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TAX LAW FOR BUSINESS

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Tax reform highlights

AS of today, phase 1 of the proposed tax reform is yet to be signed into law. However, with the approval of the bicameral conference committee on the Tax Reform for Acceleration and Inclusion Act, it is almost certain that, by the start of next year, changes in the tax law will be in place.

As some groups would claim, prices of commodities will probably increase once the bill is signed into law, due to the imposition of higher excise taxes on petroleum and sweetened products. Prices of automobiles will likewise increase, with the imposition of higher excise taxes on automobiles, which shall now be computed at 4 percent for automobiles with net manufacturer's price/importer's selling price of up to P600,000; 10 percent for over P600,000 to P1 million; 20 percent for over P1 million up to P4 million; and 50 percent for over P4 million.

The good news is that, lower-income families, which comprise the majority of our population, are expected to recoup through a bigger net of tax take-home pay.

As approved by the bicameral conference committee, for individual income earners, taxable income of not over P250,000 a year shall now be exempt from income tax effective January 1,

2018. For income earners of over P250,000, graduated tax rate of 20 percent to a maximum rate of 35 percent shall be imposed. For those earning over P8 million a year, there is a slight increase on the maximum rate that will be imposed, from the maximum rate of 32 percent under the current tax system to 35 percent under the tax-reform package.

Self-employed individuals and/or professionals whose gross sales or gross receipts during the year do not exceed P3 million shall have the option to avail themselves of an 8- percent income tax on gross sales or gross receipts, in lieu of the graduated income-tax rates and percentage tax. For mixed-income earners, the income from compensation shall be taxed following the graduated tax rate of 20 percent to 35 percent, while the taxable income from business and other income shall be subject to either graduated tax rate of 20 percent to 35 percent, or at 8-percent tax based on gross sales or receipts in excess of the income subject to zero-percent tax, at the option of the taxpayer.

In sum, the tax reform aims at providing lower-income families a higher take-home pay amid possible increases in cost of some commodities brought about by higher excise tax on some products. Advocates say this is a good measure to increase economic activity.

On tax administration, significant to note is the simplification of the individual and corporate income-tax returns, from multipager returns to only two-pager returns, and shall only contain basic information, such as personal/corporate profile and information, gross sales or receipts, allowable deductions, taxable income and the income tax due and payable. This may be a good news for individual taxpayers. But for corporate taxpayers a two-pager return may not be sufficient to contain basic information.

Certainly, the proposed tax reform has some advantages and disadvantages. However, with this proposed tax-reform package, we expect the government to now be able to provide us better infrastructure, health, education, jobs and social protection, which are the very objectives it aimed to achieve.

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