TAX GUIDE FOR PROFESSIONALS

A Quick and Easy Primer on Paying Your Taxes

Bureau of Internal Revenue
Taxpayer Assistance Service
Taxpayer Information and Education Division
WHO ARE PROFESSIONALS?

Professional, classified as self-employed, refers to an individual or a group, practicing his or their profession or calling, with or without license under a regulatory board or body.

WHAT ARE THE REGISTRATION REQUIREMENTS?

**Documentary Requirements**

**For Individuals:**

1. Birth Certificate or any documents showing name, address, and birth date;
2. Mayor’s Permit, if applicable;
3. DTI Certificate of Business Name to be submitted prior to issuance of the Certificate of Registration or BIR Form No. 2303, if applicable;
4. Professional Regulation Commission ID, if applicable; and
5. Payment of Professional Tax Receipt (PTR) from the local government, if applicable

**For Corporations or Partnerships:**

1. Certificate of registration with the Securities and Exchange Commission
2. Mayor’s Permit
3. Partnership Agreement

Procedures

Step 1. Accomplish Application for Registration --- BIR Form 1901 (for individuals) or 1903 (for corporations or partnerships) with the applicable attachments, and submit to the Revenue District Officer (RDO) having jurisdiction over the principal place of business (for newly registered Professionals)

Note: The Professional may electronically secure TIN through e-TIN at the BIR Website at [www.bir.gov.ph](http://www.bir.gov.ph) or the BIR Portal at [www.my.bir.gov.ph](http://www.my.bir.gov.ph)

Step 2. Pay the registration fee of P500.00 using BIR Form 0605 (Payment Form) to any Authorized Agent Bank (AAB) located within the RDO

Note: The Professional should also register and pay the corresponding Registration Fee for each separate or distinct establishment.

Step 3. Attend the required taxpayer’s briefing at the RDO before the release of the BIR Certificate of Registration (COR) or BIR Form No. 2303, which reflects the returns that must be filed and the taxes to be paid
Step 4. Apply for Invoices/Receipts using BIR Form No. 1906 – Authority to Print

Note: The COR must be conspicuously displayed in the Professional’s place of business.

Note: An “Ask for a Receipt” Notice (ARN) must be posted conspicuously in the Professional’s business establishment.

Step 5. Register books of accounts (Journal / Ledger / Subsidiary Professional Income Book and Subsidiary Purchases/Expenses Book) and have them stamped by the RDO where the Professional is registered

Step 6. Update registration information, if needed, using BIR Form No. 1905 (change of registered address, personal exemptions, additional tax types, etc.) Submit this at the RDO having jurisdiction over the place of business

REGISTRATION REMINDER:
The BIR conducts a Tax Compliance Verification Drive (TCVD) or tax mapping operations to monitor if the taxpayer is complying with his registration requirements particularly on COR, ARN and books of accounts.

WHAT ARE THE BOOKEEPING REQUIREMENTS?

Professionals are required to maintain books of accounts using any acceptable method of accounting (accrual or cash basis) in a consistent manner. The same shall be preserved within the prescriptive period (3 years from the close of taxable year) for post audit examination.

For professionals whose quarterly revenues exceed one hundred fifty thousand pesos (P150,000.00), they shall have their books of accounts audited and examined by an independent Certified Public Accountant (CPA) in order to give an independent opinion regarding its financial condition. In addition, their annual returns shall be accompanied with certified balance sheets, profit and loss statements and other relevant documents.

WHAT ARE THE INVOICING REQUIREMENTS?

1. Receipts or sales or commercial invoices shall be serially numbered

2. Among other things, the name, business style, the TIN and business address of the Professional shall be shown

3. Receipts or invoices shall be issued by the Professional for every payment received
4. The original of each receipt or invoice shall be issued to the client at the time the transaction is effected and the duplicate shall be preserved in the place of business for a period of 3 years from the close of the taxable year.

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* A taxpayer engaged in business or in the practice of profession shall choose either optional or itemized deduction.

Method of Allowable Deductions

Optional Standard Deduction – There shall be allowed as deduction a maximum of 10% of gross income. A taxpayer who opts to avail of this deduction need not submit the Account Information Form (AIF)/Financial Statements.

Itemized Deduction – There shall be allowed as deduction from gross income all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on or which are attributable to the development, management, operation and/or conduct of the trade, business or exercise of profession including a reasonable allowance for salaries, travel, rental and entertainment expense.

The following are the itemized deductions:
- Salaries, Wages and Other Employee’s Benefits

What are the BIR Requirements?

1. Registration Fee (RF)

- An Annual Registration Fee of P500.00 shall be paid on or before the last day of January every year after the initial registration.

2. Computation of Taxes Due

2.1 Income Tax

2.1.1 Tax Rate for Individuals - 5 – 32%
• Charitable Contributions
  Individual -10% of Net Income before Charitable Contributions
• Research and Development
• Amortization of Pension Trust Contribution
• Miscellaneous
• Professional Fees
• Insurance Expenses
• Light and Power, Telephone and Telegraph
• Miscellaneous Expenses

Sufficient Evidence:
• Official Receipts (OR)
• Cash/Sales Invoice
• Payroll
• Vouchers
• Bank Statements
• Debit/Credit Memo

2.1.2  Tax Rate for Corporations / Partnerships - 35%

2.2  Expanded Withholding Tax (EWT) Rate to be used by Withholding Agents of Professionals:

15% if total professional fees exceed P 720,000.00 for the current year; or
10% if total professional fees total P 720,000.00 and below the current year
To determine the applicable tax rate to be applied/wthheld, every Professional shall periodically disclose his gross income for the current year to the BIR Regional Office by submitting a Notarized Sworn Declaration in three (3) copies.

2.3 Business Taxes

Business tax rates may either be:

2.3.1 **Value Added Tax (VAT)** - 12% if gross professional fees exceed P1,500,000.00 for a 12-month period; or

2.3.2 **Percentage Tax (PT) or NON-VAT** - 3% if gross professional fees total P1,500,000.00 and below for a 12-month period.

**VAT Receipt from Producer**

The total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the VAT; provided that:

- The amount of tax shall be shown as a separate item in the invoice or receipts

- Excess Input Tax is subject to 70% of Output.

**How to compute the VAT?**

1. \[ \text{TOTAL OUTPUT TAX or TOTAL SALES} \times 12\% \]
2. \[ \text{TOTAL INPUT TAX or TOTAL PURCHASES} \times 12\% \]
3. \[ \text{VAT PAYABLE} \]

**Example:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Receipts (Inclusive of VAT)</td>
<td>P 112,000</td>
</tr>
<tr>
<td>Less: 112,000 / 1.12 x 12%</td>
<td>12,000</td>
</tr>
<tr>
<td>VAT PAYABLE</td>
<td>P 100,000</td>
</tr>
</tbody>
</table>

**How to Compute the Percentage Tax?**

1. **Net amount received**
2. **Add: 10% Expanded Withholding Tax**
3. **Total Professional Fee**
4. **Multiply by 3% percentage tax**
5. **Percentage Tax Due**

**WHERE CAN A PROFESSIONAL FILE & PAY THE TAX DUE?**

- The return shall be manually filed and paid with any Authorized Agent Bank (AAB) within the Revenue District Office (RDO) where the Professional is registered or required to register. In the absence of an AAB, with a Revenue Collection Officer (RCO) or duly Authorized City or Municipal Treasurer who shall issue a Revenue Official Receipt (BIR Form No. 2524).
• In case there is no payment to be made, the return shall be filed with the RDO where the Professional is registered.

• eFiling and ePayment can also be made with the BIR’s Electronic Filing and Payment System (eFPS) in accordance with the provisions of existing applicable revenue issuances and Globe G-Cash (with threshold amounts).

Reminder:
Under the Run After Tax Evaders (RATE) program, the BIR and DOF investigate and prosecute individuals and/or entities engaged in tax evasion.

Reminder:
The Professional needs to file a return even when there is no payment to be made.

Reminder:
The BIR’s Integrated Tax System (ITS) detects non-filing or non-payment of tax returns by a taxpayer.

Note: THIRD PARTY INFORMATION. The BIR links up with government & other organizations to use their database.
WHAT ARE THE TAX FORMS & THEIR DUE DATES?

1. Payment form (individuals/corporations/partnerships)
   0605 On or before the last day of January every year after the initial registration

2. Income Tax – for individuals
   1701Q 1Q  Jan-Mar  Apr 15
   1701Q 2Q  Apr-Jun   Aug 15
   1701Q 3Q  July-Sept Nov. 15
   1701 final Jan-Dec  Apr 15 FF YR

3. Income Tax – Corporations or Partnerships
   1702Q 60 Days end of quarter
   1702 Calendar – Apr 15 FF YR
   Fiscal 15th day of the 4th month ff. the end of the taxable year

4. Value Added Tax
   2550M 20th day of succeeding month
   2550Q* 25th day of the month following the end of a particular quarter

5. Percentage Tax
   2551M 20th day after the end of each month

* Together with the Summary List of Sales & Purchases where total sales exceed Php 2.5M or total purchases exceed Php 1M

Pay The Right Taxes