

EASE OF PAYING TAXES ACT

Salient Features and Proposed Implementing Rules and Regulations

March 6, 2024

05 January 2024

Signing into law

- › Republic Act No. 11976, otherwise known as the **EASE OF PAYING TAXES (EOPT)**, was signed into law by President Marcos

22 January 2024

Effectivity

- › EOPT took effect 15 days after its publication

6 month period

Transitory Period

- › 6-month transitory period from the effectivity of the IRR to comply with amendments to **TITLE IV (VAT)** and **TITLE V (OPT)**

Publication

- › The law was published in the Official Gazette

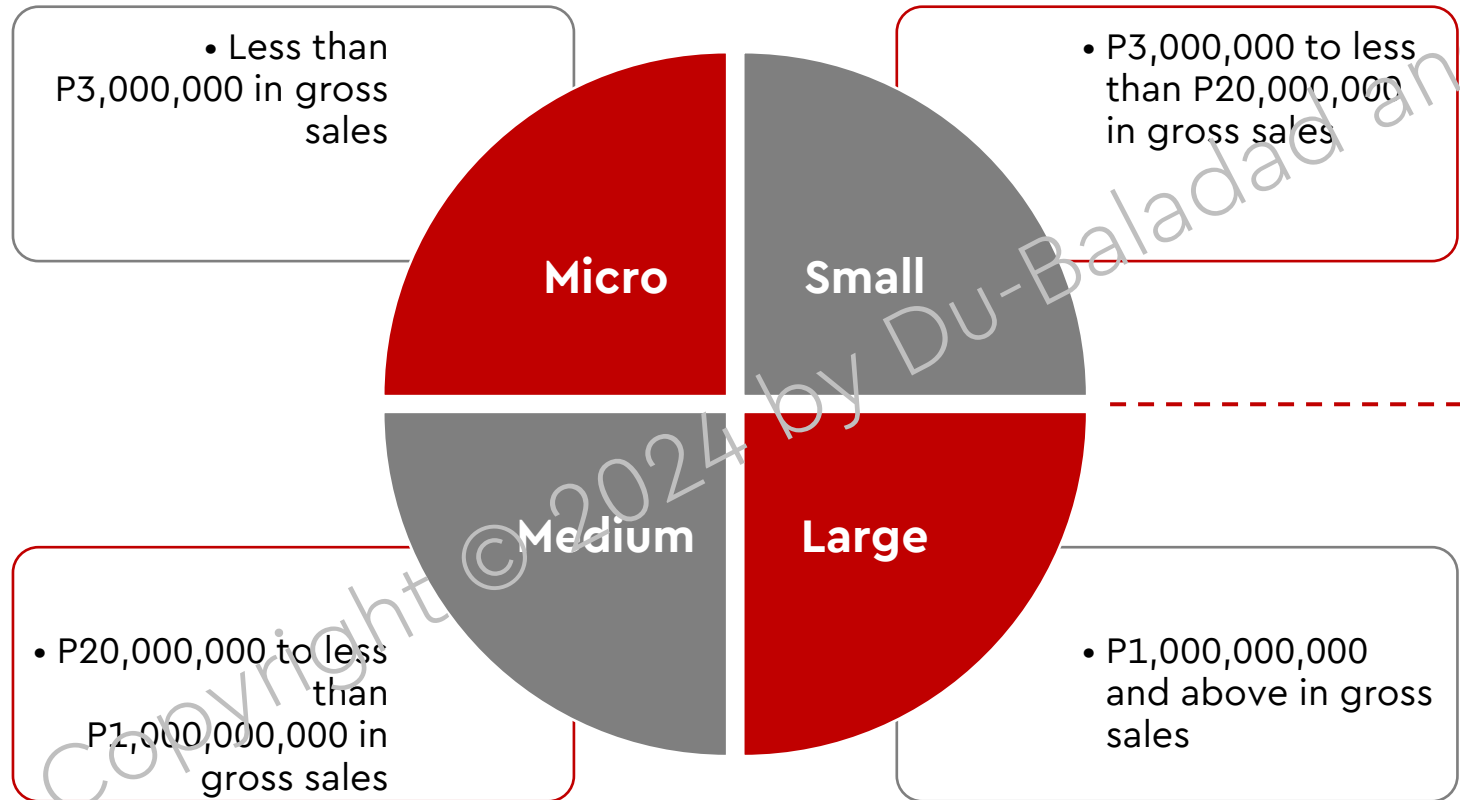
07 January 2024

Promulgation of IRR

- › SoF, after consultation with BIR and private sector, would promulgate the IRR within 90 calendar days from effectivity

21 April 2024

Classification of Taxpayers



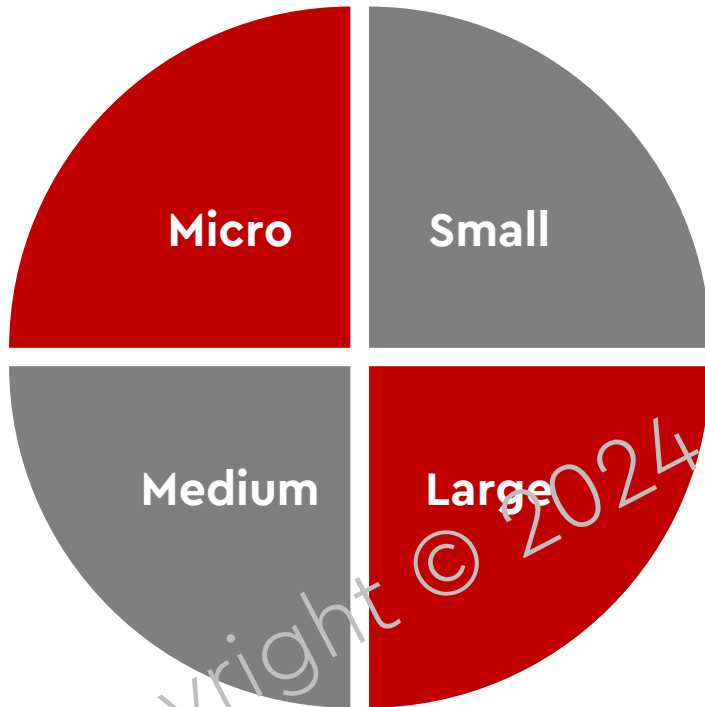
Draft IRR

Gross Sales, for purposes of classification, shall refer to total sales revenue, net of VAT, during the taxable year, without any deductions.

It refers to business income, excluding:

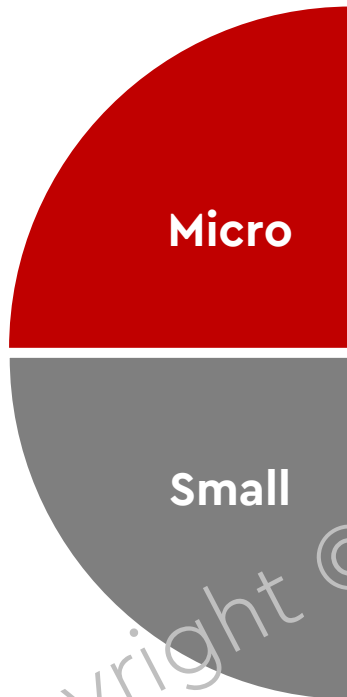
- ✗ Compensation income;
- ✗ Passive income;
- ✗ Exclusions from gross income under Section 32(B) of the 1997 NIRC, as amended

Classification of Taxpayers



Initial Classification and Transitory Provision (<i>Draft IRR</i>)	
Taxpayers registered in CY 2022 and prior years	Shall be classified based on gross sales for CY 2022
Taxpayers that are registered: <ul style="list-style-type: none"> <input checked="" type="checkbox"/> In CY 2022 whose taxable period is less than 12 months; <input checked="" type="checkbox"/> In CY 2023 and 2024 	<p>Shall update their registrations on or before June 30, 2024 and shall be classified based on their declarations</p> <p>Failure to update shall cause the initial classification to be either:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Micro – If registered with Percentage Tax (Non-VAT); or <input checked="" type="checkbox"/> Small
Taxpayers that will register upon the effectivity of the Regulations	Shall be classified based on their declarations

Classification of Taxpayers



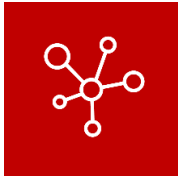
SPECIAL CONCESSIONS:

- ☑ 2 page maximum for ITRs
- ☑ Reduction of:
 - Rate of civil penalties to 10%
 - Interest rate by 50% → *Draft IRR:* A separate circular shall be issued in case the BSP prescribes a new interest rate
 - Penalty for failure to file information returns to P500.00
 - Compromise penalty rate of at least 50% for violations in:
 - i. Invoicing requirements
 - ii. Issuance of invoices
 - iii. Printing of sales or commercial invoices→ *Draft IRR:* A different compromise penalty may be accepted if it is of:
 - ☑ Higher amount
 - ☑ Lower amount – after approval by the CIR or the concerned DepCom/ACIR/RD

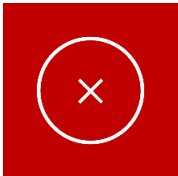
Registration Related Rules



Cancellation of registration is effected by mere filing, either electronically or manually, but does not preclude the conduct of an audit



Update of transfer registration is effected by mere filing, either electronically or manually, but any pending audit shall be continued by the same RDO



Removal of the requirement of an Annual Registration Fee

Draft IRR

The COR shall remain valid even if the ARF is no longer required to be paid.

Filings and Payments

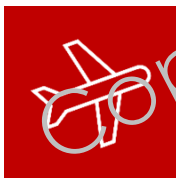


May be done electronically or manually through any:

- ✓ Authorized Agent Bank
- ✓ Revenue District Office
- ✓ Authorized Tax Software Provider

Draft IRR

- ✓ Filing and payment shall be done electronically; Manual filing only allowed if electronic filing is **unavailable**
- ✓ If manual filing is done despite availability of electronic filing, taxpayer is **still liable for penalty for violation of the IRR** under Section 275 of the 1997 NIRC, as amended



OFWs and OCWs working and deriving income solely from abroad are not required to file an ITR

Income Taxes / Withholding Taxes



Withholding of taxes is no longer a requirement for the deductibility of certain expenses



Obligation to withhold arises at the time the income has become payable

Draft IRR

✓ The term „income has become payable“ means the seller has **issued the invoice**.

Income Taxes / Withholding Taxes



Creditable taxes in a previous period can still be creditable in the subsequent calendar/fiscal year

➤ Provided, it had been declared in the tax return where the income was reported



Inability to carry-over due to cessation of business will entitle the taxpayer to apply for refund within 2 years from date of cessation of business

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Value-Added Tax



Use of gross sales as common basis for output tax for both sales of goods and services or lease of properties



Recognition of deductibility of sales discounts/allowances to gross sales



Recognition of deductibility of output VAT credit from uncollected receivables and added back to output VAT upon recovery

Draft IRR

☑ The credit term/period to pay the receivable must be in a **written agreement**.

Value-Added Tax



Transition

Draft IRR

☑ Effect of uncollected receivables upon effectivity of the IRR:

➤ From sale of services

- Sale and Output VAT shall be declared in the immediate taxable quarter following the effectivity of the IRR.
- Seller to replace the billing statements/SOAs with invoices.

➤ From sale of goods

- No output tax credit to be allowed on uncollected receivables from sale of goods prior to effectivity of the IRR. Claim for output tax credit shall apply only to transactions that transpire upon the effectivity of the regulations.

Value-Added Tax



Actual payment of purchase of services is no longer required for the recognition of input tax; Mere accrual is sufficient, subject to issuance of VAT invoice by seller.



Removal of business style as part of invoicing requirements



Failure to comply with invoicing requirements shall make the issuer liable for non-compliance. The input VAT for the purchaser shall still be allowed if the following are present:

- Amount of sales and VAT;
- Name and TIN of both purchaser and issuer; and
- Description and date of the transaction.

Other Percentage Tax



Basis of the imposition is now gross sales

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Invoicing and Record Keeping



Sales/commercial invoices shall be the sole proof of purchase of goods/services or lease of properties

Draft IRR

- ✓ Sales invoices may also serve as written admission/acknowledgment of payment.
- ✓ Joint or separate Cash Sales Invoice and Charge Sales Invoice.
- ✓ Tickets and other similar forms may serve as invoice.
- ✓ Other written documents (e.g. Ors, DRs, DM/CM, etc.) are considered as Supplementary Invoices and are not valid proof of input taxes.
- ✓ Both Principal and Supplementary Invoices must be printed using an ATP

Invoicing and Record Keeping



Sales/commercial invoices shall be the sole proof of purchase of goods/services or lease of properties

Draft IRR

- ☑ Unissued/unused ORs may be used as:
 - Supplementary invoice – but not valid to claim input tax upon effectivity of the IRR
 - Primary Invoice (until December 31, 2024) – Requires removal of „Official Receipt“ and stamping of „Sales Invoice.“ It is valid to claim input tax from January 22, 2024 to December 31, 2024.
- ☑ Requirement to submit an inventory of all unused manual/loose leaf ORs that will be used as sales invoices within 30 days from effectivity of the IRR.

Invoicing and Record Keeping



Sales/commercial invoices shall be the sole proof of purchase of goods/services or lease of properties

Draft IRR

- ☑ Reconfiguration of:
 - CRM/POS considered as **minor adjustment** – change the word „Official Receipt“ to „Sales Invoice“ without the need to notify the RDO
 - CAS/CBA considered as **major adjustment**
- ☑ Reconfiguration shall be undertaken on or before June 30, 2024.
 - Exception: Reconfiguration abroad may be given a 6-month extension from effectivity of the IRR subject to approval by the BIR.
- ☑ Issuance of „Official Receipt“ after June 30, 2024 shall not be considered as evidence of sale of goods and shall be tantamount to non-issuance of sales invoice.

Invoicing and Record Keeping



Revised guidelines for issuance of invoice:

- ✓ Issued for sales valued at P500.00 (adjusted every 3 years)
- ✓ If the sales amount per transaction is below P500.00, the seller will issue 1 invoice if the aggregate sale at the end of the day is at least P500.00
- ✓ Seller shall issue the invoice regardless of the amount when the buyer so requires
- ✓ VAT-registered persons shall issue invoice regardless of the amount

5

Preservation of books and other records shall be for a period of 5 years

Draft IRR

- ✓ Exception to the period of preservation: any pending protest/claim for refund/tax credit.
- ✓ Manner of preservation shall be as follows:
 - Manual/loose leaf books and other records– in hard copies; and
 - Computerized books and other records – in electronic copies.

Refund of Taxes – Excess Input Tax



Classification of VAT refund claims into low-, medium-, and high-risk claims with medium- and high-risk claims being subject to audit/verification processes

Draft IRR

- ✓ Mandatory submission of complete documentary requirements regardless of the risk classification.
- ✓ Effect of the risk-based approach on the scope of verification is as follows:

Risk Level	Verification of Sales	Verification of Purchases
Low	No verification	No verification
Medium	At least 50% of amount of sales AND 50% of total invoices/receipts (including inward remittance and proof of VAT zero-rating)	At least 50% of amount of purchases AND 50% of suppliers (with priority on Big Ticket purchases)
High	100%	100%

Refund of Taxes – Excess Input Tax



Classification of VAT refund claims into low-, medium-, and high-risk claims with medium- and high-risk claims being subject to audit/verification processes

Draft IRR

- ✓ Main risk factors: Amount, filing frequency, tax compliance history, and other risks
- ✓ Risk classification shall be made for every filing
- ✓ Unique features for each claim classification:

Risk Level	Feature
Low	Mandatory full verification on 4 th year of refund after 3 consecutive years of low-risk claims
Medium	Verification may be adjusted to higher than 50% (up to 100%) if there is sufficient basis
High	<ul style="list-style-type: none"> ➤ Default classification for first-time claimants for 3 consecutive years ➤ Automatic high-risk classification for VAT refund due to retirement/cessation of business or cessation of VAT status

Refund of Taxes – Excess Input Tax



Classification of VAT refund claims into low-, medium-, and high-risk claims with medium- and high-risk claims being subject to audit/verification processes

Draft IRR

- ✓ Verification and processing of VAT refund shall be separate from regular audit



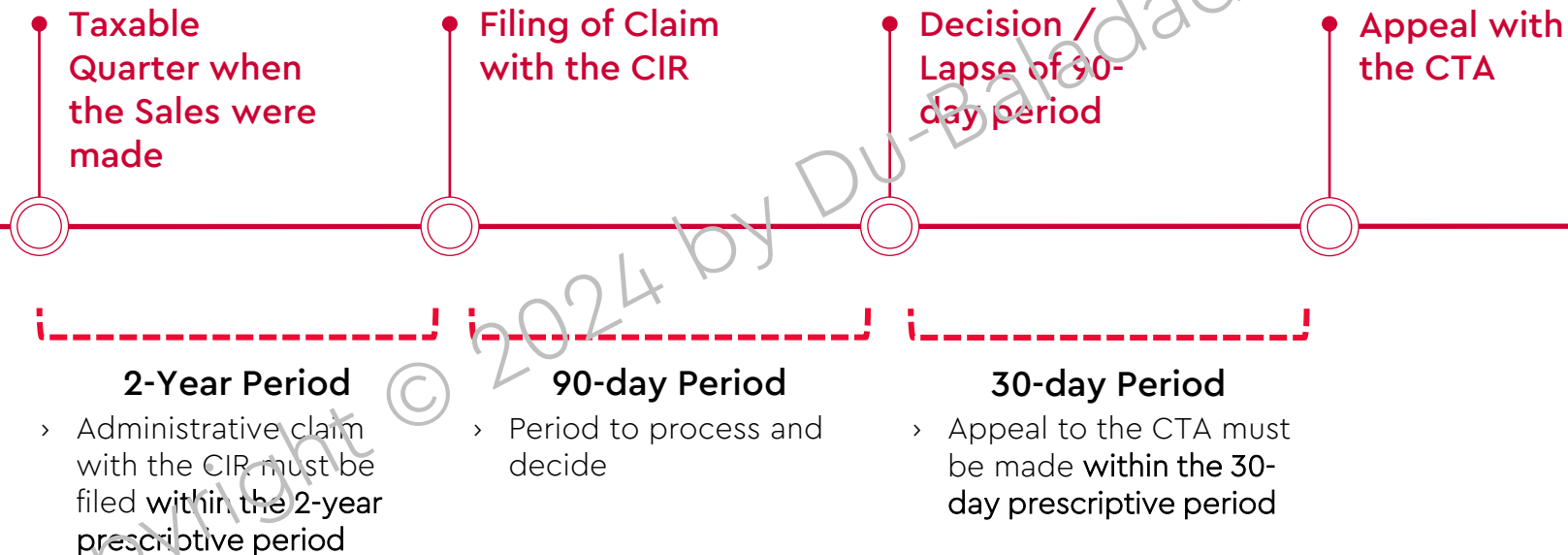
Failure to act on the application within the 90-day period gives rise the remedy of appeal to the Court of Tax Appeals



Disallowance by the Commission on Audit shall make the taxpayer liable for the disallowed amount without prejudice to any administrative liability on the BIR employee for gross negligence

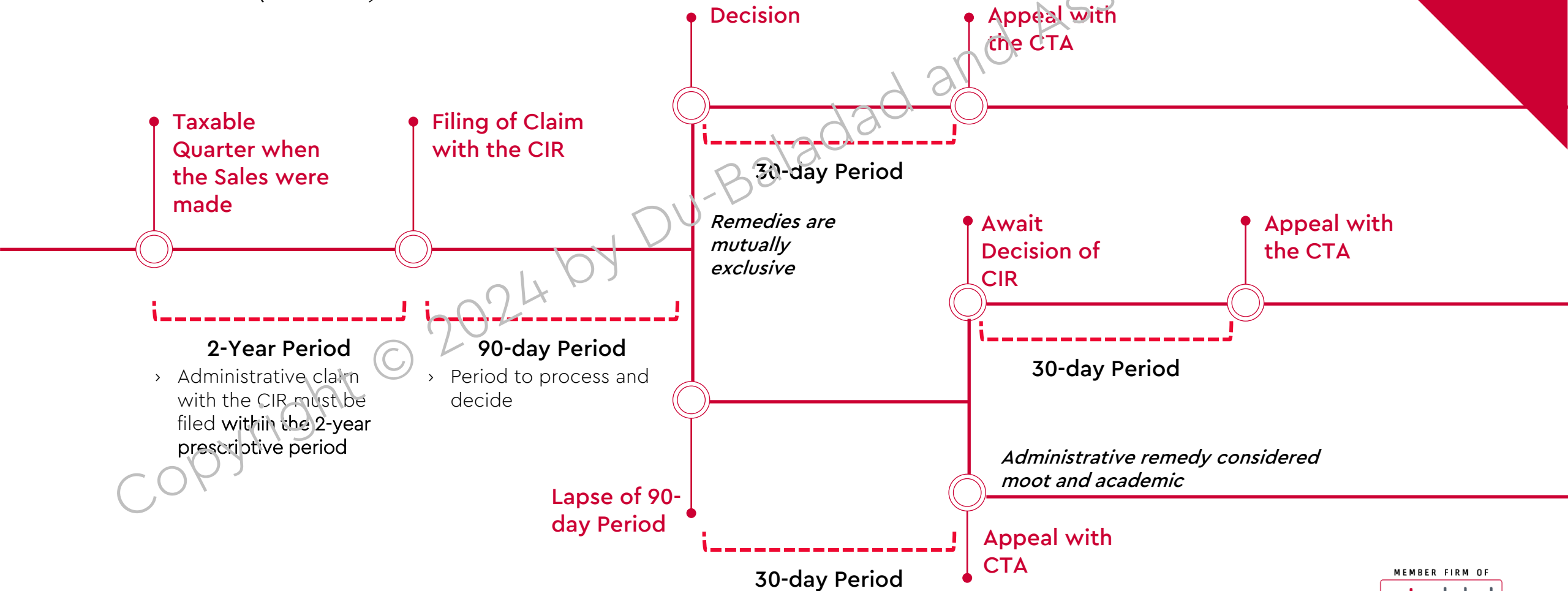
Refund of Taxes – Excess Input Tax

Prior to EOPT



Refund of Taxes – Excess Input Tax

After to EOPT (*Draft IRR*)



Refund of Taxes – Erroneously or Illegally Collected Tax



Claims for tax credit or refund of creditable withholding tax shall be given due course only if:

- ✓ The income payment has been declared as part of the gross income; and
- ✓ The fact of withholding is established.

Draft IRR

- ✓ Option to carry-forward is irrevocable except if the taxpayer permanently ceased operations.
- ✓ Opting to refund but carrying forward the amount shall be a ground for denial of the refund. The amount carried-forward may be allowed as future income tax credit.
- ✓ Timeliness of application – within 2 years:
 - For regular claims – from filing of the ITR.
 - For dissolved business – from issuance of the BIR Tax Clearance for purposes of dissolution/cessation of business.

Refund of Taxes – Erroneously or Illegally Collected Tax

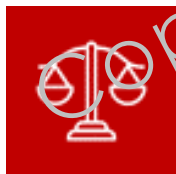


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Draft IRR

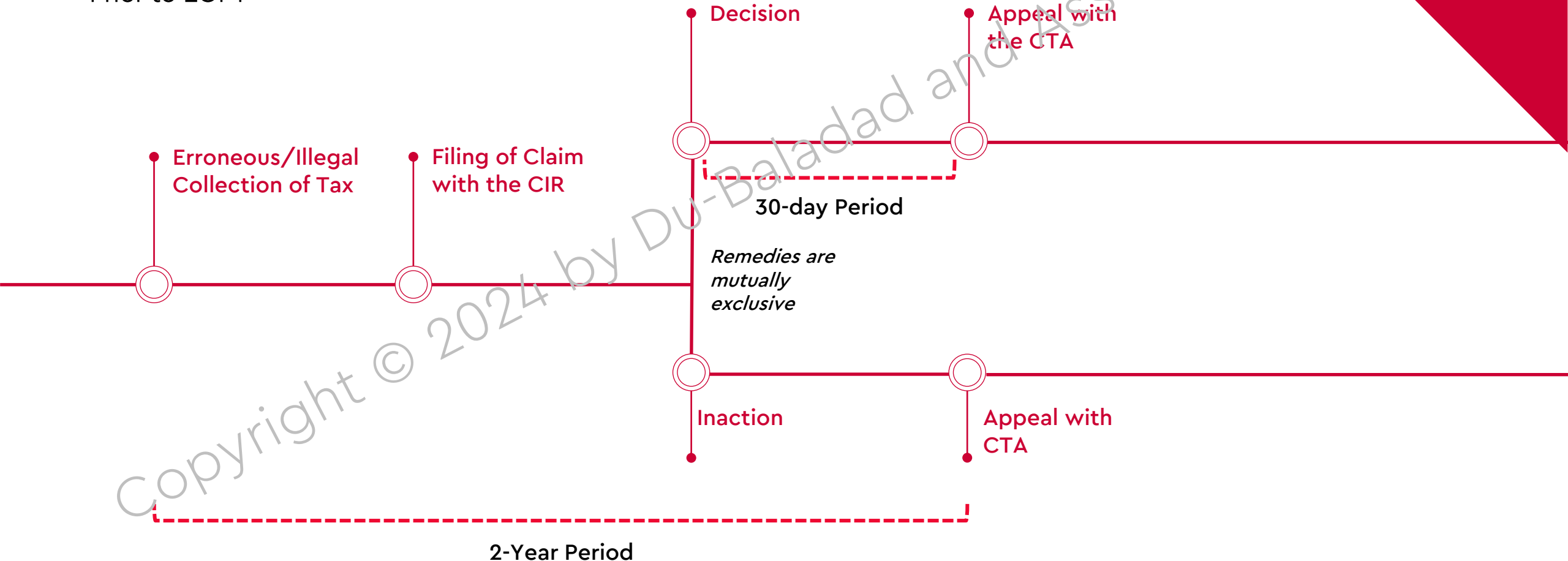
- ✓ Processing of income tax refund shall be prioritized and not delayed by pending audit.
- ✓ Claims for income tax refund requires presentation tax return **with the corresponding payment remitted to the BIR.**
- ✓ TCC may be applied against any internal revenue tax liability.



Failure to act on the application within the 180-day period gives rise to the remedy of appeal to the Court of Tax Appeals

Refund of Taxes – Erroneously or Illegally Collected Tax

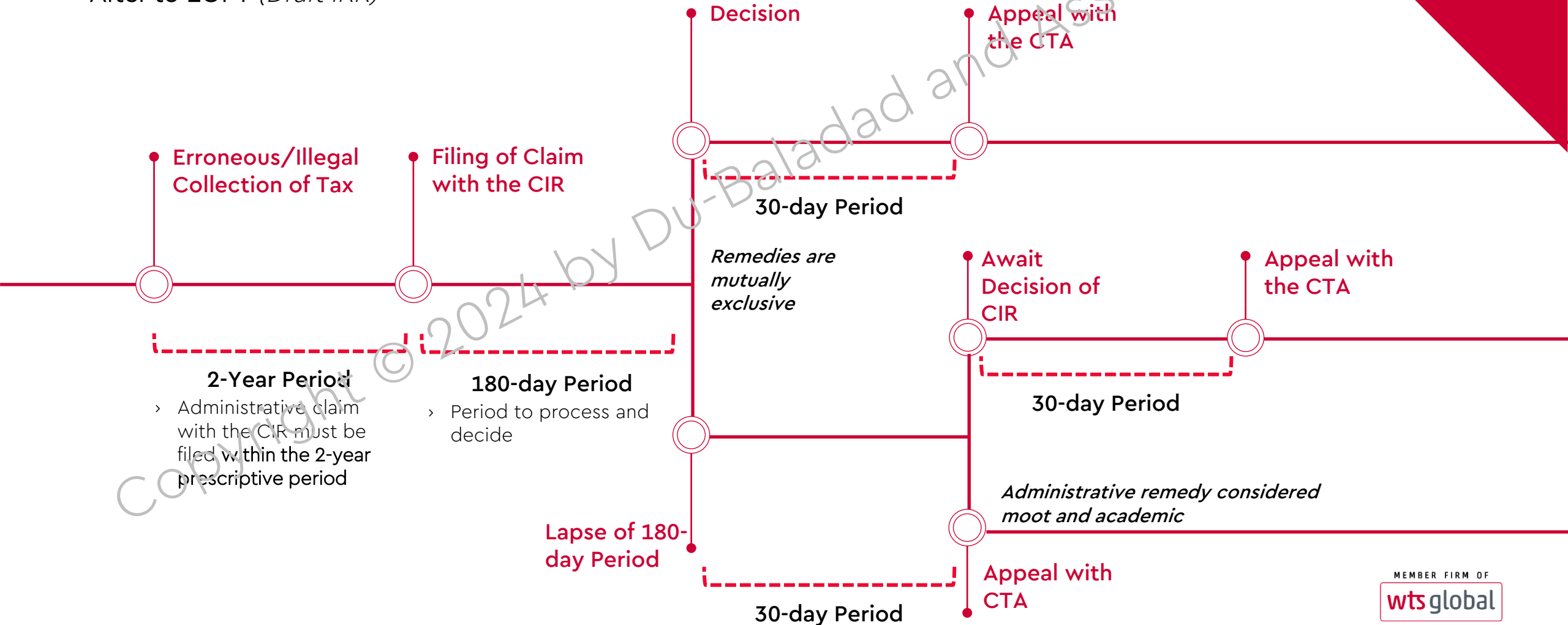
Prior to EOPT



- › Administrative claim with the CIR and appeal with the CTA must be filed within the 2-year prescriptive period

Refund of Taxes – Erroneously or Illegally Collected Tax

After to EOPT (*Draft IRR*)



Digitalization of BIR Services



Adoption of integrated digitalization strategy:

- ✓ Automated system for accepting and facilitating basic tax services;
- ✓ Electronic and online system for data and information exchange;
- ✓ Streamline procedures by adopting automation and digitalization to minimize face-to-face transactions; and
- ✓ Build-up technology capabilities.

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