

SENATE

'16 JUL 21 P3:07

S. No. 835

Introduced by Senator Ralph G. Recto

AN ACT
INSTITUTING A SIMPLIFIED TAX COMPLIANCE SYSTEM, AMENDING FOR THIS
PURPOSE SECTIONS 51(A), 52(A), 57, 58, 74, 75, 76, 77, 114(A), 128, 232(A) AND 235
OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND
FOR OTHER PURPOSES

Explanatory Note

This proposed measure seeks to provide a Simplified Tax Compliance System (STCS) for the purpose of improving the country's ease of doing business.

The system will provide a simplified form of Income Tax Return (ITR), reduce the frequency of filing various tax returns, increase the ceiling for the requirements to adopt a simplified bookkeeping and to have the books of accounts audited by a certified public accountant, and specifically provide that the keeping of books of accounts and other accounting records is only for a period of three years. Also, it removes the creditable withholding tax system on the purchase of goods and services.

Taxes are a burden on the taxpayers being an enforced proportional contribution of every individual to finance the operation of the government and other public needs. To mitigate such burden, the payment of taxes and other requirements should be made easy and convenient to comply with.

Under the existing system, the complexity of tax compliance forces small businessmen and entrepreneurs to hire accountants and bookkeepers. This would entail additional cost of doing business.

With the passage of this bill, there will be a significant reduction in the time, effort and money to be spent by the taxpayer in complying with requirements of the law for the payment of taxes. The taxpayers shall now file their ITRs and pay the taxes due thereon every six months instead of quarterly filing and payment. The filing of returns for value-added tax (VAT) and percentage tax and the payment of corresponding taxes due thereon shall now be made quarterly instead of monthly filing and payment.

The purpose and intent of this bill is to ease the burden of the taxpayers in complying with the requirements of the law for the payment of taxes. The objective is to broaden the tax base and this can be done by encouraging more businessmen, self-employed individuals, professionals, enterprises, corporations and other income earners to voluntarily file tax returns and pay the corresponding correct taxes due thereon.


In view of the foregoing, immediate approval of this bill is earnestly sought.


RALPH G. RECTO

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 **SECTION 1.** Section 51 of the National Internal Revenue Code of 1997, as amended, is
2 hereby further amended to read as follows:

3 “SECTION 51. Individual Returns. –

4 “(A) Requirements. –

5 “(1) xxx

6 “(2) xxx

7 “(3) xxx

8 “(4) xxx

9 “(5) **THE RETURN SHALL ONLY CONTAIN THE FOLLOWING**
10 **INFORMATION:**

11 **(a) PERSONAL PROFILE AND INFORMATION;**

12 **(b) GROSS SALES, RECEIPTS OR INCOME FROM**
13 **COMPENSATION FOR SERVICES RENDERED, CONDUCT**
14 **OF TRADE OR BUSINESS OR THE EXERCISE OF A**
15 **PROFESSION, EXCEPT INCOME SUBJECT TO FINAL TAX**
16 **AS PROVIDED UNDER THIS CODE;**

17 **(c) ALLOWABLE DEDUCTIONS UNDER THIS CODE;**

18 **(d) TAXABLE INCOME AS DEFINED IN SECTION 31 OF THIS**
19 **CODE; AND**

20 **(e) INCOME TAX DUE AND PAYABLE.”**

21 **SEC. 2.** Section 52 of the National Internal Revenue Code of 1997, as amended, is hereby
22 further amended to read as follows:

23 “SEC. 52. Corporation Returns. –

24 “(A) Requirements. – Every corporation subject to the tax herein imposed, except
25 foreign corporations not engaged in trade or business in the Philippines, shall render, in
26 duplicate, a true and accurate quarterly income tax return and final or adjustment return

1 in accordance with the provisions of Chapter XII of this Title. The return shall be filed by
2 the president, vice president or other principal officer, and shall be sworn to by such
3 officer and by the treasurer or assistant treasurer, **AND SHALL ONLY CONTAIN**
4 **THE FOLLOWING INFORMATION:**

5 “(1) **CORPORATE PROFILE AND INFORMATION;**

6 “(2) **GROSS SALES, RECEIPTS OR INCOME FROM THE**
7 **CONDUCT OF TRADE OR BUSINESS, EXCEPT INCOME**
8 **SUBJECT TO FINAL TAX AS PROVIDED UNDER THIS CODE;**

9 “(3) **ALLOWABLE DEDUCTIONS UNDER THIS CODE;**

10 “(4) **TAXABLE INCOME AS DEFINED IN SECTION 31 OF THIS**
11 **CODE; AND**

12 “(5) **INCOME TAX DUE AND PAYABLE.”**

13 **SEC. 3.** Section 57 of the National Internal Revenue Code of 1997, as amended, is hereby
14 further amended to read as follows:

15 “SEC. 57. *Withholding of Tax at Source.* –

16 “(A) xxx

17 “[B] *Withholding of Creditable Tax at Source.* – The Secretary of Finance may, upon
18 the recommendation of the Commissioner, require the withholding of a tax on the items of
19 income payable to natural or juridical persons, residing in the Philippines, by payor-
20 corporation/persons as provided by law, at the rate of not less than one percent (1%) but not
21 more than thirty-two percent (32%) thereof, which shall be credited against the income tax
22 liability of the taxpayer for the taxable year.]

23 “B[C] xxx”

24 **SEC. 4.** Section 58 of the National Internal Revenue Code of 1997, as amended, is hereby
25 further amended to read as follows:

26 “SEC. 58. *Return and Payment of Taxes Withheld at Source.* –

27 “(A) xxx.

28 “xxx

29 “The return for final withholding tax shall be filed and the payment made within
30 twenty-five (25) days from the close of each calendar quarter[, while the return for creditable
31 withholding taxes shall be filed and the payment made not later than the last day of the month
32 following the close of the quarter during which the withholding was made: *Provided*, That the
33 Commissioner, with the approval of the Secretary of Finance, may require these withholding
34 agents to pay or deposit the taxes deducted or withheld at more frequent intervals when
35 necessary to protect the interest of the government].

36 “(B) *Statement of Income Payments Made and Taxes Withheld.* – Every withholding
37 agent required to deduct and withhold **FINAL** taxes under Section 57 shall furnish each
38 recipient, in respect to his or its receipts during the calendar quarter or year, a written statement

1 showing the income or other payments made by the withholding agent during such quarter or
2 year, and the amount of the tax deducted and withheld therefrom, [simultaneously upon payment
3 at the request of the payee, but not later than the twentieth (20th) day following the close of the
4 quarter in the case of corporate payee, or not later than March 1 of the following year in the case
5 of individual payee for creditable withholding taxes. For final withholding taxes, the statement
6 should be given to the payee] on or before January 31 of the succeeding year.

7 “(C) *Annual Information Return.* – Every withholding agent required to deduct and
8 withhold **FINAL** taxes under Section 57 shall submit to the Commissioner an annual
9 information return containing the list of payees and income payments, amount of taxes withheld
10 from each payee and such other pertinent information as may be required by the Commissioner
11 **ON OR BEFORE JANUARY 31 OF THE SUCCEEDING YEAR.** [In the case of final
12 withholding taxes, the return shall be filed on or before January 31 of the succeeding year, and
13 for creditable withholding taxes, not later than March 1 of the year following the year for which
14 the annual report is being submitted. This return, if made and filed in accordance with the rules
15 and regulations approved by the Secretary of Finance, upon recommendation of the
16 Commissioner, shall be sufficient compliance with the requirements of Section 68 of this Title in
17 respect to the income payments.]

18 “xxx”

19 **SEC. 5.** The Title of Chapter XII of the National Internal Revenue Code of 1997, as
20 amended, is hereby further amended to read as follows:

21 “CHAPTER XII – [QUARTERLY CORPORATE INCOME TAX ANNUAL]
22 DECLARATION AND [QUARTERLY] PAYMENTS OF INCOME TAXES.”

23 **SEC. 6.** Section 74 of the National Internal Revenue Code of 1997, as amended, is hereby
24 further amended to read as follows:

25 “SEC. 74. – *Declaration of Income Tax for Individuals.* –

26 “[A] *In General.* –] Except as otherwise provided in this [Section] **CODE**, every
27 individual subject to income tax under Sections 24 and 25 (A) of this Title, who is receiving self-
28 employment income, whether it constitutes the sole source of his income or in combination with
29 salaries, wages and other fixed or determinable income, shall make and file a [declaration of his
30 estimated income for the current taxable year on or before April 15 of the same taxable year]
31 **SUMMARY DECLARATION OF GROSS INCOME AND DEDUCTIONS ON A**
32 **CUMULATIVE BASIS EVERY SIX (6) MONTHS UPON WHICH THE INCOME TAX,**
33 **AS PROVIDED IN TITLE II OF THIS CODE, SHALL BE LEVIED, COLLECTED AND**
34 **PAID.** In general, self-employment income consists of the earnings derived by the individual
35 from the practice of profession or conduct of trade or business carried on by him as a sole
36 proprietor or by a partnership of which he is a member. [Nonresident Filipino citizens, with
37 respect to income from without the Philippines, and nonresident aliens not engaged in trade or
38 business in the Philippines, are not required to render a declaration of estimated income tax. The

1 declaration shall contain such pertinent information as the Secretary of Finance, upon
2 recommendation of the Commissioner, may, by rules and regulations prescribe. An individual
3 may make amendments of a declaration filed during the taxable year under the rules and
4 regulations prescribed by the Secretary of Finance, upon recommendation of the Commissioner.]

5 “[(B) *Return and Payment of Estimated Income Tax by Individuals.* – The amount of
6 estimated income as defined in Subsection (C) with respect to which a declaration is required
7 under Subsection (A) shall be paid in four (4) installments. The first installment shall be paid at
8 the time of the declaration and the second and third shall be paid on August 15 and November 15
9 of the current year, respectively. The fourth installment shall be paid on or before April 15 of the
10 following calendar year when the final adjusted income tax return is due and filed.]

11 “[(C) *Definition of Estimated Tax.* – In the case of an individual, the term ‘estimated
12 tax’ means the amount which the individual declared as income tax in his final adjusted and
13 annual income tax return for the preceding taxable year minus the sum of the credits allowed
14 under this Title against the said tax. If during the current taxable year, the taxpayer reasonably
15 expects to pay a bigger income tax, he shall file an amended declaration during any interval
16 installment payment dates.]”

17 **SEC. 7.** Section 75 of the National Internal Revenue Code of 1997, as amended, is hereby
18 further amended to read as follows:

19 “**SEC. 75.** – *Declaration of [Quarterly] Corporate Income Tax.* – Every corporation
20 shall file in duplicate a [quarterly] summary declaration of its gross income and deductions on a
21 cumulative basis [for the preceding quarter or quarters] **EVERY SIX (6) MONTHS** upon which
22 the income tax, as provided in Title II of this Code, shall be levied, collected and paid. [The tax
23 so computed shall be decreased by the amount of tax previously paid or assessed during the
24 preceding quarters and shall be paid not later than sixty (60) days from the close of each of the
25 first three quarters of the taxable year, whether calendar or fiscal year.]”

26 **SEC. 8.** Section 76 of the National Internal Revenue Code of 1997, as amended, is hereby
27 further amended to read as follows:

28 “**SEC. 76.** *Final Adjustment Return.* – Every **INDIVIDUAL OR** corporation liable to
29 **INCOME** tax [under Section 27] shall file a final adjustment return covering the total taxable
30 income for the preceding calendar or fiscal year. If the [sum of the quarterly] tax payments made
31 during the said taxable year is not equal to the total tax due on the entire taxable income of that
32 year, the **INDIVIDUAL OR** corporation shall either:

33 “(A) xxx

34 “(B) xxx

35 “(C) xxx

36 “[In case the corporation is entitled to a tax credit or refund of the excess
37 estimated quarterly income taxes paid, the excess amount shown on its final adjustment
38 return may be carried over and credited against the estimated quarterly income tax

1 liabilities for the taxable quarters of the succeeding taxable years. Once the option to
2 carry-over and apply the excess quarterly income tax against income tax due for the
3 taxable quarters of the succeeding taxable years has been made, such option shall be
4 considered irrevocable for that taxable period and no application for cash refund or
5 issuance of a tax credit certificate shall be allowed therefor.]”

6 **SEC. 9.** Section 77 of the National Internal Revenue Code of 1997, as amended, is hereby
7 further amended to read as follows:

8 “SEC. 77. *Place and Time of Filing and Payment of [Quarterly Corporate]*
9 *Income Tax.* –

10 “(A) *Place of Filing.* – Except as the Commissioner otherwise permits, the
11 [quarterly] income tax declaration required in Sections **74 AND 75** and the final
12 adjustment return required in Section 76 shall be filed with the authorized agent banks or
13 Revenue District Officer or Collection Agent or duly authorized Treasurer of the city or
14 municipality having jurisdiction over the location of the principal office of the
15 [corporation] **TAXPAYER** filing the return or place where its main books of accounts
16 and other data from which the return is prepared are kept.

17 “(B) *Time of Filing the Income Tax Return.* – The [corporate quarterly] **INCOME**
18 **TAX** declaration **REQUIRED IN SECTIONS 74 AND 75** shall be filed within sixty
19 (60) days following the close of [each of] the first [three (3) quarters] **SIX (6) MONTHS**
20 of the taxable year. The final adjustment return **REQUIRED IN SECTION 76** shall be
21 filed on or before the fifteenth (15th) day of April, or on or before the fifteenth (15th) day
22 of the fourth (4th) month following the close of the fiscal year, as the case may be.

23 “(C) *Time of Payment of the Income Tax.* – The income tax due on the [corporate
24 quarterly returns] **INCOME TAX DECLARATION** and the final adjustment income
25 tax returns computed in accordance with Sections **74, 75** and **76** shall be paid at the time
26 the declaration or return is filed in a manner prescribed by the Commissioner.”

27 **SEC. 10.** Section 114 of the National Internal Revenue Code of 1997, as amended, is
28 hereby further amended to read as follows:

29 “SEC. 114. *Return and Payment of Value-added Tax.* –

30 “(A) *In General.* – Every person liable to pay the value-added tax imposed under
31 this Title shall file a quarterly return of the amount of his gross sales or receipts **AND**
32 **PAY THE TAX DUE THEREON** within twenty-five (25) days following the close of
33 each taxable quarter prescribed for each taxpayer[: *Provided, however, That VAT-*
34 *registered persons shall pay the value-added tax on a monthly basis*].”

35 **SEC. 11.** Section 128 of the National Internal Revenue Code of 1997, as amended, is
36 hereby further amended to read as follows:

37 “SEC. 128. *Returns and Payment of Percentage Taxes.* –

38 “(A) xxx

1 “(1) xxx

2 “(2) xxx

3 “[3] *Exceptions.* – The Commissioner may, by rules and regulations, prescribe:]

4 “[a] The time for filing the return at intervals other than the time prescribed in
5 the preceding paragraphs for a particular class or classes of taxpayers after considering
6 such factors as volume of sales, financial conditions, adequate measures of security, and
7 such other relevant information required to be submitted under the pertinent provisions of
8 this Code; and]

9 “[b] The manner and time of payment of percentage taxes other than as
10 hereinabove prescribed, including a scheme of tax prepayment.]”

11 **SEC. 12.** Section 232 of the National Internal Revenue Code of 1997, as amended, is
12 hereby further amended to read as follows:

13 “SEC. 232. *Keeping of Books of Accounts.* –

14 “(A) *Corporations, Companies, Partnerships or Persons Required to Keep Books of*
15 *Accounts.* – All corporations, companies, partnerships or persons required by law to pay internal
16 revenue taxes shall keep a journal and a ledger or their equivalents: *Provided, however,* That
17 those whose [quarterly] ANNUAL sales, earnings, receipts, or output do not exceed [Fifty
18 thousand pesos (P50,000)] **THREE HUNDRED THOUSAND PESOS (P300,000)** shall keep
19 and use a simplified set of bookkeeping records duly authorized by the Secretary of Finance
20 wherein all transactions and results of operations are shown and from which all taxes due the
21 Government may readily and accurately be ascertained and determined any time of the year:
22 *Provided, further,* That corporations, companies, partnerships or persons whose gross [quarterly]
23 ANNUAL sales, earnings, receipts or output exceed [One hundred fifty thousand pesos
24 (P150,000)] **TWO MILLION PESOS (P2,000,000)**, shall have their books of accounts audited
25 and examined yearly by independent Certified Public Accountants and their income tax returns
26 accompanied with a duly accomplished Account Information Form (AIF) which shall contain,
27 among others, information lifted from certified balance sheets, profit and loss statements,
28 schedules listing income-producing properties and the corresponding income therefrom and other
29 relevant statements[.]: **PROVIDED, FINALLY, THAT NOT LATER THAN SIX (6) YEARS**
30 **AFTER THE EFFECTIVITY OF THIS ACT AND EVERY SIX (6) YEARS**
31 **THEREAFTER, THE PRESIDENT OF THE PHILIPPINES SHALL ADJUST THE**
32 **AMOUNT HEREIN STATED TO ITS PRESENT VALUE USING THE CONSUMER**
33 **PRICE INDEX (CPI), AS PUBLISHED BY THE PHILIPPINE STATISTICS**
34 **AUTHORITY (PSA).”**

35 **SEC. 13.** Section 235 of the National Internal Revenue Code of 1997, as amended, is
36 hereby further amended to read as follows:

37 “SEC. 235. *Preservation of Books of Accounts and Other Accounting Records.* –

38 All the books of accounts, including the subsidiary books and other accounting records of

1 corporations, partnerships, or persons, shall be preserved by them for a period **OF**
2 **THREE (3) YEARS** beginning from the last entry in each book until the last day
3 prescribed by Section 203 within which the Commissioner is authorized to make an
4 assessment. The said books and records shall be subject to examination and inspection by
5 internal revenue officers: *Provided*, That for income tax purposes, such examination and
6 inspection shall be made only once in a taxable year, except in the following cases:

7 “(a) xxx

8 “(b) xxx

9 “(c) xxx

10 “(d) xxx

11 “(e) xxx

12 “xxx”

13 **SEC. 14. *Implementing Rules and Regulations.*** - The Secretary of Finance, shall, upon the
14 recommendation of the Commissioner of Internal Revenue, promulgate not later than thirty (30)
15 days upon the effectivity of this Act the necessary rules and regulations for its proper and
16 effective implementation.

17 **SEC. 15. *Separability Clause.*** - If any provision of this Act is declared unconstitutional or
18 invalid, other parts or provisions hereof not affected thereby shall continue to be in full force and
19 effect.

20 **SEC. 16. *Repealing Clause.*** - All laws, orders, issuances, circulars, rules and regulations
21 or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or
22 modified accordingly.

23 **SEC. 17. *Effectivity.*** - This Act shall take effect fifteen (15) days after its publication in
24 the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,