

# BIR issues rules on new personal income tax rates

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The Bureau of Internal Revenue has released the implementing rules and regulations of the new personal income tax rates under the Tax Reform for Acceleration and Inclusion (TRAIN) Act.

Deputy Commissioner Marissa O. Cabreros told reporters that even as the Revenue Regulations (RR) No. 8-2018 implementing the income tax provisions of TRAIN was published on the BIR website on Thursday, earlier circulars and advisories mandated the implementation of the new tax rates effective Jan. 1.

Signed by President Duterte last December, the TRAIN law increased or slapped new excise taxes on oil, cigarettes, sugary drinks and vehicles, among other goods, to compensate for the restructured personal income tax regime that raised the tax-exempt cap to an annual salary of P250,000.

Cabreros said that by next month, the BIR would come out with four more RRs covering donor's and estate tax, value-added tax, as well as excise taxes on cosmetic procedures and sugar-sweetened beverages.

Last month, the revenue agency issued the RRs for the increase in excise taxes on minerals, cigarettes, vehicles as well as documentary stamp tax rates under the TRAIN law.

## Taxpayers' guide

As for RR 8-2018, Cabreros said it was meant to "organize or properly guide the taxpayers on how to properly implement" the new personal income tax rates.

"It [RR 8-2018] was meant to give illustrations compared with the other RRs that were straightforward. The model that was adopted by the team that created the RR is to give illustrations that were scenario-based so people can relate easily or fit in to the illustrations," she said.

Cabreros said employees whose employers remained noncompliant with the new tax rates could send their complaints to the BIR.

RR 8-2018 noted that under



**GUIDELINES** The Bureau of Internal Revenue has released Revenue Regulations (RR) No. 8-2018 implementing the income tax provisions of the Tax Reform for Acceleration and Inclusion Act. —INQUIRER PHOTO

the TRAIN law, annual taxable income between P250,000 and P400,000 would be slapped 20 percent of excess over P250,000 from Jan. 1, 2018, until Dec. 31, 2022.

For those earning between P400,000 and P800,000 yearly, they will be taxed a basic amount of P30,000 plus an additional rate of 25 percent of the excess of P400,000.

As for those with an annual salary of P800,000 to P2 million, they will pay P130,000 on top of an additional equivalent to 30 percent of the excess of P800,000.

Yearly taxable income of P2 million to 8 million, meanwhile, will be taxed a basic amount worth P490,000 plus an additional rate of 32 percent of the excess of P2 million.

## The 'ultrarich'

For the so-called "ultrarich" earning more than P8 million a year, their tax due will include a basic amount of P2.41 million plus an additional rate of 35 percent of the excess of P8 million.

Also under the TRAIN law, purely self-employed individuals and/or professionals shall have the option to avail themselves of an 8-percent tax on gross sales or gross receipts and other nonoperating income in excess of P250,000 in line with the new personal income tax rate structure.

The Department of Finance (DOF) earlier claimed that the TRAIN law not only benefited employees receiving annual pay of P250,000 amid a higher tax-exempt cap, but also those

with yearly taxable income of up to P2 million.

Citing BIR data, the DOF said there were some 943,960 or 13.48 percent of salaried workers earning between P250,000 and P2 million a year.

This annual salary range covers those with taxable income of between P21,000 and P170,000 a month.

"Individuals earning above P250,000 a year but less than P2 million used to shell out about 30 percent to 32 percent of their net taxable income for their personal income tax payments. But under the first five years of the TRAIN's implementation, they would only pay between 20 percent and 30 percent for the personal income tax," Finance Secretary Carlos Dominguez III had said.

## Tax relief

Dominguez said "the TRAIN also provides tax relief to over six million or 86 percent of compensation earners with taxable income of P685 per day or P20,833 per month and below, as they will be exempted from paying the personal income tax."

The 13th-month pay and other bonuses not exceeding a total of P90,000 are also tax-free.

BIR data showed that before the TRAIN law took effect, 2,038,202 workers had been receiving minimum wages, hence exempted from paying personal income tax.

With the higher tax-exempt ceiling under the TRAIN law, an additional 3,987,509 will no longer pay income tax from their earnings. INQ