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*BDB Law's "Tax Law for Business" appears in the opinion section of **Business Mirror** every Tuesday.*

Ease in Paying Taxes

With the onset of the tax-filing season, and in relation to the Ease of Doing Business (EODB) law mandating the efficient delivery of government services, let me stir this talk again about ease in paying taxes.

As early as last month, the BIR launched the tax-filing season with an earnest appeal for taxpayers to file and pay their taxes early and correctly. In response, taxpayers made a counter-appeal for the government to please do something to make payment of taxes less costly, easy and a pleasant experience they would look forward doing again.

For years, April 15 has been a hurdle, ending one's day with a sigh of "YES, I survived." This, notwithstanding the availability of an electronic payment and filing system. Happy for those who can hire professional help, they are blessed, but sadly, not many can afford one.

And I blame this on the tax structure that we have—a complicated tax system that is complicated further by complicated implementing rules, guidelines and procedures. The result is a complex web of inefficiencies, making the life of a taxpayer difficult.

This year could be different, especially for individuals engaged in business and with income of P3 million and below (the micro, small and medium enterprises). Taxpayers in this category are given the option of paying a single flat rate of 8 percent of gross sales or receipts in lieu of paying the regular multi-rated income tax and the 12-percent value-added tax. We call this a presumptive income tax.

Thanks to Tax Reform for Acceleration and Inclusion (TRAIN) 1, which introduced this simplified taxation precisely to encourage the MSMEs to surface, join the tax net, pay their taxes regularly and timely and without fear of being penalized.

With this simplification, the BIR is expected to simplify implementation, as well, to ensure achieving the intent and purpose of TRAIN 1. But, I would say, it is not just about simplification in the payment of taxes that this sector needs. It is a lot more than that.

What MSMEs need is a wholistic management approach where policies are specifically designed for them—a separate taxpayer segment with special needs, having its own peculiarities and behavior. A wholistic approach that runs the whole gamut of tax compliance—from registration, bookkeeping, invoicing, tax filing and payment, tax audit, collection procedures, up to closure of the business—is what this sector needs.

The MSMEs need assistance more than anyone else. Thus, policies should be directed more on tax assistance such as tax education, information, campaign to register and the like. Not strict tax enforcement, or they will hide more.

For example, assistance desks dedicated solely to MSMEs should be set up in all Bureau of Internal Revenue (BIR) payment centers and frontline offices ready to assist in registration, printing of invoices, filling up tax returns, payment of taxes, etc. Basic training on proper bookkeeping is also important. Simplifying tax forms is a must. TRAIN 1 mandates that tax returns should not exceed four pages. For MSMEs, perhaps a one-page simplified tax return can be done. For a long time, this sector has not been paid much attention to by the BIR, perhaps because it is more costly to run after them compared to the revenue potential to be generated. Instead, the BIR concentrated on large taxpayers already in the net, auditing them yearly, squeezing them for more payments and monitoring them regularly.

MSMEs comprise 99.56 percent of all businesses in the country, according to the 2017 data of the Philippine Statistics Authority (PSA). Compared to only more than 4,000 large businesses, their number runs close to a million, dominating the wholesale and retail trade sector (e.g., the *sari-sari* stores, parlor shops, tricycle repair, canteens and the like) and concentrated in the

National Capital Region, Central Luzon, Calabarzon and Central Visayas. Of this number, 89 percent are micro enterprises.

Is there really no revenue prospect from MSMEs? There is, and its not peanuts. My sense is, the almost a million figure from the PSA pertains only to those registered. The *sari-sari* stores alone are already more than a million, I heard. In which case, we are talking here of a lot bigger number of MSMEs.

The PSA report says that in terms of value added, the MSME sector contributes 35.7 percent of the total value added generated in the country. They account for 25 percent of the country's total exports revenue, normally through subcontracting arrangement with large firms, or as suppliers to exporting companies. This means that this taxpayer segment should be contributing at least 35 percent of the total revenue collection. A P1,000 monthly payment from each, for example, easily translates to P12-billion revenue collection.

The MSMEs have been crying for help, wanting to contribute their share. And so, we did our share.

Our firm, Du-Baladad and Associates, recently released a 10-pager handy pamphlet on "A Quick and Easy Tax Guide for MSMEs."

This was translated in Tagalog by the Women Business Council of the Philippines (Womenbiz) to cater to those who may find difficulty in English: "Isang Madali at Mabilis na Gabay sa Pagbabayad ng Buwis para sa MSMEs."

This booklet is given for free to MSMEs who may need a copy. It is our contribution to the tax education and assistance of MSMEs, a part of our firm's corporate social responsibility, which we have seriously taken upon ourselves to champion.

Any organization or association assisting or dealing with MSMEs may e-mail us for free copies. You can also download this from our web site at [www. bdblaw.com.ph](http://www.bdblaw.com.ph).

The author is the founding partner and CEO of Du-Baladad and Associates Law Offices (BDB Law), a member-firm of WTS Global.

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