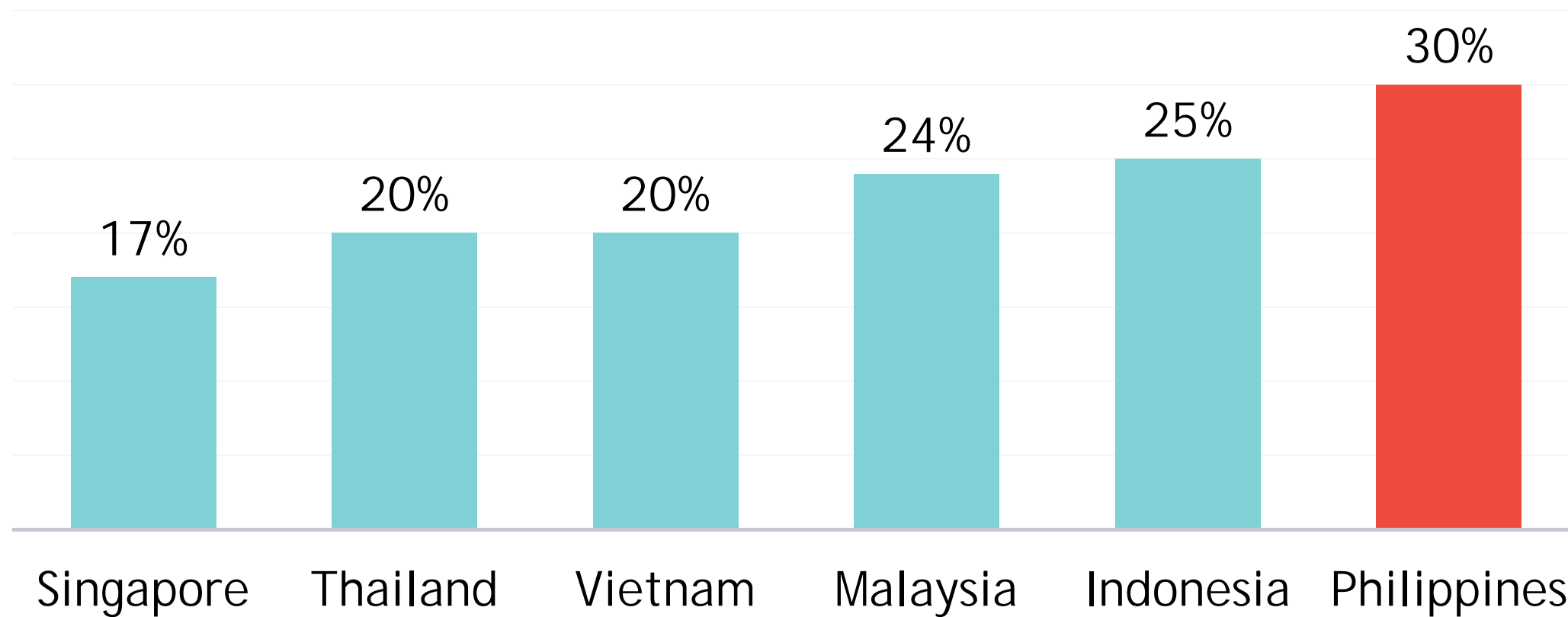
tax rate on taxable income  
(effective January 1, 2019)

Provided that the President may advance the scheduled reduction in the CIT rate when adequate savings are realized from the rationalization of fiscal incentives, as certified by the Secretary of Finance.



# COMPARATIVE CIT RATES (ASEAN)

Figure 1: Comparative CIT Rates, ASEAN-6, 2017





# OPTIONAL STANDARD DEDUCTIONS (OSD)

HB No. 8083

40%  
of gross income\*

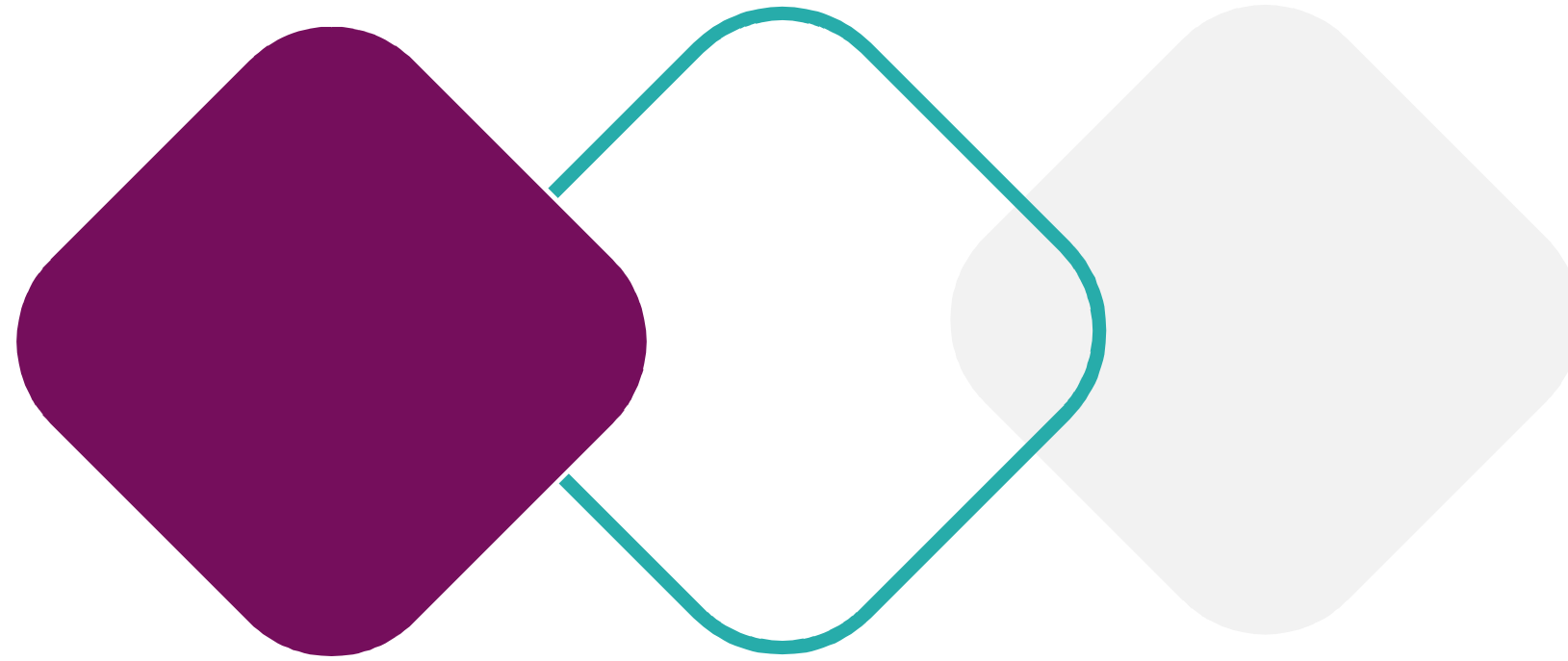
(applies only to individual subject to tax under Section 24 of the Tax Code and a domestic/resident foreign corporation classified as micro, small and medium-sized enterprise as determined by the Department of Trade and Industry)

SB No. 1906

20%  
of gross income\*

(applies only to individual subject to tax under Section 24 of the Tax Code, other than a nonresident alien, and a domestic/resident foreign corporation)

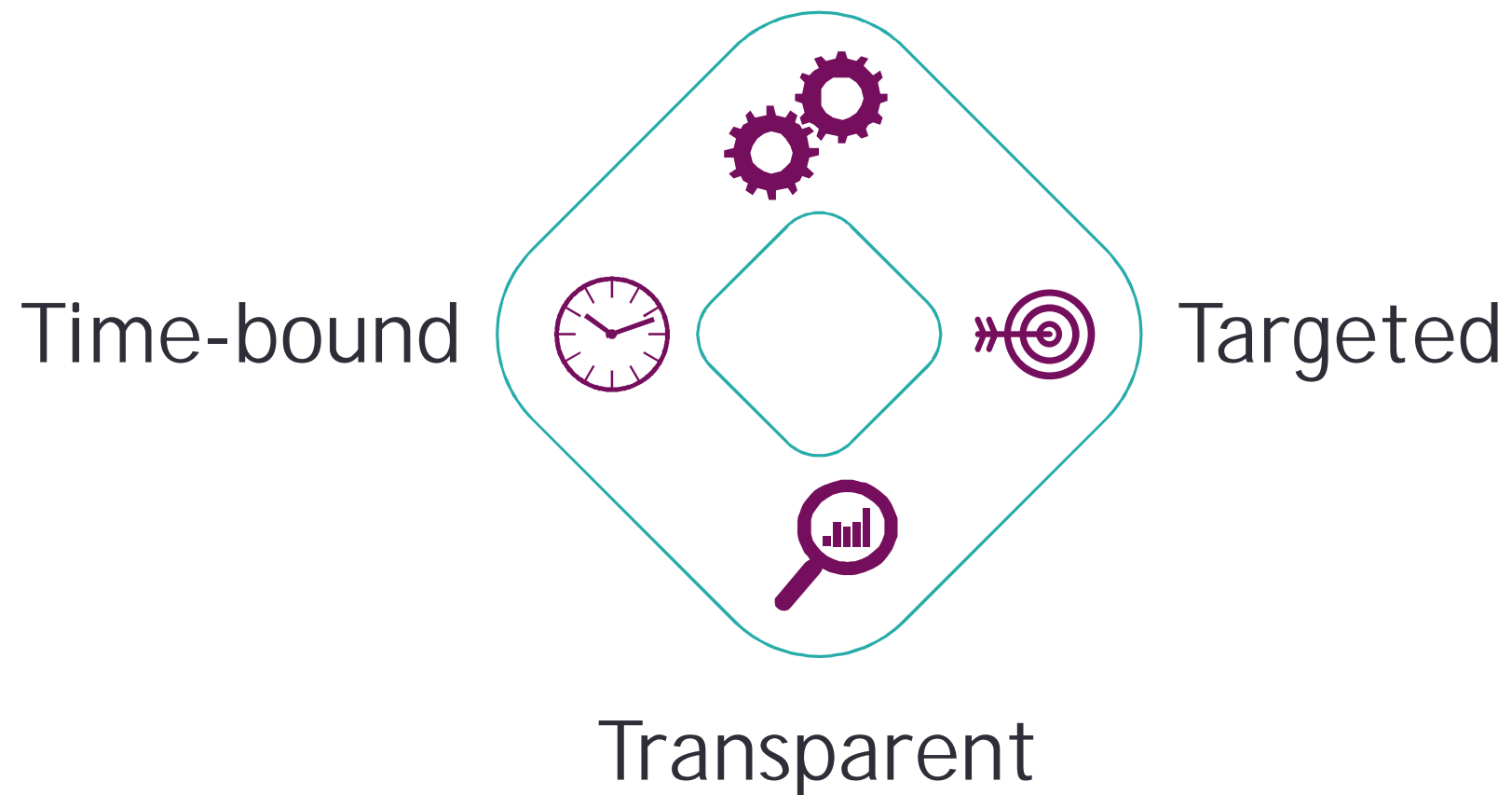
\*currently based on [gross sales/receipts](#) for [individual](#) taxpayers.



# Rationalization of Fiscal Incentives

# FAIR AND ACCOUNTABLE TAX INCENTIVES SYSTEM

Performance-based



# FAIR AND ACCOUNTABLE TAX INCENTIVES SYSTEM

With effective  
monitoring and  
evaluation system and  
anchored on a strategic  
investment priority plan  
that emphasizes:

Job creation



Research and  
development



Skills  
Training



Countryside  
development



Innovation



**ONE MENU**  
of incentives available  
to IPAs

Expansions can only avail of  
**EXEMPTION FROM  
CUSTOMS DUTY**  
of capital equipment

**FISCAL INCENTIVES  
REVIEW BOARD**  
will govern IPAs and  
grant of incentives



Domestic firms are  
allowed if included in the  
**STRATEGIC IPP**

**NO DOUBLE  
REGISTRATION**  
of activities





# RATIONALIZATION OF FISCAL INCENTIVES

Current Tax Incentives

ITH

5% GIT

Proposed Tax Incentive

18%  
RCIT

of taxable income  
with additional deductions

# PROPOSED ALLOWABLE DEDUCTIONS

## Depreciation Allowance of qualified capital expenditure



buildings



machineries

## Additional Deductions for the following expenditures:



- research and development
- training
- country-wide infrastructure development



- increment labor expense
- reinvestment allowance to manufacturing industry
- domestic input expense



In no such case shall an income tax incentive be extended beyond the initial grant of 5 years, except the following:

Incentives for projects or activities located in less developed areas or those recovering from armed conflict or a major disaster

Enhanced NOLCO



Incentives for agribusiness

Up to 100% deduction on infrastructure development

Incentives for relocation projects or activities

# REDUCED CORPORATE INCOME TAX (CIT) RATE

HB No. 8083

SB No. 1906

**18%\***

of the taxable income

**15%**

tax rate on taxable income

The CIT rate shall be further reduced as follows:

| Beginning       | Rate |
|-----------------|------|
| January 1, 2021 | 17%  |
| January 1, 2023 | 16%  |
| January 1, 2025 | 15%  |
| January 1, 2027 | 14%  |
| January 1, 2029 | 13%  |

\*Provided, that in lieu of the ITH or the reduced tax rate of eighteen percent (18%), the other income tax incentives under HB No. 8083 may be granted on an industry-specific basis as determined by the BOI in the strategic investment priority plan. The BOI shall prescribe the level of additional deduction for selected industries.

# REMITTANCE OF REDUCED CIT RATE (HB No. 8083)

In the case of registered enterprises within Economic Zones and Freeports, the tax shall be paid as follows:

## Remittance to the **National** Government

| Year                | Rate |
|---------------------|------|
| 2019 and 2020       | 15%  |
| 2021 and 2022       | 14%  |
| 2023 and 2024       | 13%  |
| 2025 and 2026       | 12%  |
| 2027 and 2028       | 11%  |
| 2029 and thereafter | 10%  |

## Remittance to the **Local** Government

1.5%

to the Treasurer's Office of the province where the enterprise is located, in lieu of the local business tax

1.5%

to the Treasurer's Office of the municipality or component city where the enterprise is located, in lieu of the local business tax

- Since the reduced CIT rate is NOT “in lieu of all taxes” except LBT, it means that LGUs can collect mayor's permit fees, other regulatory fees and real property tax (RPT).
- No equivalent in SB No. 1906.

## OTHER FISCAL INCENTIVES

- Enhanced NOLCO which will be available for five years
- Exemption from customs duty on imported capital equipment and raw materials

## OTHER FISCAL INCENTIVES

VAT incentives to registered enterprises whose export meet the **90% of sales threshold**, and are within an ecozone or freeport



on importations



for domestic purchases

# OTHER FISCAL INCENTIVES

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Additional two years of incentives for:

- Registered activities **relocating outside Metro Manila** and selected urbanized areas adjacent to Metro Manila
- **Agribusiness projects** of registered enterprises located outside Metro Manila and urban areas
- Projects located in **less developed areas** or those recovering from armed conflict or a major disaster



# TRANSITORY PROVISIONS



Continue until remaining period ends or for a period of 5 years only, whichever comes first



| <u>Years enjoying</u> | <u>Additional years</u> |
|-----------------------|-------------------------|
| Below 5 years         | 5 years                 |
| 5 to 10 years         | 3 years                 |
| Above 10 years        | 2 years                 |

Provided, that the 5% GIT shall commence after the ITH period has lapsed only for the remaining years within the five-year period.



PACKAGE 3



# Property Valuation Reform

## UNREALIZED REVENUES

and socio-economic benefits from delayed projects



## LENGTHY COURT LITIGATIONS

arising from valuation disputes



## COST OVERRUNS



Conflicting land values result in **RIGHT-OF-WAY COMPENSATION PROBLEMS**

Projects are **DELAYED**

# EFFECTS OF OUTDATED LAND VALUES

# SOLVE ISSUES ON VALUATION

[www.dof.gov.ph](http://www.dof.gov.ph)

## OUTDATED VALUATIONS

Only 38.8% of LGUS and 50.4% of RDOs have updated values

**NO SINGLE AGENCY IS RESPONSIBLE**  
for ensuring that valuations are completed in accordance with international standards



Multiple  
**OVERLAPPING  
VALUATIONS**

**COSTS INCURRED  
REVENUES FOREGONE**

**ABSENCE**  
of a comprehensive real  
property electronic database

# PROPERTY VALUATION REFORM

[www.dof.gov.ph](http://www.dof.gov.ph)



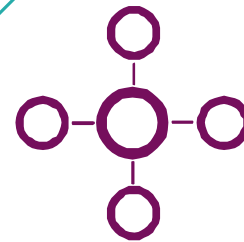
Adopt international standards; rationalize the process



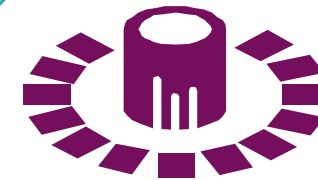
Establish single valuation base for taxation; benchmark for other purposes



Insulate valuation from undue politicization



Recentralize the neglected function of LGUs; improve oversight



Establish a comprehensive database to support valuation function



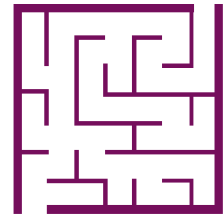
PACKAGE 4



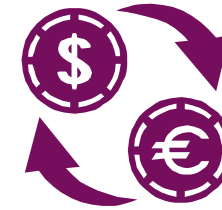
# Capital Income and Financial Taxes Reform

# CAPITAL INCOME AND FINANCIAL TAXES REFORM

[www.dof.gov.ph](http://www.dof.gov.ph)



Complicated tax structure



Susceptible to tax arbitrage



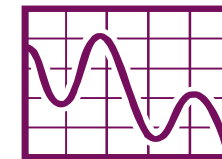
Uneven playing field



Inequitable distribution of the tax burden



High administrative and compliance cost



Uncompetitive and not supportive of capital market development



QUESTIONS?



# THANK YOU

Icons used:  
Cigarette by Hopkins from the Noun Project  
Beer by Adrien Coquet from the Noun Project  
whiskey by Smalllike from the Noun Project  
Champagne by b farias from the Noun Project  
soda water by ProSymbols from the Noun Project

