

Tax Filing Tips and Reminders

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OUTLINE



Usual assessment suspects in the ITR

- › Revenues and expenses
- › Tax credits



Reminders in filing the Annual ITR

- › Due date
- › Methods of filing and payment
- › Attachments to the ITR



Taxable Income

27 Sales/Receipts/Revenues/Fees
28 Less: Sales Returns, Allowances and Discounts
29 Net Sales/Receipts/Revenues/Fees <i>(Item 27 Less Item 28)</i>
30 Less: Cost of Sales/Services
31 Gross Income from Operation <i>(Item 29 Less Item 30)</i>
32 Add: Other Taxable Income Not Subjected to Final Tax
33 Total Taxable Income <i>(Sum of Items 31 and 32)</i>
Less: Deductions Allowable under Existing Law
34 Ordinary Allowable Itemized Deductions <i>(From Part VI Schedule I Item 18)</i>
35 Special Allowable Itemized Deductions <i>(From Part VI Schedule II Item 5)</i>
36 NOLCO <i>[Only for those taxable under Sec. 27 (A to C); Sec. 28(A)(1)(A)(6)(b) of the Tax Code, as amended] (From Part VI Schedule III Item 8)</i>
37 Total Deductions <i>(Sum of Items 34 to 36)</i>
OR <i>[in case taxable under Sec 27(A) & 28(A)(1)]</i>
38 Optional Standard Deduction (OSD) <i>(40% of Item 33)</i>
39 Net Taxable Income/(Loss) <i>(If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)</i>

Revenues

- > Accrual

Cost of sales

- > Directly incurred expenses to produce the merchandise
- > Direct and necessary expenses incurred to provide the services

Deductions

- > Itemized deductions or OSD (40%)
 - Choice must be made in the first quarter of taxable year.



Income Tax Payable

43 Tax Due <i>(Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)</i>
Less: Tax Credits/Payments <i>(attach proof)</i>
44 Prior Year's Excess Credits other than MCIT
45 Income Tax Payment under MCIT from Previous Quarter/s
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s
47 Excess MCIT Applied this Current Taxable Year <i>(From Part VI Schedule IV Item 4)</i>
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter
50 Foreign Tax Credits, if applicable
51 Tax Paid in Return Previously Filed, if this is an Amended Return
52 Special Tax Credits <i>(To Part V Item 58)</i>
Other Tax Credits/Payments <i>(specify)</i>
53
54
55 Total Tax Credits/Payments <i>(Sum of Items 44 to 54) (To Part II Item 15)</i>
56 Net Tax Payable / (Overpayment) <i>(Item 43 Less Item 55) (To Part II Item 16)</i>

Income tax

- › RCIT (25%) v. MCIT (1%), whichever is higher
 - RCIT (25%) based on net taxable income
 - MCIT (1%) based on gross income

Creditable tax withheld

- › Must be supported by BIR Form No. 2307
 - Within the period of claim
 - Contains the name, TIN and address of the Company



Tax Overpayment

14 Tax Due (From Part IV Item 43)	
15 Less: Total Tax Credits/Payments (From Part IV Item 55)	
16 Net Tax Payable / (Overpayment) (Item 14 Less Item 15) (From Part IV Item 56)	
Add: Penalties	
17 Surcharge	
18 Interest	
19 Compromise	
20 Total Penalties (Sum of Items 17 to 19)	
21 TOTAL AMOUNT PAYABLE / (Overpayment) (Sum of Items 16 and 20)	
If overpayment, mark one (1) box only. (Once the choice is made, the same is irrevocable)	
<input type="checkbox"/> To be refunded <input type="checkbox"/> To be issued a Tax Credit Certificate (TCC) <input type="checkbox"/> To be carried over as tax credit for next year/quarter	

Refund/TCC

- > Two years from filing of Annual ITR

Carry-over

- Chosen option is irrevocable (*Rhombus Energy, Inc. v. Commissioner of Internal Revenue, G.R. No. 206362, August 1, 2018*).



Deductibility of Expenses

General Rule

- Ordinary and necessary in trade/business
- Paid/incurred during the taxable year
- Directly attributable to the conduct of trade
- Substantiated with sufficient evidence
- Subjected to withholding tax, if not exempt

Interest

- Reduced by 20% of interest income subjected to final tax

Losses

- Realized

Rental expense

- Actual rent incurred

Pension plans

- BIR-approved trustee = contributions
- Non-trustee = amount paid

Taxes and Licenses

- Deductible except:
 - Income tax
 - Foreign tax credit, unless taxpayer signifies his intention to deduct the same
 - Estate and donor's tax
 - Surcharges and penalties



Deductibility of Expenses

Bad debts

- Valid and legally demandable debt
- Ascertained worthless and charged off
 - Demand letters
 - Certification from lawyers
 - BOD resolution, approving of the write-off

Charitable and Other Donations

- Donations to government
- Donations to accredited NGOs
 - Notify BIR within 30 days > P50,000.00
 - Certificate of Donation

BIR Form No. 2322
December 2014

Name of Institution / Organization _____
Address _____
BIR Registration No. _____
Dated: _____ No. _____

CERTIFICATE OF DONATION
(To be filled up by the Donor)

Entertainment, Amusement and Recreation

- Spent for entertainment and representation
- Limitation:
 - Engaged in sale of services = \leq 1% of net revenues
 - Engaged in sale of goods = \leq 0.50% of net revenues



Due Date




Annual ITR

- On or before the 15th day of the fourth month following the close of taxable year
 - April 15 for calendar year



Filing and Payment

Companies with special tax regimes

BIR Form No. 1702-MX January 2018 (ENCS) Page 1m		Annual Income Tax Return Part V – Mandatory Attachments Per Activity		 1702-MX 01/18ENCS P1m	
Taxpayer Identification Number (TIN)			Registered Name		
0 0 0 0 0					
Part V – Mandatory Attachment per Activity (Schedules per Tax Regime)					
Mark “X” the applicable Tax Regime <input type="checkbox"/> Exempt <input type="checkbox"/> Special Rate					
If there are two or more activities/projects under Exempt and/or Special Tax Regimes, accomplish Part V-Mandatory Attachments per Activity.					



Filing and Payment

	eBIR Forms	eFPS	Manual
Filing	File electronically using the Offline eBIRForms Package v7.9.3	eFPS facility	File using pre-printed/downloadable return or return in the Offline eBIRForms Package
Payment	AABs/RCO/electronic payment	eFPS facility	AABs/RCO




Attachments to the ITR

- Certificate of Independent CPA duly accredited by the BIR
 - Audited Financial Statements (AFS)
 - Notes to AFS
 - Statement of Management Responsibilities (SMR)
 - BIR Form No. 1709 – Information Return on Transactions with Related Party, if applicable
 - BIR Form No. 2307- Certificate of Creditable Tax Withheld at Source
 - System generated Acknowledgement Receipt or Validation Report of electronically submitted Summary Alphalist of Withholding Taxes (SAWT) thru esubmission@bir.gov.ph
 - Proof of other tax credits (prior year/s' excess credits; foreign tax credits; in case of amended tax return, proof of tax payment and return previously filed)
 - Duly-approved Tax Debit Memo (TDM)
 - Certificate of Entitlement of Tax Incentive (CETI)
-
- Manual – upon filing of Annual ITR
 - eFPS/eBIRForms – within 15 days from filing or deadline of filing, whichever is later




BIR Form No. 2307 and 1709

BIR Form No. 2307 January 2018 (ENCS)	Certificate of Creditable Tax Withheld at Source	 2307 01/18ENCS
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BIR Form No. 2307

- Scanned copies are submitted.

BIR Form No. 1709 December 2020 (ENCS) Page 1	INFORMATION RETURN ON TRANSACTIONS WITH RELATED PARTY (FOREIGN AND/OR DOMESTIC) <small>Enter all required information in CAPITAL LETTERS using BLACK ink. Mark applicable boxes with an "X". Two copies must be filed with the BIR and one held by the Tax Filer.</small>	 1709 12/20ENCS P1
1 For the <input type="checkbox"/> Calendar <input type="checkbox"/> Fiscal	2 Year Ended (MM/YYYY)	3 Number of Sheet/s Attached

BIR Form No. 1709

- Mandatory filers:
 - Large taxpayers
 - Taxpayers enjoying tax incentives
 - With net operating losses for the current taxable year and immediately preceding two (2) consecutive taxable years
 - Related parties of these taxpayers above



eAFS (Electronic Audited Financial Statements System)

- Any taxpayer, may submit the filed ITR and its required attachments to the ITR on-line thru the eAFS of the BIR.
- Taxpayer shall keep the original copies of the digitally submitted documents.



Thank you for your attention.