

EOPT LAW	IRR
A. CLASSIFICATION OF TAXPAYERS AS TO GROSS SALES	
<ul style="list-style-type: none"> ▪ Micro-Less than Php 3 million ▪ Small-Php 3 million-Php 20 million ▪ Medium-Php 20 million-Php 1 billion ▪ Large-Php 1 billion and above 	<ul style="list-style-type: none"> ▪ For purposes of classification, gross sales shall refer to total sales revenue, net of VAT, if applicable, during the taxable year, without any other deductions. ▪ New registrants shall initially be classified based on its declaration in the Registration Forms starting from the year they registered and shall remain as such unless reclassified. ▪ Existing taxpayers shall be notified by the BIR of their classification or reclassification. ▪ Taxpayers registered in 2022 and prior years shall be classified based on gross sales for taxable year 2022. For taxpayers registered in 2022 and prior years but without any submitted information on their gross sales for taxable year 2022, and taxpayers registered in 2023 or in 2024 before the effectivity of the Regulations, shall initially be classified as MICRO, except VAT-registered taxpayers, who shall be classified as SMALL. [RR 7-2024]
B. SPECIAL CONCESSIONS FOR SMALL & MICRO TAXPAYERS	
<ul style="list-style-type: none"> ▪ Reduced civil penalties for certain violations. 	<ul style="list-style-type: none"> ▪ 10% reduced penalty shall be imposed on the following cases: <ul style="list-style-type: none"> A. Failure to file any return and pay the tax due thereon on the date prescribed. Provided that no penalty shall be imposed to an amendment of a tax return if the covered taxpayer filed the initial tax return and paid the tax due thereon, on or before the prescribed due date for its filing.

<ul style="list-style-type: none"> ▪ 2-page Income Tax Returns (ITR) 	<p>Provided further, that in case of a deficiency tax assessment as a result of a tax audit, a penalty shall be imposed on the tax deficiency if the particular tax return being audited was found to have been filed beyond the prescribed period or due date.</p> <p>B. Failure to pay the deficiency tax within the time prescribed for its payment in the notice of assessment.</p> <p>C. Failure to pay the full or part of the amount of tax shown on any return required to be filed, or the full amount of tax due for which no return is required to be filed, on or before the date prescribed for its payment.</p> <ul style="list-style-type: none"> ▪ 50% reduction on the interest on unpaid amount of assessed tax ▪ Php 500 reduced compromise penalty for each failure to supply correct information but not to exceed Php 12,500. ▪ 50% reduced compromise penalty under Annex “A” of Revenue Memorandum Order (RMO) 7-2015 and its subsequent amendments, if any, for criminal violations not involving fraud [RR 6-2024]
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C. OPTIONS ON THE VENUE ON FILING & PAYMENT OF TAX RETURNS

<ul style="list-style-type: none"> ▪ Any authorized agent bank ▪ Revenue District Office through Revenue Collection Officer ▪ Authorized tax software provider 	<ul style="list-style-type: none"> ▪ Manual filing is allowed in case of unavailability of electronic platforms. ▪ 25% civil penalty for wrong venue filing is removed [RR 4-2024]
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D. INCOME TAX

- Disallowance of expenses as a result of non-withholding under Section 34K of the Tax Code of 1997, is repealed.
- Timeline on the application and decision on refund of income tax paid in case of dissolution or cessation of business must be made within two (2) years from cessation of business.
- Timing of withholding shall be reckoned at the time the income has become payable.
- Claim of tax credit of any creditable income tax deducted and withheld in a previous period that can still be creditable in the subsequent calendar or fiscal year, provided the same had been declared in the tax return where the corresponding income is reported.
- Obligation to withhold tax on certain income payments and remit the same remains. [RR 4-2024]
- Entire provisions of 76(C) of the NIRC shall be covered to include policies for the processing of income tax credit/refund of taxpayers who have chosen the option to apply for tax credit or refund the excess income tax in their Annual ITR. [RR 5-2024]
- The term "payable" refers to the date the obligation becomes due, demandable or legally enforceable. The obligation of the payor to deduct and withhold the tax arises at the time an income payment is accrued or recorded as an expense or asset, whichever is applicable, in the payor's books, or at the issuance by the seller of the sales invoice or other adequate document to support such payable, whichever comes first. [RR 4-2024]

E. VAT & OTHER PERCENTAGE TAX

- Uniform basis for VAT, both for the sale of goods and services, to be "gross sales," as distinguished before, where VAT on services is based on gross receipts, while the VAT on the sales of goods is based on gross sales.
- All references to "gross selling price", "gross value in money", and "gross receipts" shall now be referred to as the "GROSS SALES", regardless of whether the sale is for goods under Section 106, or for

<ul style="list-style-type: none"> ▪ <u>VAT base for sale of service</u>-services have already been rendered; use of lease of properties have already been supplied. For long-term contracts for a period of one (1) year or more, the invoice shall be issued on the month in which the service, use or lease of properties is rendered. ▪ <u>Liberalizing VAT invoicing requirements</u> such that VAT shall still be allowed to be used as an input tax credit on the part of the purchaser even if the invoice lacks certain information (other than amount of sales, amount of VAT, name, and TIN of both the purchaser and issuer/seller, description of goods or nature of services, and the date of the transaction.) Information on business style is no longer required. ▪ <u>Output VAT credit on uncollected receivables</u> may be deducted from output VAT in the next quarter after the lapse of the agreed period to pay, subject to the condition that the seller has fully paid the VAT on the transaction and the VAT component of the uncollected receivables has not been claimed as deductible bad debts from gross income. In case of recovery of uncollected receivables, VAT 	<p>services under Section 108 of the NIRC. [RR 3-2024]</p> <ul style="list-style-type: none"> ▪ The term “Invoice” will now be used instead of Sales/Commercial Invoices or Official Receipts. [RR 3-2024] ▪ All references to “receipts or payments” which was previously the basis for the recognition of sales of service under Title IV (VAT) and Title V (Percentage Tax) of the NIRC, shall now be referred to as "BILLING" or "BILLED", whichever is applicable. [RR 3-2024] ▪ Input tax credit shall still be allowed on the part of the purchaser or buyer, except if the lacking information pertains to the amount of sales, VAT amount, registered name and TIN, description of goods or nature of services, and date of transaction. [RR 7-2024] ▪ Uncollected receivable refers to sales of goods and/or services on account that transpired upon the effectivity of RR 3-2024 (i.e., April 27, 2024) which remain uncollected by the buyer despite the lapse of the agreed period to pay. To be entitled to VAT credit, the following requisites must be present: <ul style="list-style-type: none"> 1. The sale or exchange has taken place after the effectivity of RR 3-2024;
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shall be remitted during the period of recovery.

2. The sale is on credit or on account;
3. There is written agreement on the period to pay the receivable (i.e., credit term is indicated in the invoice or any document showing the credit term);
4. The VAT is separately shown on the invoice;
5. The sale is specifically reported in the Summary List of Sales covering the period when the sale was made and not reported as part of “various” sales;
6. The seller declared in the tax return the corresponding output VAT indicated in the invoice within the period prescribed under existing rules;
7. The period agreed upon, whether extended or not, has elapsed; and
8. The VAT component of the uncollected receivable was not claimed as a deduction from gross income (i.e., bad debt) [RR 3-2024]

- For billed but uncollected services, RR 3-2024 shall apply to sale of services that transpired upon its effectivity (i.e., April 27, 2024). Hence, for outstanding receivables on services rendered before April 27, 2024 take effect, the output VAT shall be declared upon collection. [RR 3-2024]
- For uncollected receivables from sale of goods as of the effectivity of RR 3-2024 (i.e., April 27, 2024), output tax shall apply only to transactions after April 27, 2024. No output tax credit is allowed for outstanding receivables from sales of goods on account made prior to April 27, 2024. [RR 3-2024]

<ul style="list-style-type: none"> ▪ <u>Input VAT on local purchase of goods and services</u> shall be claimed upon accrual and supported by sales invoice. ▪ <u>VAT-exempt threshold of Php 3 million</u> shall be adjusted to its present values using the Consumer Price Index, as published by the Philippine Statistics Office (PSA) every three (3) years. ▪ <u>Action on refund of input tax</u> shall be based on the classification of claims, whether low risk, medium risk, high risk vis-à-vis parameters used. Medium and high-risk claims shall be subject to audit by the BIR. An Appeal can be made to the Court of Tax Appeals (CTA) within 30 days from receipt of the decision denying the claim or after the lapse of the 90-day period for the BIR to act on the claim. In case of disallowance by the Commission on Audit (COA), only the taxpayer shall be liable for the disallowed amount without prejudice to any administrative liability on the part of any employee of the BIR who may be found to be grossly negligent in the grant of refund. ▪ <u>Tax base for Other Percentage Taxes</u> shall be based on gross sales. 	<ul style="list-style-type: none"> ▪ Supplementary documents are not valid proof to support the claim of input taxes by the buyers/purchasers of goods and/or services. [RR 7-2024] ▪ All provisions mentioning the VAT-exempt threshold of Php 3 million shall now be read as "the amount or VAT threshold herein stated shall be adjusted to its present value every three (3) years using the Consumer Price Index (CPI), as published by the Philippine Statistics Authority (PSA)" [RR 3-2024] ▪ Risk-based approach to verification of VAT refund claims shall cover tax credit/refund claims that are filed starting July 1, 2024, onwards. [RR 5-2024]
F. REFUND OF ERRONEOUSLY PAID TAXES OR PENALTIES UNDER SECTION 229 OF THE NIRC	
<ul style="list-style-type: none"> ▪ Shall be processed and decided by the BIR within 180 days from the date of 	<ul style="list-style-type: none"> ▪ Section 204(C) of the NIRC introduced the 180-day processing of claims for tax refund

<p>submission of complete documents in support of the application filed. Filing of the claim for refund with the BIR shall be made within two (2) years after the payment of tax or penalty. Filing of an Appeal with the CTA within the two (2)-year period is removed instead the appeal must be filed within 30 days from receipt of denial or lapsed of the 180-day period for the BIR to decide.</p>	<p>except for VAT Refunds under Section 112 of the NIRC; and (E) Section 229 of the NIRC outlined the policies for judicial claims and repealed the supervening clause provision thereof.</p> <ul style="list-style-type: none"> ▪ RR 5-2024 does not cover processing of tax refund/credit claims pursuant to the final and executory judgment by the courts. [RR 5-2024]
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G. RELAXATION OF SOME ADMINISTRATIVE REQUIREMENTS

<ul style="list-style-type: none"> ▪ <u>Preservation of book of accounts</u> for a period of five (5) years reckoned from the day following the deadline in filing a return, or if filed after the deadline, from the date of the filing of the return, for the taxable year when the last entry was made in the book of accounts. ▪ The <u>Annual Registration Fee</u> of Php 500 was removed. ▪ <u>Issuance of invoice</u> is now increased to Php 500 from Php 100 for each sale transaction. If the transaction is below Php 500, the seller will issue one (1) invoice for the aggregate sales amount at the end of the day if the aggregate sales are at least Php 500. VAT-registered taxpayers shall issue registered VAT invoice regardless of amount. 	<ul style="list-style-type: none"> ▪ Taxpayers are allowed to retain their existing BIR COR without the need for replacement or payment of the Annual Registration Fee. [RR 7-2024] ▪ Updates to the COR are only required for changes excluding the Registration Fee. [RR 7-2024] ▪ All individuals subject to internal revenue tax must issue registered invoices for sales or services valued at Php 500 or more, with details including TIN, date, quantity, and description. The seller shall issue an Invoice when the buyer so requires regardless of the amount of the transaction. VAT-registered persons must issue invoices regardless of the sale amount. Invoices must include the word
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'Invoice' and may specify Cash Sales or Charge Sales. The term Cash Sales or Charge Sales, at the seller's option, can be indicated in the Invoice as checkboxes to reflect the type of transactions. [RR 7-2024]

- Unused Official Receipts (ORs) can still be used as supplementary documents until fully consumed, provided they are stamped accordingly. Taxpayers are permitted to convert these receipts into invoices by striking through "Official Receipt" and labeling them with transaction-specific terms for issuance to buyers/purchasers. The stamping of ORs as invoices does not require BIR approval. Businesses must report unused ORs to be converted into invoices within 30 days. They should submit an inventory of these receipts including booklet numbers and serial numbers. The receiving Branch RDO sends the original copy to the Head Office RDO and retains a duplicate. [RR 7-2024]
- Taxpayers using Cash Register Machines (CRM), Point-of-Sales (POS) Machines, and Electronic Invoicing Software can modify "Official Receipt" to various terms without notifying the BIR as this is considered a minor enhancement. However, they must inform the BIR about the serial number continuation. For those using Computerized Accounting Systems (CAS), this necessitates system revisitation, which is considered a major enhancement, requiring system registration updates through a new application process.

<ul style="list-style-type: none">▪ <u>Cancellation of VAT registration</u> may be written or through electronic application.▪ <u>Transfer or cancellation of registration</u> may be made by mere filing of application. If taxpayers are being audited, the Revenue District Office (RDO) which initiated the audit shall continue the same. The BIR is not precluded from auditing taxpayers cancelling the registration by mere filing of application.▪ <u>Digitization of BIR services</u>▪ Publication of information may be done using any electronic means of publication in the Official Gazette, or BIR website.	<p>Adjustments must be completed by June 30, 2024, with any extensions requiring approval and not exceeding six (6) months. After the specified date, documents containing "Official Receipt" will be invalid for input tax claims, and failure to issue proper invoices may result in penalties outlined in the Tax Code.</p>
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