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To insure promptness

TRUST me, after you savor this evening with your loved ones at your favorite restaurants, bars or cafés, two things will not fade away with the delicious and tasty food—the bill and the “tip.” The word “tip” is said to be an acronym for “to insure promptness,” which implies that tip should be given before and not after availing yourself the services.

Tip is a gratuity, something given freely without recompense, to insure an excellent service by the staffs to the customer. It is an act of liberality on the part of the customer directly given to an employee, and not accounted for by the employee to the employer. By nature, tips are voluntary or optional.

But as years went by, tips transformed from being “voluntary” to “mandatory.” Some establishments, such as hotels, restaurants and bars, now add a preset tip (usually at 10 percent) on top of the total bill, and renamed it as service charge. These service charges are required to be paid by customers regardless of the quality of the services they receive.

Applying the rules on taxation, voluntary tips left by customers in a separate amount over and above the total amount charged are not taxable on the part of the establishments. However, these voluntary tips are considered part of the taxable income of the employee, but not of the employer.

In contrast, mandatory tips can be considered as taxable income on the part of the establishments, unless the entire amounts of tips received are actually distributed to the employees. Some establishments have this practice though of keeping a portion of the total service charge to answer for breakages or losses. This practice is sanctioned by Article 96 of the Labor Code, which provides that service charges collected by hotels, restaurants and similar establishments shall be distributed at a rate of 85 percent for all covered employees and 15 percent for the management. Based on prevailing Bureau of Internal Revenue issuances, that part retained by the employer should form part of the establishments' taxable income.

To insure the collection of the income tax on the share of employees, the same shall be treated as compensation for services rendered as a result of an employer-employee relationship. This shall be included as part of the compensation subject to income tax and consequently to withholding tax. That the employee's share is being withheld for safekeeping and given a later time, or that such service charges are not accounted for in the books of account of the employer is immaterial in the determination of whether this is subject to withholding tax.

It is amazing that some patrons enjoy shelling out extra reward for services rendered by the staffs of hotels, restaurants, bars and similar establishments. Some would even provide more than the mandatory service charges required by the establishments. How I wish the same attitude is displayed by these customers with regard to the payment of taxes.

Same as tips, we should as well pay the right taxes in order to insure promptness for the delivery of public services by the government. As stressed by the High Court in the case of CIR v. Algue Inc., "Taxes are what we pay for a civilized society. Without taxes, the government would be paralyzed for lack of motive to activate and operate it. Hence, despite the natural reluctance to surrender part of one's hard-earned income to the taxing authorities, every person who is able must contribute his share in the burden of running the government. The government, for its part, is expected to respond in the form of tangible and intangible benefits intended to improve the lives of the people and enhance their material and moral values."

If we are willing to give tips for the quick services we expect from our favorite hotels, restaurants, cafés and similar establishment, we might as well be willing to religiously pay our taxes in return for the promptness of services we expect from our government.

If "taxes" is to be equated with "tip" the latter is for the superb food and services one avails himself of; while the former is for the security and enjoyment of the benefits of an organized society. Which do you prefer?

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