

Tax Table			
If Taxable Income is:	Tax Due is:	If Taxable Income is:	Tax Due is:
Not over P 10,000	5%		
Over P 10,000 but not over P 30,000	P 500 + 10 % of the excess over P 10,000	Over P 140,000 but not over P 250,000	P 22,500 + 25 % of the excess over P 140,000
Over P 30,000 but not over P 70,000	P 2,500 + 15 % of the excess over P 30,000	Over P 250,000 but not over P 500,000	P 50,000 + 30 % of the excess over P 250,000
Over P 70,000 but not over P 140,000	P 8,500 + 20 % of the excess over P 70,000	Over P 500,000	P 125,000 + 32 % of the excess over P 500,000

BIR Form 1701 - Annual Income Tax Return Guidelines and Instructions

Who Shall File

This return shall be filed in triplicate by the following individuals regardless of amount of gross income:

- 1) A resident citizen engaged in trade, business, or practice of profession within and without the Philippines.
- 2) A resident alien, non-resident citizen or non-resident alien individual engaged in trade, business or practice of profession within the Philippines.
- 3) A trustee of a trust, guardian of a minor, executor/administrator of an estate, or any person acting in any fiduciary capacity for any person, where such trust, estate, minor, or person engaged in trade or business.

For individuals engaged in trade or business or in the exercise of their profession and receiving compensation income as well, this return shall be used in declaring their income.

An individual whose sole income has been subjected to final withholding tax pursuant to Sec. 57 (A) of the Tax Code, or who is exempt from income tax pursuant to the Tax Code and other laws, is not required to file an income tax return.

Married individuals shall file a return for the taxable year to include the income of both spouses, computing separately their individual income tax based on their respective total taxable income. Where it is impracticable for the spouses to file one return, each spouse may file a separate return of income. If any income cannot be definitely attributed to or identified as income exclusively earned or realized by either of the spouses, the same shall be divided equally between the spouses for the purpose of determining their respective taxable income.

The income of unmarried minors derived from property received from a living parent shall be included in the return of the parent except (1) when the donor's tax has been paid on such property, or (2) when the transfer of such property is exempt from donor's tax.

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.

When and Where to File

The income tax return shall be filed with any Authorized Agent Bank (AAB) located within the territorial jurisdiction of the Revenue District Office where the taxpayer is required to register/where the taxpayer has his legal residence or place of business in the Philippines. In places where there are no AABs, the returns shall be filed with the Revenue Collection Officer or duly Authorized City or Municipal Treasurer of the Revenue District Office where the taxpayer is required to register/where the taxpayer has his legal residence or place of business in the Philippines. In case taxpayer has no legal residence or place of business in the Philippines, the return shall be filed with the Office of the Commissioner or Revenue District Office No. 39, South Quezon City.

This return shall be filed on or before the fifteenth (15th) day of April of each year covering income for the preceding taxable year.

When and Where to Pay

Upon filing this return, the total amount payable shall be paid to an Authorized Agent Bank (AAB). In places where there are no AABs, the tax shall be paid with the Revenue Collection Officer or duly Authorized City or Municipal Treasurer who will issue a Revenue Official Receipt (BIR Form 2524). When the tax due exceeds P2,000.00, the taxpayer may elect to pay in two equal installments, the first installment to be paid at the time the return is filed and the second, on or before July 15 of the same year.

Where the return is filed with an AAB, the taxpayer must accomplish and submit BIR-prescribed deposit slip, which the bank teller shall machine validate as evidence that payment was received by the AAB. The AAB receiving the tax return shall stamp mark the word "Received" on the return and also machine validate the return as proof of filing the return and payment of the tax by the taxpayer, respectively. The machine validation shall reflect the date of payment, amount paid and the transaction code, the name of the bank, branch code,

Allowable Deductions

A taxpayer engaged in business or in the practice of profession shall choose either the optional or itemized deduction (described below) deduction. He shall indicate his choice by marking with "X" the appropriate box, otherwise, he shall be deemed to have chosen itemized deduction. The choice made in the return is irrevocable for the taxable year covered.

Optional Standard Deduction (OSD) – A maximum of 40% of their gross sales or gross receipts shall be allowed as deduction in lieu of the itemized deduction. This type of deduction shall not be allowed for non-resident aliens engaged in trade or business. An individual who opts to avail of this deduction need not submit the Account Information Return (AIF)/Financial Statements.

For taxable year 2008 which is the initial year of the implementation of the 40% OSD under RA 9504 which modified the OSD for individuals from 10% of gross income to 40% of gross sales / receipts, the deduction shall cover only the period beginning the effectivity of RA 9504 which is on July 6, 2008. However to simplify and for ease of administration July 1, 2008 shall be considered as the start of the period when the 40% of OSD may be allowed. Hence, the following rates and bases shall apply for the taxable year 2008.

<u>Period Covered</u>	<u>Rates and Bases</u>
January 1 to June 30, 2008	10% of Gross Income
July 1 to December 31, 2008	40% of Gross Sales/Receipts

Itemized Deductions - There shall be allowed as deduction from gross income all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on or which are directly attributable to, the development, management, operation and/or conduct of the trade, business or exercise of a profession including a reasonable allowance for salaries, travel, rental and entertainment expenses.

Itemized deduction includes also interest, taxes, losses, bad debts, depreciation, depletion, charitable and other contributions, research and development, pension trust, premium payments on health and/or hospitalization insurance.

Premium payment on health and/or hospitalization insurance of an individual taxpayer, including his family, in the amount of P= 2,400 per year, per family, may be deducted from his gross income: Provided, that said taxpayer, including his family, has a yearly gross income of not more than P= 250,000. In case of married taxpayers, only the spouse claiming the additional exemption for dependents shall be entitled to this deduction.

Penalties

There shall be imposed and collected as part of the tax:

1. A surcharge of twenty five percent (25%) for each of the following violations:

a) Failure to file any return and pay the amount of tax or installment due on or before the due dates;

b) Filing a return with a person or office other than those with whom it is required to be filed;

c) Failure to pay the full or part of the amount of tax shown on the return, or the full amount of tax due for which no return is required to be filed, on or before the due date;

d) Failure to pay the deficiency tax within the time prescribed for its payment in the notice of Assessment (Delinquency Surcharge).

2. A surcharge of fifty percent (50%) of the tax or of the deficiency tax, in case any payment has been made on the basis of such return before the discovery of the falsity or fraud, for each of the following violations:

a) Willful neglect to file the return within the period prescribed by the Code or by rules and regulations; or

b) In case a false or fraudulent return is willfully made.

teller's code and the teller's initial. Bank debit memo number and the date should be indicated in the return for taxpayers under the bank debit system.

Overwithholding of income tax on compensation shall be refunded by the employer, except if the overwithholding is due to the fault of the employee then it shall be forfeited in favor of the government.

For eFPS Taxpayer

The deadline for electronically filing and paying the taxes thereon shall be in accordance with the provisions of existing applicable revenue issuances.

Gross Taxable Compensation Income

The gross taxable compensation income of the taxpayer does not include SSS, GSIS, Medicare and Pag-ibig Contributions, and Union Dues of individuals.

Personal and additional exemption

For taxable year 2008, the following transitory personal and additional exemptions shall be used:

<u>Personal Exemption</u>	January 1 to July 5, 2008	July 6 to December 31, 2008	Total
Single	P10,000	P25,000	P35,000
Head of the Family	P12,500	P25,000	P37,500
Married	P16,000	P25,000	P41,000
<u>Additional Exemption-maximum of 4 children</u>			
Every Qualified Dependent Children	4,000	12,500	16,500

For taxable year 2009 and onwards, each individual taxpayer, whether single or married, shall be allowed a basic personal exemption amounting to Fifty thousand pesos (P50,000.00).

In the case of married individuals where only one of the spouses is deriving gross income, only such spouse shall be allowed the personal exemption.

An individual, whether single or married, shall be allowed an additional exemption of P25,000 for each qualified dependent child, not exceeding four (4). The additional exemption for dependents shall be claimed by the husband, who is deemed the proper claimant, unless he explicitly waives his right in favor of his wife.

"Dependent Child" means a legitimate, illegitimate or legally adopted child chiefly dependent upon and living with the taxpayer if such dependent is not more than twenty one (21) years of age, unmarried and not gainfully employed or if such dependent, regardless of age, is incapable of self-support because of mental or physical defect.

In the case of legally separated spouses, additional exemption may be claimed only by the spouse who has custody of the child or children; Provided, that the total amount of additional exemptions that may be claimed by both shall not exceed the maximum additional exemptions allowed by the Tax Code.

Change of Status

If the taxpayer marries or should have additional dependent(s) as defined above during the taxable year, the taxpayer may claim the corresponding personal or additional exemption, as the case may be, in full for such year.

If the taxpayer dies during the taxable year, his estate may still claim the personal and additional exemptions for himself and his dependent(s) as if he died at the close of such year.

If the spouse or any of the dependents dies or if any of such dependents marries, becomes twenty-one (21) years old or becomes gainfully employed during the taxable year, the taxpayer may still claim the same exemptions as if the spouse or any of the dependents died, or as if such dependents married, became twenty-one (21) years old or became employed at the close of such year.

3. Interest at the rate of twenty percent (20%) per annum, or such higher rate as may be prescribed by rules and regulations, on any unpaid amount of tax, from the date prescribed for the payment until it is fully paid.

4. Compromise penalty.

Attachments Required

- Account Information Form and the Certificate of the independent CPA except for taxpayers who opted for the Optional Standard Deduction. (The CPA Certificate is required if the gross quarterly sales, earnings, receipts or output exceed P 150,000);
- Certificate of Income Tax Withheld on Compensation (BIR Form 2316);
- Certificate of Income Payments Not Subjected to Withholding Tax (BIR Form 2304);
- Certificate of Creditable Tax Withheld at Source (BIR Form 2307);
- Duly Approved Tax Debit Memo, if applicable;
- Waiver of husband's right to claim additional exemption, if applicable;
- Proof of prior years' excess credits, if applicable;
- Proof of Foreign Tax Credits, if applicable; and
- For amended return, proof of tax payment and the return previously filed.
- Authorization letter, if return is filed by authorized representative;
- Proof of other payment/s made, if applicable; and
- Summary Alphabetical of Withholding Agents of Income Payments Subjected to Withholding Tax At Source (SAWT), if applicable.

Note: All background information must be properly filled up.

All returns filed by an accredited tax agent on behalf of the taxpayer shall bear the following information:

- For CPAs and others (individual practitioners and members of GPPs);
 - Taxpayer Identification Number (TIN); and
 - Certification of Accreditation Number, Date of Issuance, and Date of Expiry.
- For members of the Philippine Bar (individual practitioners, members of GPPs);
 - Taxpayer Identification Number (TIN); and
 - Attorney's Roll Number or Accreditation Number, if any.

- Box No. 1 refers to transaction period and not the date of filing this return.

- TIN = Taxpayer Identification Number.

- The last 4-digits of the 13-digit TIN refers to the branch code.

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