



**PRIMER ON
REPUBLIC ACT NO. 10963**

**Tax Reform for
Acceleration and Inclusion
(TRAIN) Law**



Updated March 2018



PERSONAL INCOME TAX

Starting January 1, 2018, compensation income earners, self-employed and professional taxpayers (SEPs) whose annual taxable incomes are P250,000 or less are exempt from the personal income tax (PIT).

The 13th month pay and other benefits amounting to P90,000 are likewise tax-exempt.

Tax schedule effective January 1, 2018 until December 31, 2022 is as follows:

AMOUNT	RATES
Not Over P250,000	0%
Over P250,000 but not over P400,000	20% of the Excess Over P250,000
Over P400,000 but not over P800,000	P30,000 + 25% of the Excess over P400,000
Over P800,000 but not over P2,000,000	P130,000 +30% of the Excess over P800,000
Over P2,000,000 but not over P8,000,000	P490,000 + 32% of the Excess over P2,000,000
Over P8,000,000	P2,410,000 +35% of the Excess over P8,000,000

Tax schedule effective January 1, 2023 and onwards:

AMOUNT	RATES
Not Over P250,000	0%
Over P250,000 but not over P400,000	15% of the Excess Over P250,000
Over P400,000 but not over P800,000	P22,500 + 20% of the Excess over P400,000
Over P800,000 but not over P2,000,000	P102,500 +25% of the Excess over P800,000
Over P2,000,000 but not over P8,000,000	P402,500 + 30% of the Excess over P2,000,000
Over P8,000,000	P2,202,500 +35% of the Excess over P8,000,000

SEPs who are also earning compensation income shall be subject to:

- On Compensation Income - graduated income tax (IT) schedule
- On Income from Business or Practice of Profession -
 - ◊ If Gross Sales and/or Gross Receipts and other Non-Operating Income do not exceed P3,000,000 - either 8% fixed tax or graduated IT schedule.
 - ◊ If Gross Sales and/or Gross Receipts and other Non-Operating Income exceed P3,000,000 – graduated IT schedule.

EXAMPLES:

1. For a CALL CENTER AGENT who receives a monthly salary of P21,000 with mandatory annual deductions of P15,166.00 consisting of SSS, Philhealth, and Pag-ibig contributions, the income tax is computed as:

A. Annual Basic Salary	P252,000.00
B. 13 th Month Pay and Other Benefits	21,000.00
C. Mandatory Contributions	15,166.00
Computation of Income Tax	
Annual Gross Income (A+B)	P273,000.00
Deductions and Exemptions (B+C)	36,166.00
Net Taxable Income	P236,834.00

Income Tax Rate:

Over 0 – P250,000 = 0 %

TAX DUE = **P 0.00**

2. For a public school TEACHER (SG14, Step1) who receives a monthly salary of P26,494.00 with mandatory annual deductions of P34,185.00 consisting of GSIS, Philhealth, and Pag-ibig contributions, the income tax is computed as:

A. Annual Basic Salary	P317,928.00
B. 13 th Month Pay and Other Benefits	26,494.00
C. Mandatory Contributions	34,185.00
Computation of Income Tax	
Annual Gross Income (A+B)	P344,422.00
Deductions and Exemptions (B+C)	60,679.00
Net Taxable Income	P283,743.00

Income Tax Rate:

Over 0 – P250,000 = 0 %

Over P250,000 – P400,000 = 20% of Excess over P250,000

TAX DUE : **P250,000.00** = **P 0.00**
33,743.00 x 20% = **P 6,748.60**



TAX ON PASSIVE INCOME TAX

- Interest on FCDU deposits ⇒ 15%
- Sale of Unlisted shares ⇒ 15%
- Sale of Listed shares ⇒ 0.6 of 1%
- Pre-terminated long-term time deposits ⇒ 20%



FRINGE BENEFITS

A final tax of 35% is imposed on the grossed up monetary value of fringe benefit granted to the employee (except rank and file employees) by the employer, whether an individual or a corporation. Such tax is payable by the employer.



OPTIONAL STANDARD DEDUCTION (OSD)

A general professional partnership and the partners comprising such partnership may avail of the OSD only once, either by the general professional partnership or the partners.



FILING OF INCOME TAX RETURNS (ITR) AND PAYMENT OF TAXES

- An individual whose taxable income does not exceed P250,000 is not required to file an income tax return.
- The ITR shall be composed of a maximum of four (4) pages in paper or electronic form.
- Substituted filing of ITR by employees receiving purely compensation income by respective employers will be evidenced by the Certificate of Withholding filed and duly stamped "received" by the BIR. It shall be tantamount to the substituted filing of ITRs by the said employees.
- The rate of withholding of tax at source shall not be less than 1% but not more than 15% of the income payment beginning January 1, 2019.



ESTATE TAX

The rate of estate tax to be paid upon the transfer of the net estate of decedent to his heir or beneficiary is fixed at 6% of the value of net estate.

- Deductions allowed to the estate of a Citizen or Resident -
 - ✓ Standard deduction equivalent to P5,000,000;
 - ✓ Claims against the estate;
 - ✓ Claims of the deceased against insolvent persons where the value of the decedent's interest therein is included in the value of the gross estate;
 - ✓ Unpaid mortgages upon, or any indebtedness in respect to property of the decedent;
 - ✓ Property previously taxed;
 - ✓ Transfers for public use;
 - ✓ The Family home equivalent to current fair market value of the decedent's family home not exceeding P10,000,000; and
 - ✓ Amount received by heirs under RA 4917.
- Deductions allowed to the estate of a Non-Resident Citizen-
 - ✓ Standard deduction equivalent to P5,000,000;
 - ✓ Proportion of the following deductions:
 - a) Claims against the estate;
 - b) Claims of the deceased against insolvent persons, and
 - c) Unpaid mortgages upon, or any indebtedness in which the value of such part bears to the value of his entire gross estate wherever situated;
 - ✓ Property previously taxed;
 - ✓ Transfers for public use;
 - ✓ The family home equivalent to current fair market value of the decedent's family home not exceeding P10,000,000; and
 - ✓ Amount received by heirs under RA 4917.
- The net share of the surviving spouse in the conjugal partnership property diminished by the obligations properly chargeable to such property is deducted from the net estate of the decedent.
- The estate tax returns showing a gross value exceeding P5,000,000 shall be supported with a statement duly certified to by a Certified Public Accountant (CPA).
- The estate tax returns shall be filed within one (1) year from the decedent's death.

- In case the available cash of the estate is insufficient to pay the total estate tax due, payment by installment shall be allowed within two (2) years from the statutory date for its payment without civil penalty and interest.
- Withdrawals from the bank deposit account of the decedent are allowed subject to a final withholding tax of six (6%) percent.



DONOR'S TAX

The tax payable by a donor for each calendar year shall be fixed at 6% based on the total gifts in excess of P250,000.00.

- Any contribution in cash or in kind to any candidate, political party or coalition of parties for campaign purposes shall be governed by the Election Code as amended.
- Exemption of gifts made by a resident:
 - ✓ Gifts made to or for the use of the National Government or any entity created by any of its agencies which is not conducted for profit, or to any political subdivision of the said Government.
 - ✓ Gifts in favor of an educational and/or charitable, religious, cultural or social welfare corporation, institution, accredited nongovernment organization, trust or philanthropic organization or research institution or organization: Provided, That not more than 30% of said gifts shall be used by such donee for administration purposes.



VAT

VAT:

- The threshold gross sales/receipts is Php 3 Million.
- A purely self-employed individual and/or professional who is VAT registered but whose gross sales/receipts now fall below the new VAT threshold may change his status to NON-VAT and avail of:
 - i. The graduated income tax rates under Sec. 24(A)(2)(a) of the NIRC, as amended; or
 - ii. An 8% tax on gross sales/receipts and other non-operating income in excess of P250,000 in lieu of the graduated income tax rates and the percentage tax under Sec. 116 of the NIRC, as amended.

NOTE: Once the option is made, such is already irrevocable for that particular taxable year.

- Coverage is expanded to include:
 - Electric cooperatives;
 - Domestic shipping importation;
 - Power transmission;
 - Low-cost housing (price more than Php 2 Million) and socialized housing (price more than Php 450,000) until 2020;
 - Lease of residential units (exceeding Php 15 thousand);
 - Boy Scouts of the Philippines;
 - Philippine Sports Commission;
 - PTV Network;
 - Philippine Postal Corporation;
 - Bangko Sentral ng Pilipinas;
 - PhilHealth;
 - GSIS; and
 - SSS.

- Additional Exemptions include:
 - Sale of medicines prescribed for diabetes, high cholesterol, and hypertension beginning January 1, 2019;
 - Sale of gold to the Bangko Sentral ng Pilipinas;
 - Transfer of property under a de facto merger or consolidation; and
 - Condominium and homeowners association dues, membership fees and other charges.

- Indirect Exporters are still VAT zero rated until the establishment and implementation of an enhanced VAT refund system.

- Criteria of an enhanced VAT refund system:
 - All applications filed from 1 January 2018 shall be processed and must be decided within 90 days from the filing of the VAT refund application (NOTE: Failure on the part of the BIR official, agent or employee to act on the application within the 90 day period is punishable under Sec. 269 of the NIRC, as amended); and
 - All pending VAT refund claims as of December 31, 2017 shall be fully paid in cash by December 31, 2019.

- Official Development Assistance (ODA) projects are not subject to the final withholding VAT [Sec. 114(C)].



CIGARETTE EXCISE TAX

- The tax rates, per pack of 20s, on cigarettes packed by hand or by machine are:
 - January 1 2018 – June 30 2018 ⇒ 32.50
 - July 1 2018 – December 31 2019 ⇒ 35.00
 - January 1 2020 – December 31 2021 ⇒ 37.50
 - January 1 2022 – December 31 2023 ⇒ 40.00
 - January 1 2024 onwards ⇒ 4% annual increase



PETROLEUM EXCISE TAX

- The tax rates are:

Petroleum product	Unit	2018	2019	2020
				onwards
Lubricating oils & greases	Liter/ kilogram	8.00	9.00	10.00
Processed gas	Liter	8.00	9.00	10.00
Waxes & petrolatum	Kilogram	8.00	9.00	10.00
Denatured alcohol	Liter	8.00	9.00	10.00
Naphtha, regular gasoline, pyrolysis gasoline	Liter	7.00	9.00	10.00
Unleaded premium gasoline	Liter	7.00	9.00	10.00
Aviation turbo jet fuel	Liter	4.00	4.00	4.00
Kerosene	Liter	3.00	4.00	5.00
Diesel fuel oil	Liter	2.50	4.50	6.00
Liquefied petroleum gas	Kilogram	1.00	2.00	3.00
Asphalts	Kilogram	8.00	9.00	10.00
Bunker fuel oil	Liter	2.50	4.50	6.00
Petroleum coke	Metric ton	2.50	4.50	6.00



AUTOMOBILE EXCISE TAX

- The Tax Rates, imposed on the importer's or manufacturer's price, net of the excise and value-added taxes are:

Net Price (in Php)	Rate (in percent)	
	Traditional	Hybrid
Not more than 600,000	4	2
Over 600,000 to 1 Million	10	5
Over 1 Million to 4 Million	20	10
Over 4 Million	50	25

- A hybrid vehicle is a motor vehicle powered by electric energy in combination with gasoline, diesel or any motive power, that can propel itself from a stationary condition using solely electric motor.
- Additional tax-exempt vehicles include pick-up trucks & electric vehicles.



EXCISE TAX ON COSMETIC PROCEDURES

- Tax rate and base: 5% of the gross receipts on invasive cosmetic procedures, surgeries & body enhancements for aesthetic purposes.
- Exempt procedures include: 1) Procedures necessary to ameliorate a deformity arising from a congenital or developmental defect or abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease, tumor, virus or infection, 2) Cases or treatments covered by the National Health Insurance Program.



SWEETENED BEVERAGE TAX

Type of Sweetened Beverage	Rate (Php)
----------------------------	------------

- | | | | | | | | | | | |
|--|---|--|--|-----------------------------|---|---------------------------------|--|------------------------|--|--|
| <ul style="list-style-type: none"> • sweetened beverages using purely caloric and purely non-caloric sweeteners, or a mix of caloric and non-caloric sweetener | ⇒ 6.00 per liter | | | | | | | | | |
| <ul style="list-style-type: none"> • sweetened beverages using purely high fructose corn syrup (HFCS) in combination with any caloric or non-caloric sweeteners | ⇒ 12.00 per liter | | | | | | | | | |
| <ul style="list-style-type: none"> • Taxable non-alcoholic beverages include: <table border="0" style="margin-left: 20px;"> <tr> <td>✓ Sweetened juice drinks</td> <td>✓ Flavored water</td> <td>✓ Cereal & grain beverages</td> </tr> <tr> <td>✓ Sweetened tea</td> <td>✓ Energy & sports drinks</td> <td>✓ Other non-alcoholic beverages with sugar added</td> </tr> <tr> <td>✓ Carbonated beverages</td> <td colspan="2">✓ Other powdered drinks not classified as milk, juice, tea, & coffee</td> </tr> </table> | | ✓ Sweetened juice drinks | ✓ Flavored water | ✓ Cereal & grain beverages | ✓ Sweetened tea | ✓ Energy & sports drinks | ✓ Other non-alcoholic beverages with sugar added | ✓ Carbonated beverages | ✓ Other powdered drinks not classified as milk, juice, tea, & coffee | |
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| <ul style="list-style-type: none"> • The list of exempt beverages includes: <table border="0" style="margin-left: 20px;"> <tr> <td>✓ All milk products</td> <td>✓ Meal replacement & medically indicated beverages</td> </tr> <tr> <td>✓ 100% natural fruit juices</td> <td>✓ Ground coffee, instant soluble coffee, & pre-packaged powdered coffee products (3-in-1, etc.)</td> </tr> <tr> <td>✓ 100% natural vegetable juices</td> <td></td> </tr> </table> | | ✓ All milk products | ✓ Meal replacement & medically indicated beverages | ✓ 100% natural fruit juices | ✓ Ground coffee, instant soluble coffee, & pre-packaged powdered coffee products (3-in-1, etc.) | ✓ 100% natural vegetable juices | | | | |
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EXCISE TAX ON MINERAL PRODUCTS

The tax rates are:

- Coal & coke, per metric ton:

Jan 1 2018	Jan 1 2019	Jan 1 2020 onwards
Php50	Php100	Php150

- Metallic & non-metallic minerals & quarry resources: 4% of the actual market value of the gross output at the time of removal or the BOC valuation for determining tariff and customs duties, net of the excise and value-added taxes
- Indigenous petroleum: 6% of the fair international market price



DOCUMENTARY STAMP TAX

The tax rates are:

Document/Transaction	Rate & Base														
Original issue of shares of stock	Php2.00 per Php200 or fractional part thereof, of the par value														
Sales, agreements to sell, memoranda of sales, deliveries or transfer of shares or certificates of stock	Php1.50 per Php200 or fractional part thereof, of the par value of the stock														
Certificates of profits or interest in property or accumulations	Php1.00 per Php200 or fractional part thereof, of the face value														
Bank checks, drafts, certificates of deposit not bearing interest and other instruments	Php3.00 per check, draft or certificate														
Debt instruments	Php1.50 per Php200 or fractional part thereof, of the issue value														
Bills of exchange or drafts; Acceptance of bills of exchange & others; Foreign bills of exchange and letters of credit	Php0.60 per Php200 or fractional part thereof, of the face value														
Life insurance policies	<table border="1"> <thead> <tr> <th>Amount of insurance (in Php)</th> <th>Rate (Php)</th> </tr> </thead> <tbody> <tr> <td>Not more than 100,000</td> <td></td> </tr> <tr> <td>More than 100,000 up to 300,000</td> <td>20.00</td> </tr> <tr> <td>More than 300,000 up to 500,000</td> <td>50.00</td> </tr> <tr> <td>More than 500,000 up to 750,000</td> <td>100.00</td> </tr> <tr> <td>More than 750,000 up to 1,000,000</td> <td>150.00</td> </tr> <tr> <td>More than 1,000,000</td> <td>200.00</td> </tr> </tbody> </table>	Amount of insurance (in Php)	Rate (Php)	Not more than 100,000		More than 100,000 up to 300,000	20.00	More than 300,000 up to 500,000	50.00	More than 500,000 up to 750,000	100.00	More than 750,000 up to 1,000,000	150.00	More than 1,000,000	200.00
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More than 1,000,000	200.00														

Document/Transaction	Rate & Base							
Annuities	Php1.00 per Php200 or fractional part thereof, of the premium or instalment payment							
Pre-need plans	Php0.40 per Php200 or fractional part thereof, of the premium or contribution							
Certificates; Warehouse receipts; Proxies	Php 30.00							
Jai-alai and horse race ticket, lotto or other authorized numbers games	Php0.20 per Php1.00 or fractional part thereof, of the cost of the ticket							
Bills of lading or receipts	<table border="1"> <thead> <tr> <th data-bbox="591 639 798 687">Value of goods</th> <th data-bbox="798 639 1028 687">Rate (Php)</th> </tr> </thead> <tbody> <tr> <td data-bbox="591 687 798 762">Php100 – Php1,000</td> <td data-bbox="798 687 1028 762">2.00</td> </tr> <tr> <td data-bbox="591 762 798 837">More than Php1,000</td> <td data-bbox="798 762 1028 837">20.00</td> </tr> </tbody> </table>		Value of goods	Rate (Php)	Php100 – Php1,000	2.00	More than Php1,000	20.00
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Powers of attorney	Php10.00							
Leases and other hiring agreements	<table border="1"> <thead> <tr> <th data-bbox="591 975 891 1054">Value of agreement/lease</th> <th data-bbox="891 975 1028 1054">Rate (in Php)</th> </tr> </thead> <tbody> <tr> <td data-bbox="591 1054 891 1102">First Php2,000</td> <td data-bbox="891 1054 1028 1102">6.00</td> </tr> <tr> <td data-bbox="591 1102 891 1230">For every Php1,000 or fractional part thereof, in excess of the first Php2,000</td> <td data-bbox="891 1102 1028 1230">2.00</td> </tr> </tbody> </table>		Value of agreement/lease	Rate (in Php)	First Php2,000	6.00	For every Php1,000 or fractional part thereof, in excess of the first Php2,000	2.00
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Deeds of sale, conveyances and donation of real property, except those exempt from the donor's tax	Php15.00 per Php1,000 or fractional part thereof, of the consideration or value								
Charter parties and similar instruments	<table border="1"> <thead> <tr> <th data-bbox="576 837 748 911">Registered tonnage</th> <th data-bbox="748 837 996 911">Rate (Php)</th> </tr> </thead> <tbody> <tr> <td data-bbox="576 911 748 1106">Not more than 1,000 tons</td> <td data-bbox="748 911 996 1106">Php1,000 on the first 6 months, and Php100 for each month/fractional part in excess of 6 months</td> </tr> <tr> <td data-bbox="576 1106 748 1300">1,000 tons – 10,000 tons</td> <td data-bbox="748 1106 996 1300">Php2,000 on the first 6 months, and Php200 for each month/fractional part in excess of 6 months</td> </tr> <tr> <td data-bbox="576 1300 748 1477">More than 10,000 tons</td> <td data-bbox="748 1300 996 1477">Php3,000 on the first 6 months, and Php300 for each month/fractional part in excess of 6 months</td> </tr> </tbody> </table>	Registered tonnage	Rate (Php)	Not more than 1,000 tons	Php1,000 on the first 6 months, and Php100 for each month/fractional part in excess of 6 months	1,000 tons – 10,000 tons	Php2,000 on the first 6 months, and Php200 for each month/fractional part in excess of 6 months	More than 10,000 tons	Php3,000 on the first 6 months, and Php300 for each month/fractional part in excess of 6 months
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ADMINISTRATIVE MEASURES

- Mandatory marking of all fuel products and imposition of fines for related offences.
- Use of appropriate counting or metering devices to determine volume of fuel importation and production.
- Issuance of receipts or sales or commercial invoices on the sale and transfer of merchandise or for services rendered valued at Php100 or more.
- By 2023, those engaged in the export of goods and services, taxpayers engaged in e-commerce and those belonging to the Large Taxpayers Service are required (1) to issue electronic receipts or sales or commercial invoices and (2) to electronically report their sales data to the Bureau of Internal Revenue (BIR).
- Fine for attempt to evade or defeat tax is set at not less than Php500,000 but not more than Php10,000,000 and imprisonment of not less than 6 years but not more than 10 years.
- Fine for printing of (a) receipts without authority of the BIR, (b) double or multiple sets, or (c) unnumbered receipts is set at not less than Php500,000 but not more than Php10,000,000 and imprisonment of not less than 6 years but not more than 10 years.
- Penalty for failure to transmit sales data to the BIR's electronic sales reporting system is 1/10 of 1% of the annual income or Php10,000, for each day.
- Fine for the purchase/use/possession/sale-or-offer-to-sell/installation/transfer/update/upgrade/maintenance of sales suppression devices is set at not less than Php500,000 but not more than Php10,000,000 and imprisonment of not less than 2 years but not more than 4 years.



EARMARKING OF INCREMENTAL REVENUES FROM THE TRAIN

- Not more than 70% for infrastructure projects such as the Build, Build, Build Program
- Not more than 30% for
 - ◇ the sugarcane industry;
 - ◇ social mitigating measures and investments in education, health, social protection, employment and housing; and

- ◇ social welfare and benefits program
 - ✓ such as unconditional cash transfer of Php200 monthly on the first year and Php300 monthly on the next 2 years;
 - ✓ for fuel vouchers to qualified public utility jeepney operators/drivers; and
 - ✓ for minimum wage earners/unemployed/poor
 - * fare discounts,
 - * free TESDA skills training, and
 - * discounted purchase of NFA rice).



REPEALED PROVISIONS

INCOME TAX EXEMPTION

- PWD as dependent
- Foster Child as dependent

VAT EXEMPTION

AGRICULTURE

- High Value Crops Development Act of 1995
- Philippine Fisheries Code of 1998
- Seed Industry Development Act of 1992
- Organic Agriculture Act of 2010
- National Dairy Development Act of 1995

HEALTH

- Rare Diseases of the Philippines
- Magna Carta for Persons with Disabilities
- National Health Insurance of 1995
- Traditional and Alternate Medicine Act (TAMA) of 1997

ENVIRONMENT

- Ecological Solid Waste Management Act of 2000
- Philippine Clean Water Act of 2004

HOUSING

- Home Development Mutual fund
- Balance Housing Development Program
- Urban Development Housing Act

EDUCATION AND ARTS

- Aklan State College of Agriculture
- The Philippine State College of Aeronautics
- Higher Education Modernization Act of 1997
- Aklan State Univeristy

- Batangas State University
- Sta. Rosa Science and Technology High School
- UP Charter of 2008
- Philippine Normal University Modernization Act of 2009
- Science Act
- Davao Oriental State College of Science and Technology
- National Commission for Culture and Arts
- National Museum Act of 1998
- Eastern Visayas Science High School
- An Act Establishing the Guimaras State College
- Mindanao University of Science and Technology
- UP Franchise to Install Radio and Television Broadcasting Stations
- Negros Occidental Agricultural College
- Philippine Sports Commission Act
- Manlilikha ng Bayan Act
- Strengthening People's Nationalism through Philippine History Act

ELECTRICITY

- National Grid Corp. of the Philippines Act

INDUSTRY

- Investors and Inventions Incentives Act of the Phils.
- Downstream Oil Industry Deregulation Act
- Jewelry Industry Development Act
- Regional or Area Headquarters, Regional Operating Headquarters and Regional Warehouses of Multinational Companies
- The New Central Bank Act
- Iron and Steel Industry Act
- Philippine Green Jobs Act
- Phil. Halal Export Development and Promotion Act of 2016
- Civil Avian Authority Act of 2008

OTHERS

- Postal Service Act
- GSIS Act of 1997
- Veterans Federation of the Philippines
- Charity Sweepstakes, Horses Races and Lotteries
- Boy Scout of the Philippines
- The Social Security Act
- PDIC Charter
- Revised AFP Modernization Program
- Overseas Workers Welfare Administration Act
- Charter of the People's Television Network Inc.

