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GES NewsFlash

Philippines – New BIR Regulations on Filing of Income Tax Return and/or Annual Information Return by Individuals, Including Estates and Trusts

March 21, 2011

Summary

The Philippine Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) No. 2-2011, dated March 1, 2011, to prescribe the returns to be filed by taxpayers in compliance with their duty to report income under the law.

Scope

The regulations prescribes the filing of Income Tax Return (ITR) and/or Annual Information Return (AIR) by certain individual citizens (including estates and trusts), resident aliens, and non-resident aliens engaged in trade or business in the Philippines.

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Filing of ITR with AIR

Starting with taxable year 2010, individuals, estates, and trusts required under the law and existing issuances to file an ITR should file said ITR with the AIR. Said individuals, estate, and trusts shall include in the AIR such income subject to final withholding tax and those exclusions from gross income (tax-exempt income) under Section 32(B) of the Tax Code, as amended.

Individuals not required to file income tax returns, or those qualified for substituted filing, may file an ITR for purposes of loans, foreign travel requirements, etc. However, if they file an ITR, they should likewise attach a duly accomplished ITR.

Filing of AIR only

The following are now required to file the AIR, which shall include such income

subject to final withholding tax and those exclusions from gross income:

- a. An individual with respect to pure compensation income derived from sources within the Philippines, the income tax on which has been correctly withheld, whose annual income exceeds Five Hundred Thousand Pesos (PHP500,000.00): Provided, that an individual deriving compensation concurrently from two or more employers at any time during the taxable year shall file an income tax return;
- b. Individuals, estates, and trusts whose sole income has been subjected to final withholding tax, with aggregate final tax withheld exceeding One Hundred Twenty-Five Thousand Pesos (PHP125,000.00) annually, whether or not remitted to the BIR; and
- c. Individuals whose sole income is exempt from income tax and whose total annual income (exempt) exceeds Five Hundred Thousand Pesos (PHP500,000.00).

The term "individual" (specified under letter "b" of subtitle "Filing of AIR only" above) whose compensation income has been subjected to final withholding tax shall include aliens, or Filipino citizens occupying the same positions as the alien employees, who are employed by regional operating headquarters, regional or area headquarters, offshore banking units, and petroleum service contractors and sub-contractors, including those income subject to Fringe Benefit Tax.

Filing of return and attachments

Filing of return and attachments

Filing of ITR with AIR

The filing of ITR (BIR Form No. 1700 or 1701) and/or AIR (BIR Form No. 1705) shall be filed in triplicate copies with the Revenue District Office (RDO) where the individual, including estates and trusts, is required to register or where the individual has his or her legal residence or place of business on or before the fifteenth (15th) day of April each year covering income for the preceding taxable year.

Filing of AIR only

The filing of AIR only shall be filed in triplicate copies with the RDO where the individual, including estates and trusts, is required to register or where the individual has his or her legal residence or place of business on or before the fifteenth (15th) day of May each year covering income for the preceding taxable year.

Voluntary filing of AIR for taxable year 2010

In a recent press release, the Commissioner of Internal Revenue announced that the BIR will be issuing a new regulation allowing the filing of the AIR on a voluntary basis for taxable year 2010. This will give affected taxpayers time to acquaint themselves with this new requirement and see how they can best effectively comply

with the same. This will also allow the BIR to monitor its implementation on a pilot basis and make the necessary adjustments where needed. However, starting taxable year 2011, the filing of the AIR will be mandatory.

People to contact

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the following tax professionals:

Atty. Walter L. Abela, Jr.

Tel: +63 2 581 9091

Menchie M. Marzan

Tel: +63 2 581 9074

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United States

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