Highlights of Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN)*

I. INTRODUCTION

On December 19, 2017, the President signed into law Package 1 of the Comprehensive Tax Reform Program also known as the Tax Reform for Acceleration and Inclusion (TRAIN) as Republic Act (RA) No. 10963[1]. The law provides for the amendments to several provisions of the National Internal Revenue Code of 1997 (NIRC of 1997) on personal income taxation, passive income for both individuals and corporations, estate tax, donor's tax, value-added tax (VAT), excise tax, documentary stamp tax (DST), and tax administration, among others. It likewise introduced new taxes such as the excise tax on cosmetic surgery and sugar-sweetened beverages.

The additional revenues that will be generated in the implementation of the Act shall be used to fund the President's priority infrastructure and social programs that will ultimately benefit the poor.

RA 10963 was published in the Philippines' Official Gazette last December 27, 2017 and will take effect on January 1, 2018.

II. HIGHLIGHTS OF THE REFORMS UNDER RA 10963[2]

The following are the highlights of the reforms introduced by RA 10963 to the NIRC of 1997.

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* With inputs from Direct Taxes Branch, Indirect Taxes Branch, Economics Branch, Special Research and Technical Services Branch, NTRC.

[1] Entitled, "An Act Amending Sections 5, 6, 24, 25, 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 232, 236, 237, 249, 254, 264, 269, and 288; Creating New Sections 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, 264-B, and 265-A; and Repealing Sections 35, 62, and 89; All Under Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, As Amended, and For Other Purposes."

[2] Details of the reforms under RA 10963 are presented in the Comparative Tax Provisions Under the Present Tax Regime Vis-à-Vis Republic Act No. 10963 which is included in this issue of the NTRC Tax Research Journal

A. On Personal Income Tax (PIT)

1. Restructures the personal income tax schedule, with separate schedules for compensation income earners (CIEs), purely self-employed individuals and/or professionals (SEPs) whose gross sales or gross receipts and other non-operating income do not exceed the value-added tax (VAT) threshold and mixed income earners;

2. Reduces the number of tax brackets from seven (7) to six (6);

3. Exempts from the tax the first PhP250,000 annual taxable income of taxpayers;

4. Sets the highest amount of taxable income at more than PhP8 million and subjecting it to a higher marginal rate of 35%;

5. Simplifies the PIT system by integrating the basic personal and additional exemptions and premiums paid on health and/or hospitalization insurance into the PhP250,000 exempt threshold;

6. Retains the non-taxability of mandatory contributions such as those made to the Government Service Insurance System, Social Security System, PhilHealth, Pag-IBIG Fund and union dues;

7. Retains the exemption from the tax of *de minimis* benefits;

8. Increases the amount of tax-exempt benefits ceiling of 13th month pay and other benefits from PhP82,000 to PhP90,000; deletes the previous provision for the ceiling to be adjusted every three (3) years to its present value using the Consumer Price Index (CPI) as published by the National Statistics Office [now the Philippine Statistics Authority (PSA)];

9. Imposes a 20% final tax on Philippine Charity Sweepstakes Office (PCSO) and Lotto Winnings exceeding PhP10,000;

10. Increases the final tax imposed on interest income derived by an individual taxpayer (except a nonresident individual) from a depository bank under the expanded foreign currency deposit system from 7.5% to 15%;

11. Imposes a 15% single rate of tax on net capital gains realized by an individual from the sale, barter, exchange or other disposition of shares of stock in a domestic corporation that are not traded in the local stock exchange;

12. Provides that employees of regional headquarters (RHQs), regional operating headquarters (ROHQs), offshore banking units (OBUs) and petroleum service contractors and subcontractors enjoying preferential tax rate of 15% of gross compensation income shall continue to do so until the end of their current

employment **(VETOED)**[3]. Such preferential tax treatment shall not be applicable to employees of RHQs, ROHQs, OBUs and petroleum service contractors and subcontractors registered with the Securities and Exchange Commission (SEC) after January 1, 2018;

13. Increases the fringe benefits tax (FBT) rate from 32% to 35% beginning January 2018; and

14. Inserts a provision that the Optional Standard Deduction by a general partnership (GPP) may only be availed once, either by the GPP or the partners comprising such partnership.

B. On Corporate Income Tax

1. Removes the PCSO in the list of tax-exempt government-owned-and-controlled corporations;

2. Increases the final tax imposed on interest income derived by a domestic corporation from a depository bank under the expanded foreign currency deposit system from 7.5% to 15%; and

3. Imposes a 15% single rate of tax on net capital gains realized by domestic corporations from the sale, exchange or other disposition of shares of stock in a domestic corporation that are not traded in the local stock exchange.

C. On Estates and Trusts

1. Removes the exemption allowed to income of estates and trusts amounting to PhP20,000.00.

D. On Estate Tax

1. Simplifies the estate tax schedule, from a six-bracket schedule with rates ranging from 5% to 20%, to a single rate of 6% based on the value of the net estate;

2. Removes the deductions from gross estate pertaining to actual funeral expenses, judicial expenses, and medical expenses but increases the amount of standard deduction from PhP1 million to PhP5 million;

3. Retains the current deductions from gross estate pertaining to claims against the estate, claims of the deceased against insolvent persons, unpaid mortgages, or any

[3] While the Act provides that those presently availing the 15% preferential tax treatment shall continue to enjoy the same, this provision was vetoed by the President citing in his Veto Message that the said provision is violative of the Equal Protection Clause under Section 1, Article III of the 1987 Constitution, as well as the rule of equity and uniformity in the application of the burden of taxation. It was emphasized that the overriding consideration is the promotion of fairness of the tax system for individuals performing similar work. Hence, employees of the said firms shall follow the regular tax rates applicable to other individual taxpayers.

indebtedness, property previously taxed, transfers for public use, family home and amount received by heirs under RA 4917;

4. Increases the amount of deduction for family home from up to PhP1 million to up to PhP10 million and removal of the *sine qua non* condition for the exemption or deduction, that the family home must have been the decedent's family home as certified by the barangay captain of the locality;

5. Removes the deductions for nonresident estates pertaining to expenses, losses, indebtedness, and taxes but provides for a standard deduction amounting to PhP500,000;

6. Deletes the provision that requires executor, administrator or anyone of the heirs to include in the estate tax return that part of the nonresident alien's gross estate not situated in the Philippines to be able to claim deductions;

7. Repeals the provision requiring the filing of notice of death of the decedent by his/her executor, administrator or any of the legal heirs within two (2) months after the decedent's death;

8. Deletes the phrase "or where, though exempt from tax, the gross value of the estate exceeds Two hundred thousand pesos (P200,000)" emphasizing the need to file an estate tax return of the subject estate;

9. Increases the amount of gross value of estate provided in estate tax returns that requires to be supported with a statement duly certified by a Certified Public Accountant from PhP2,000,000 to PhP5,000,000;

10. Extends the period within which the estate tax return should be filed, from six (6) months to one (1) year from the decedent's death;

11. Inserts an additional provision which provides for the payment by installment in case the available cash of the estate is insufficient to pay the total estate tax due. Payment shall be allowed within two (2) years from the statutory date for its payment without civil penalty and interest; and

12. Removes the PhP20,000 limit on the amount of money that may be withdrawn from the bank account of the decedent without certification from the BIR and allows for the withdrawal of any amount but subject to a final withholding tax of six percent (6%).

E. On Donor's Tax

1. Simplifies the donor's tax schedule from an eight-bracket schedule with rates ranging from 2% to 15% to a single tax rate of 6% of total gifts in excess of PhP250,000. The 6% tax rate likewise applies if the donee is a stranger;

2. Inserts an additional provision under Section 100 of the NIRC of 1997, as amended, which provides that a bona fide, at arm's length and donative-intent free sale, exchange or other transfer of property made in the ordinary course of business shall be considered as made for an adequate and full consideration in money or money's worth and is therefore not subject to the donor's tax; and

3. Deletes the provision exempting from the donor's tax dowries or gifts made by parents to each of their legitimate, recognized natural, or adopted children on account of marriage.

F. On Returns and Payment of Tax

1. Inserts a new provision under Section 51(A) of the NIRC of 1997, as amended, as subsection (5), setting the maximum number of pages of an individual income tax return (ITR) to four (4) pages, in paper or electronic form, and the information that it should only contain;

2. Designates a new Section 51-A providing for the substituted filing of ITR by employees receiving purely compensation income from only one employer in the Philippines for the calendar year and whose income tax has been withheld correctly by the said employer;

3. Adjusts the date of payment of the second installment of income tax for both individuals and corporations, from on or before July 15 to on or before October 15 following the close of the calendar year;

4. Sets the range of creditable withholding tax by payor-corporations/persons on items of income payable to natural or juridical persons beginning January 1, 2019 from not less than 1% to not more than 32% to not less than 1% to not more than 15% of the income payment;

5. Sets a uniform period within which the return for final and creditable withholding taxes shall be filed and payment thereof shall be made, that is, not later than the last day of the month following the close of the quarter during which the withholding was made;

6. Adjusts the period within which an individual receiving self-employment income, whether it constitutes the sole source of his income or in combination with salaries, wages and other fixed or determinable income, shall make and file a declaration of his estimated income for the current taxable year from on or before April 15 to on or before May 15 of the same taxable year;

7. Adjusts the period within which the fourth installment of the estimated income tax by individuals under Section 74(A) of the NIRC of 1997, as amended, shall be paid from on or before April 15 to on or before May 15 of the following calendar year when the final adjusted ITR is due to be filed; and

8. Inserts additional provisions under Section 52(A) of the NIRC of 1997, as amended, setting the number of pages of the ITR of a corporation to a maximum of four (4) pages, in paper or electronic form, and the information that it should only contain.

G. On Value-Added Tax (VAT)

1. On VAT zero-rating

a. Removes the following transactions from VAT zero-rating and now subject to the 12% VAT, upon the establishment and implementation of an enhanced VAT refund system, viz.:

   i. Sale of raw materials or packaging materials to a non-resident buyer for delivery to a non-resident local export-oriented enterprise;

   ii. Sale of raw materials or packaging materials to an export-oriented enterprise whose export sales exceed 70% of total annual production; and

   iii. Export sales under Executive Order (EO) No. 226 (Omnibus Investment Code of 1987) and other special laws;

b. Expressly adds as "export sales" the sale and delivery of goods to registered enterprises within a separate customs territory as provided under special law; and within Tourism Enterprises Zones declared by the Tourism Infrastructure and Enterprise Zone Authority (TIEZA); **(VETOED)**[4]

c. Removes the sale of gold to the Bangko Sentral ng Pilipinas (BSP) from VAT zero-rating and from the definition of export sales to exempt transactions;

d. Codifies existing rules in the grant of VAT zero-rating and exemption of international shipping or international air transport operations;

e. Removes foreign currency denominated sales from VAT zero-rating; and

f. Inserts the word "domestic" before the phrase air or sea vessels to clarify the provision on transport of passengers and cargo by air or sea vessels from the Philippines to a foreign country.

2. On VAT Exemptions

a. Adopts the wording under the Customs Modernization and Tariff Act (CMTA) relative to the importation of professional instruments and implements, tools of trade, occupation or employment, wearing apparel, domestic animals, and personal and household effects belonging to persons

[4] This provision was vetoed by the President as it goes against the principle of limiting the VAT zero-rating to direct exporters.

coming to settle in the Philippines or of overseas Filipinos and their families and descendants who are now residents or citizens of other countries;

b. Includes the following transactions to the list of VAT exempt transactions under Section 109 of the NIRC of 1997, as amended:

i. Sale or lease of goods and services to senior citizens and persons with disabilities, as provided under RA Nos. 9994 (Expanded Senior Citizens Act of 2010) and 10754 (An Act Expanding the Benefits and Privileges of Persons with Disability);

ii. Transfer of property pursuant to Section 40(c)(2) of the NIRC of 1997, as amended;

iii. Association dues, membership fees, and other assessments and charges collected by homeowners associations and condominium corporations;

iv. Sale of gold to the BSP;

v. Sale of drugs and medicines prescribed for diabetes, high cholesterol, and hypertension, beginning January 1, 2019; and

c. Reduces from PhP2.5 million (increased to PhP3,199,200[5]) to PhP2.0 million the threshold amount of sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business, sale of real property utilized for socialized housing and sale of house and lot and other residential dwellings that is exempt from VAT, beginning January 1, 2021.

3. On the VAT Threshold

a. Increases the VAT threshold from PhP1.5 million (increased to PhP1,919,500[6]) to PhP3 million which is to be adjusted to inflation not later than January 31, 2021 and every three (3) years thereafter; and

b. Codifies the present VAT threshold on lease of residential unit from PhP10,000 (increased to PhP12,800[7]) to PhP15,000 and no longer provides for the adjustment of the said threshold to its present value using the CPI, as published by the PSA.

[5] Per Revenue Regulations No. 16-2011 issued on October 28, 2011 and made effective on January 1, 2012.

[6] Ibid.

[7] Ibid.

On Broadening the VAT Base

a. Includes the sale of electric cooperatives in the definition of sale or exchange of services under Section 108 (A) of the NIRC of 1997, as amended; and

b. Repeals fifty-four (54) provisions on VAT exemption and zero-rating under special laws. Aside from broadening the VAT base, the law also cleans the VAT system and increases its efficiency. It also limits the exemption to food, agriculture, health and educational services and eliminates exemptions that directly target individuals, firms or those that have no or little economic justification.

4. Other VAT-related amendments

a. Reduces the period of grant of VAT refunds from 120 days to 90 days. If the Commissioner of Internal Revenue (CIR) finds the grant of refund improper, the CIR shall state in writing the legal and factual basis for the denial;

b. Allows for the amortization of the input VAT only until December 31, 2021 after which, taxpayers with unutilized input VAT on capital goods purchased or imported shall be allowed to apply the same as scheduled until fully utilized;

c. Shifts the VAT withholding system from final to creditable, effective January 1, 2021. Payments for the purchase of goods and services arising from Official Development Assistance (ODA)-funded projects shall not be subject to the final withholding VAT; and

d. Exempts SEPs with total annual gross sales and/or gross receipts not exceeding PhP500,000 from the 3% gross receipts tax effective January 1, 2019. **(VETOED)**[8]

H. On Stock Transaction Tax (STT)

1. Increases the STT rate from 0.5% to 0.6% of the gross selling price of shares of stock sold, exchanged, or bartered through the local stock exchange beginning January 2018.

I. On Excise Tax

1. On Cigars and Cigarettes

a. Increases the tax rates on cigarettes packed by hand and machine, viz.:

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[8] This provision was vetoed by the President as it will result in unnecessary erosion of revenues and would lead to abuse and leakages. The 3% percentage tax on gross sales or gross receipts of said taxpayers is deemed to be their fair share in contributing to the revenue base of the country especially that they are already exempt from the VAT.

i.	Effective January 1, 2018 until June 30, 2018	-	PhP32.50 per pack;
ii.	Effective July 1, 2018 until December 31, 2019	-	PhP35.00 per pack;
iii.	Effective January 1, 2020 until December 31, 2021	-	P37.50 per pack; and
iv.	Effective January 1, 2022	-	PhP40.00 per pack; and

b. Increases the tax rates imposed under Section 145 (Cigars and Cigarettes) by four percent (4%) every year effective January 1, 2024, through revenue regulations to be issued by the Secretary of Finance.

2. On Petroleum Products

a. Increases the tax rates on petroleum products in three (3) tranches beginning January 1, 2018 to January 1, 2020. The increases are not the same across fuel products;

i. For lubricating oils and greases, including but not limited to, basestock for lube oils and greases, high vacuum distillates, aromatic extracts, and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum-based or not, the rate is from PhP4.50 to PhP8.00 (2018), PhP9.00 (2019) and PhP10.00 (2020);

ii. Processed gas is from PhP0.05 to PhP8.00 (2018), PhP9.00 (2019) and PhP10.00 (2020);

iii. Waxes and petrolatum are from PhP3.50 to PhP8.00 (2018), PhP9.00 (2019), PhP10.00 (2020);

iv. On denatured alcohol to be used for motive power is from PhP0.05 to PhP8.00 (2018), PhP9.00 (2019), PhP10.00 (2020);

v. Naphtha, regular gasoline and other similar products of distillation are from PhP4.35 to PhP7.00 (2018), PhP9.00 (2019), PhP10.00 (2020);

vi. Aviation turbo jet fuel is from PhP3.67 to PhP4.00 (2018 - 2020);

vii. Kerosene is from PhP0.00 to PhP3.00 (2018), PhP4.00 (2019), PhP5.00 (2020);

viii. Diesel fuel oil, and on similar fuel oils having more or less the same generating power are from PhP0.00 to PhP2.50 (2018), PhP4.50 (2019), PhP6.00 (2020);

ix. Asphalts is from PhP0.56 to PhP8.00 (2018), PhP9.00 (2019), PhP10.00 (2020); and bunker fuel oil, and on similar fuel oils having more or less the same generating power are from PhP0.00 to PhP2.50 (2018), PhP4.50 (2019), PhP6.00 (2020).

b. Tax rate on unleaded premium gasoline is from PhP4.35 to PhP7.00 (2018), PhP9.00 (2019), and PhP10.00 (2020). The provision on leaded premium gasoline is removed;

c. Kerosene, when used as aviation fuel, is subject to the same tax on aviation turbo jet fuel of PhP4.00 (2018-2020). Such tax is to be assessed on the user thereof;

d. Changes the tax base for liquefied petroleum gas (LPG) from per liter to per kilogram. Tax rate is PhP1.00 (2018), PhP2.00 (2019), and PhP3.00 (2020). When LPG is used as raw material in the production of petrochemical products, however, it shall be taxed at zero rate (P0.00) per kilogram, subject to the rules and regulations to be promulgated by the Secretary of Finance;

e. Adds a provision which taxes petroleum coke at PhP2.50 (2018), PhP4.50 (2019), and PhP6.00 (2020). When petroleum coke is used, however, as feedstock to any power generating facility, the tax is zero (P0.00); and

f. Sets the tax on petroleum products, including naphtha, LPG, petroleum coke, refinery fuel and other products of distillation, that are used as input, feedstock or as raw material in the manufacturing of petrochemical products, or in the refining of petroleum products, or as replacement fuel for natural – gas-fired-combined cycle power plant in lieu of locally-extracted natural gas during the non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, per liter of volume capacity, at zero rate (P0.00). By-products including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, LPGs, and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax, except when such by-products are transferred to any of the local oil refineries through sale, barter or exchange, for the purpose of further processing or blending into finished products which are subject to excise tax under this section. **(VETOED)**[9]

3. On Automobiles

a. Restructures the tax schedule on the excise tax on automobiles by imposing ad valorem tax rates that are directly applied to the net manufacturer's price/importer's selling price instead of imposing marginal tax rates; and

b. Subjects hybrid vehicles to excise tax rates equivalent to 50% of the applicable excise tax rates on equivalent automobiles. Purely electric vehicles

[9] This provision was vetoed by the President because the provision runs the risk of being too general, covering all types of petroleum products, which may be subject to abuse by taxpayers, and thus lead to massive revenue erosion.

and pick-ups, on the other hand, are exempt from excise tax on automobiles. Furthermore, the Act provides that pick-ups shall be considered as trucks.

4. On Non-Essential Services (Cosmetic Procedures Tax)

a. Designates a new section as Section 150-A under Chapter VI, Title VI of the NIRC of 1997, as amended, providing for an excise tax on non-essential services, equivalent to 5% based on the gross receipts derived from the performance of services, net of excise tax and VAT, on invasive cosmetic procedures, surgeries, and body enhancements directed solely towards improving, altering, or enhancing the patient's appearance and do not meaningfully promote the proper function of the body or prevent or treat illness or disease. The tax, however, is not applicable to procedures necessary to improve deformity arising from, or directly related to, a congenital or development defect or abnormality, a personal injury resulting from accident or trauma, a disfiguring disease, tumor, virus or infection as well as cases or treatments covered by the National Health Insurance Program.

5. On Sweetened Beverages

a. Imposes a tax per liter of volume capacity on sweetened beverages: (a) PhP6.00 using purely caloric sweeteners and purely non-caloric sweeteners or a mixture of both; and (b) PhP12.00 using purely high fructose corn syrup or in combination with any caloric or non-caloric sweetener. Sweetened beverages using purely coconut sap sugar/ purely steviol glycosides are exempt from the tax;

b. The following products are not excisable under Sec. 150-B, viz.:

    i. All milk products, including plain milk, infant formula milk, follow-on milk, growing up milk, powdered milk, ready-to-drink milk and flavored milk, fermented milk, soymilk, and flavored soymilk;

    ii. One hundred percent (100%) natural fruit juices – original liquid resulting from the pressing of fruit, the liquid resulting from the reconstitution of natural fruit juice concentrate, or the liquid resulting from the restoration of water to dehydrated natural fruit juice that do not have added sugar or caloric sweetener;

    iii. One hundred percent (100%) natural vegetable juices – original liquid resulting from the pressing of vegetables, the liquid resulting from the reconstitution of natural vegetable juice concentrate, or the liquid resulting from the restoration of water to dehydrated natural vegetable juice that do not have added sugar or caloric sweetener;

    iv. Meal replacement and medically indicated beverages – any liquid or powder drink/product for oral nutritional therapy for persons who cannot absorb or metabolize dietary nutrients from food or beverages, or as a source of necessary nutrition used due to a medical condition and an oral electrolyte solution for infants and children formulated to prevent dehydration due to illness; and

v. Ground coffee, instant soluble coffee, and pre-packaged powdered coffee products (e.g. 3-in-1 coffee).

6. On Mineral Products

a. Increases the excise tax rate on domestic or imported coal and coke from PhP10.00/metric ton, notwithstanding any incentives granted in any law or special law, to as follows:

i. Effective 1 January 2018 – PhP50.00/metric ton;

ii. Effective 1 January 2019 – PhP100.00/metric ton; and

iii. Effective 1 January 2020 – PhP150.00/metric ton;

b. Increases the excise tax rate on all nonmetallic and metallic minerals and quarry resources, from 2% to 4% based on the actual market value of the gross output; and

c. Increases the excise tax rate on indigenous petroleum from 3% to 6% of the fair international market price thereof.

J. On Documentary Stamp Tax (DST)

1. Doubles the DST rates on the following documents/instruments/ transactions:

Section 174	-	Original Issue of Shares of Stock;
Section 175	-	Sales, Agreements to Sell, Memoranda of Sales, Deliveries or Transfer of Shares or Certificates of Stock;
Section 177	-	Certificates of Profits or Interest in Property or Accumulations;
Section 178	-	Bank Checks, Drafts, Certificates of Deposit Not Bearing Interest and Other Instruments;
Section 180	-	All Bills of Exchange or Drafts;
Section 181	-	Upon Acceptance of Bills of Exchange and Others;
Section 182	-	Foreign Bills of Exchange and Letters of Credit;
Section 183	-	Life Insurance Policies;
Section 186	-	Policies of Annuities and Pre-need Plans;
Section 188	-	Certificates;
Section 189	-	Warehouse Receipts;
Section 190	-	Jai-Alai, Horse Racing Tickets, Lotto or Other Authorized Number Games;
Section 191	-	Bills of Lading or Receipts;
Section 192	-	Proxies;
Section 193	-	Powers of Attorney;

Section 194	-	Leases and Other Hiring Agreements;
Section 195	-	Mortgages, Pledges and Deeds of Trust; and
Section 197	-	Charter Parties and Similar Instruments.

2. Increases the DST rate by 50% or from PhP1.00 on each PhP200.00 to PhP1.50 on each PhP200.00 of the issue price of all debt instruments[10] under Section 179 of the NIRC of 1997, as amended;

3. Retains the DST rates on the following:

Section 184	-	Policies of Insurance Upon Property;
Section 185	-	Fidelity Bonds and Other Insurance;
Section 187	-	Indemnity Bonds; and
Section 196	-	Deeds of Sale, Conveyances and Donation of Real Property;

4. Inserts the word "*Donation"* in Section 196 of the NIRC of 1997, as amended, which subjects donations of real property to DST at the same rate on deeds of sale and conveyances of real property; and

5. Inserts a new provision under Section 196 of the NIRC of 1997, as amended, which provides an exemption from the DST on transfers of real property that are exempt from donor's tax under Section 101(a) and (b) of the NIRC of 1997, as amended.

K. On Tax Administration

1. Requires the submission by the Cooperative Development Authority (CDA) to the Bureau of Internal Revenue (BIR) and the Department of Finance (DOF) of a tax incentive report which shall contain information on the income tax, VAT, and other tax incentives availed of by cooperatives registered and enjoying incentives under RA 6938, as amended. Such information shall be included in the database created under the "Tax Incentives Management and Transparency Act" (TIMTA);

2. Inserts a provision on the automatic adjustment of zonal values once every three (3) years and the publication or posting requirement in order for the said adjustment in zonal valuation to be valid;

3. Requires the establishment of VAT refund centers in the BIR and in the Bureau of Customs and the earmarking of 5% of the total VAT collection for the purpose of

[10] As defined under Sec. 179 of the NIRC of 1997, 'debt instrument' refer to instruments representing borrowing and lending transactions including but not limited to debentures, certificates of indebtedness, due bills, bonds, loan agreements, including those signed abroad wherein the object of contract is located or used in the Philippines, instruments and securities issued by the government or any of its instrumentalities, deposit substitute debt instruments, certificates or other evidences of deposits that are either drawing interest significantly higher than the regular savings deposit taking into consideration the size of the deposit and the risks involved or drawing interest and having a specific maturity date, orders for payment of any sum of money otherwise than at sight or on demand, promissory notes, whether negotiable or non-negotiable, except bank notes issued for circulation.

funding claims for VAT refund. The unused fund at the end of the year shall revert to the General Fund;

4. Provides for fuel marking of petroleum products that are refined, manufactured, or imported into the Philippines, and that are subject to the payment of taxes and duties and provides for the mechanism on how fuel marking will be done including possible violations thereto. All costs related thereto shall be borne by the refiner, importer, or manufacturer of petroleum products. The fees and charges that may be collected by implementing agencies in relation to the fuel marking program may be recorded as their trust receipts, and shall be exclusively disbursed to defray the cost of services or equipment required to fully implement the said program;

5. On sweetened beverages, the FDA shall require all manufacturers and importers of sweetened beverages covered by the law to put the required labeling with unique identification of exciseable sweetened beverages. The FDA shall also conduct post-marketing surveillance to ensure compliance. The law also prescribes a unique identification of all excisable sweetened beverages to be firmly attached to the label. It also provides for an annual review of the impact of the said tax to its health objectives with the view to making recommendations on the tax rate on these beverages;

6. Requires the DOF to maintain a registry of all petroleum manufacturers and/or importers and the articles manufactured and/or imported by them including real-time inventory of such products in storage depots. Importers of petroleum products are also required to have BIR-accredited metering devices for accurate determination of volume of petroleum products imported by them;

7. Includes within the authority of the Internal Revenue Officer the testing of taxable articles. The CIR may conduct periodic, random and confirmatory field tests on fuels required to be marked under Section 148-A of the Act;

8. Increases the threshold amount for taxpayers required to be examined and audited by independent Certified Public Accountants (CPAs), from gross quarterly sales, earnings, receipts or output of more than PhP150,000.00 to gross annual sales, earnings, receipts or output of more than PhP3,000,000. It also removes the threshold before taxpayers are required to keep books of accounts;

9. Increases the value at the point of each sale and transfer of merchandise or services rendered from PhP25.00 to PhP100.00 for the issuance of duly registered receipts or sale or commercial invoices of VAT-registered persons. It also requires the issuance of electronic receipts or electronic sales or commercial invoices in lieu of the manual receipts and sales and commercial invoices for taxpayers engaged in the export of goods and services, engaged in e-commerce and the Large Taxpayers within five (5) years from the effectivity of this Act and upon establishment of a system capable of storing and processing the required data. The safekeeping of issued electronic receipts shall be the responsibility of

both the purchaser, customer or client and the issuer for the same period as the safekeeping of manual receipt; and

10. Provides for electronic sales reporting system for taxpayers engaged in the export of goods and services and Large Taxpayers at their own expense within five (5) years from the effectivity of the Act. It also provides for the establishment of policies and risk management approaches, among others, in compliance with RA 10175 (Cybercrime Prevention Act of 2012).