

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.

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)

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

Note: The Professional may electronically secure TIN through e-TIN at the BIR Website at www.bir.gov.ph or the BIR Portal at 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

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

Step 4. Apply for Invoices/Receipts using BIR Form No. 1906 – Authority to Print

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.

JUAN DELA CRUZ		No. 087585
Internal Medicine Room 101, Philippine Medical Center, Q. C. TIN:115-385-076-000 VAT		
Name of Patient: Yasmien B. Gancayco		Date: xxx
Address: 88 Liwayway St., Brgy. South Triangle, Q. C.		
	Professional Fees	VATable
	Php 750.00	
VATable Transaction		Php 750.00
TOTAL		Php 750.00
12% VAT		Php 90.00
Total Account Payable		Php 840.00
Not to be issued for non-VAT/Exempt Sales of Goods, properties or services. If issued sale shall be subject to 12% VAT		
8000 Booklets BIR OCN 2GH00000890508 EIA Printing Press 90 Block 2, Deedemoire, West Avenue, Q. C.		

HOW TO COMPUTE THE INDIVIDUAL INCOME TAX (EXAMPLE)

Gross Receipt	Php 1,000,000.00
Less: Allowable deductions*	Php (600,000.00)
Personal Exemptions	Php (32,000.00)
Additional Exemptions (4 children x Php 8,000.00)	Php (32,000.00)
TAXABLE INCOME	Php 336,000.00
TAX DUE (based on tax table in BIR Form 1701)	Php 75,800.00
Less: Creditable Withholding Tax	Php (60,000.00)
Php 400,000 x 15%	
Income Tax Payable	PHP 15,800.00

* 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%

- Fringe Benefits
 - SSS, GSIS, Medicare, HDMF and other Contributions
 - Commission
 - Outside Services
 - Advertising
 - Rental
 - Insurance
 - Royalties
 - Repairs and Maintenance
 - Representation and Entertainment-limitation:
1/2 % -- seller of goods (based on net sales)
1% -- seller of service (based on net revenue)
 - Transportation and Travel –here and abroad
 - Fuel and Oil
 - Communication, Light and Water
 - Supplies
 - Interest -paid or incurred during the taxable year of indebtedness
Provided: Interest expense shall be reduced by an amount equal to the following percentages of interest income subjected to final tax:
42%-July 1, 2005-December 31, 2008
 - Taxes and Licenses
 - Losses-actually sustained during the taxable year & not compensated for by insurance or other forms of indemnity shall be allowed if incurred in trade or business
 - Bad Debts - Actually ascertained to be worthless & charged off within the taxable year
 - Depreciation
 - Amortization and Intangibles
 - Depletion
 - 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/withheld, 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.

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

How to compute the VAT?

$$\frac{\text{TOTAL OUTPUT TAX or TOTAL SALES} \times 12\%}{\text{TOTAL INPUT TAX or TOTAL PURCHASES} \times 12\%}$$

VAT PAYABLE

Example:

TOTAL RECEIPTS (Inclusive of VAT)	P 112,000
Less: $112,000 / 1.12 \times 12\%$	12,000
VAT PAYABLE	P 100,000

Note: The expanded withholding tax being deducted by the withholding agent is merely an advance payment and NOT THE FULL PAYMENT of income tax due, if any, from the Professional.

How to Compute the Percentage Tax?

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 P 1,500,000.00 and below for a 12-month period.

Net amount received	Php XXX
Add: 10% Expanded Withholding Tax	<u>Php XXX</u>
Total Professional Fee	Php XXX
Multiply by 3% percentage tax	<u>Php XXX</u>
Percentage Tax Due	Php XXX

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

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.

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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-June	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

BIR CONTACT CENTER: 981-8888

BIR WEBSITE: www.bir.gov.ph