



Tax Law  
for  
Business

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## **New ITR forms**

A FEW months ago the BIR issued Revenue Regulation 19-2011 requiring the use of new income-tax return (ITR) forms. The use of enhanced ITR forms shall be mandatory to all taxpayers who are required to file their income-tax returns as well as those not required but who nevertheless opt to do so. It covers calendar year 2011, which are due for filing on or before April 15, 2012. Likewise, judicial entities following fiscal year of reporting are required to use the new BIR Form 1702 starting with those covered under fiscal year ending January 31, 2012.

For this transition, the BIR has conducted several trainings and seminars to inform and educate the taxpayers of the changes in the income-tax returns.

What are some of the basic changes in these enhanced ITR forms?

Firstly, the new ITR forms were reformatted. Before, ITR were in a portrait format. But with the new form, it was finally decided that ITR be presented in a landscape format making it more reader-friendly. Also, instead of the usual marking of applicable information in the ITR, the enhanced ITR requires the taxpayer to actually shade the circles provided in each information portion. This is to facilitate the scanning of these ITRs. Beginning taxable year 2011, ITRs will now be scanned and stored in soft copies for easier reference and safekeeping.

Secondly, more information are needed and to be provided in the enhanced income-tax return. Aside from the usual information that a taxpayer provides in his tax return, he is also duty-bound to disclose his tax relief from special or international tax treaty, tax credits/payments with proofs attached, more detailed breakdown of penalty indicating whether it is an interest or surcharge, and details of payment. It is to be emphasized that these bits of information are required to be disclosed. Otherwise, a corresponding compromise penalty, at least, may be imposed by the BIR for noncompliance.

Thirdly, more attachments in the tax return are required. Attachments required include the following: Certificate of Independent CPA duly accredited by the BIR, Supplemental Form (Sched. 4) for taxpayers with multiple activities per tax regime, Account Information Form (AIF) and/or Financial Statements (FS), Statement of Management's Responsibility for Annual Income Tax Return, etc. Failure to include these attachments may prompt the BIR to consider the tax return as incomplete.

Fourthly, the specific itemized deductions, which used to be shown as schedule in the previous tax-return form have been eliminated. However, these itemized tax deductions, together with sales, cost of sales/services, taxes and licenses and non-operating and taxable other income are now required to be disclosed in the Notes to the Financial Statements.

Lastly, the new income-tax return has a supplemental information portion disclosing income of the taxpayer subjected to final tax as well as tax-exempt transactions. Unlike the previous tax return, the supplemental information details the income subjected to final tax providing at least the tax rate used and the base amount. For the 2011 taxable year, filling out the supplemental information is optional. The BIR has still to clarify whether the filling out of supplemental information for the taxable year 2012 shall be mandatory or required.

With the introduction of these enhanced ITRs, the BIR hopes the evaluation and review of tax returns will be a lot easier and manageable. However, considering that we are in a transition period, the BIR must be lenient in the appreciation and subsequently in the imposition of penalties due to errors in filling out these new forms.

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