

[REPUBLIC ACT NO. 10963, December 19, 2017]

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, 107,108,109,110,112,114,116,127,12S, 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

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Title.* - This Act shall be known as the "Tax Reform for Acceleration and Inclusion (TRAIN)".

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State:

(a) To enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth;

(b) To provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and

(c) To ensure that the government is able to provide for the needs of those under its jurisdiction and care through the provision of better infrastructure, health, education, jobs, and social protection for the people.

SEC. 3. Section 5 of the National Internal Revenue Code of 1997 (NIRC), as amended, is hereby further amended to read as follows:

"SEC. 5. *Power of the Commissioner to Obtain Information, and to Summon, Examine, and Take Testimony of Persons.* — In ascertaining the correctness of any return, or in making a return when none has been made, or in determining the liability of any person for any internal revenue tax, or in collecting any such liability, or in evaluating tax compliance, the Commissioner is authorized:

"(A) xxx

"(B) To obtain on a regular basis from any person other than the person whose internal revenue tax liability is subject to audit or investigation, or

from any office or officer of the national and local governments, government agencies and instrumentalities, including the Bangko Sentral ng Pilipinas and government-owned or -controlled corporations, any information such as, but not limited to, costs and volume of production, receipts or sales and gross incomes of taxpayers, and the names, addresses, and financial statements of corporations, mutual fund companies, insurance companies, regional operating headquarters of multinational companies, joint accounts, associations, joint ventures or consortia and registered partnerships, and their members: *Provided*, That the Cooperative Development Authority shall submit to the Bureau a tax incentive report, which shall include information on the income tax, value-added tax, and other tax incentives availed of by cooperatives registered and enjoying incentives under Republic Act No. 6938, as amended: *Provided, further*, That the information submitted by the Cooperative Development Authority to the Bureau shall be submitted to the Department of Finance and shall be included in the database created under Republic Act No. 10708, otherwise known as 'The Tax Incentives Management and Transparency Act (TIMTA) '.

"xxx."

SEC. 4. Section 6 of the NIRC, as amended, is hereby further amended to read as follows:

"SEC. 6. Power of the Commissioner to Make Assessments and Prescribe Additional "" Requirements for Tax Administration, and Enforcement. —

"(A) Examination of Returns and Determination of Tax Due. - After a return has been filed as required under the provisions of this Code, the Commissioner or his duly authorized representative may authorize the examination of any taxpayer and the assessment of the correct amount of tax, notwithstanding any law requiring the prior authorization of any government agency or instrumentality: Provided, however, That failure to file a return shall not prevent the Commissioner from authorizing the examination of any taxpayer.

"xxx

"xxx

"(B) xxx

"(C) xxx

"(D) xxx

"(E) Authority of the Commissioner to Prescribe Real Property Values. - The Commissioner is hereby authorized to divide the Philippines into different zones or areas and shall, upon mandatory private and public sectors, and with prior notice to affected taxpayers, determine the fair market value of real properties located in each zone or area, subject to automatic adjustment once every three (3) years through rules and regulations issued by the Secretary of Finance based on the current Philippine valuation standards: Provided, That no adjustment in zonal

valuation shall be valid unless published in a newspaper of general circulation in the province, city or municipality concerned, or in the absence thereof, shall be posted in the provincial capitol, city or municipal hall and in two (2) other conspicuous public places therein: *Provided, further,* That the basis of any valuation, including the records of consultations done, shall be public records open to the inquiry of any taxpayer. For purposes of computing any internal revenue tax, the value of the property shall be, whichever is the higher of:

"(1) the fair market value as determined by the Commissioner; or

"(2) the fair market value as shown in the schedule of values of the Provincial and City Assessors."

SEC. 5. Section 24 of the NIRC, as amended, is hereby further amended to read as follows:

"SEC. 24. *Income Tax Rates.* -

"(A) *Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines.* -

"(1) An income tax is hereby imposed:

"(a) On the taxable income defined in Section 31 of this Code, other than income subject to tax under Subsections (B) ; (C), and (D) of this Section, derived for each, taxable year from all sources within and without the Philippines by every individual citizen of the Philippines residing therein;

"(b) On the taxable income defined in Section 31 of this Code, other than income subject to tax under Subsections (B), (C), and (D) of this Section, derived for each taxable year from all sources within the Philippines by an individual citizen of the Philippines who is residing outside of the Philippines including overseas contract workers referred to in Subsection (C) of Section 23 hereof; and

"(c) On the taxable income defined in Section 31 of this Code, other than income subject to tax under Subsections (B), (C), and (D) of this Section, derived for each taxable year from all sources within the Philippines by an individual alien who is a resident of the Philippines.

"(2) *Rates of Tax on Taxable Income of Individuals.* - The tax shall be computed in accordance with and at the rates established in the following schedule:

"(a) Tax Schedule Effective January 1, 2018 until December 31, 2022:

"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	..... P130,000 + 32% of the excess over P2,000,000
" Over P8,000,000	.....P2,410,000 + 32% of the excess over P8,000,000

"Tax Schedule Effective January 1, 2023 and onwards:

"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

"For married individuals, the husband and wife, subject to the provision of Section 51(D) hereof, shall compute separately their individual income tax based on their respective total taxable income: *Provided*, That if any income cannot be definitely attributed to or identified as income exclusively earned or realized by either of the spouses, the same shall be divided equally between the spouses for the purpose of determining their respective taxable income.

"*Provided*, That minimum wage earners as defined in Section 22(HH) of this Code shall be exempt from the payment of income tax on their taxable income: *Provided, further*, That the holiday pay, pay received by such minimum wage earners shall likewise be exempt from income tax.

" (b) *Hate of Tax on- Income of Purely Self-employed Individuals and/or Professionals Whose Gross Sales or Gross Receipts and Other Non-operating Income Does Not Exceed the Value-added Tax (VAT) Threshold as Provided in Section 109(BB).* - Self-employed individuals and/or professionals shall have the option to avail of an eight percent (8%) tax on gross sales or gross receipts and other non-operating income in excess of Two hundred fifty thousand pesos (P250,000) in lieu of the graduated income tax rates under Subsection (A)(2)(a) of this Section and the percentage tax under Section 116 of this Code.

"(c) *Rate of Tax for Mixed Income Earners.* - Taxpayers earning both compensation income and income from business or practice of profession shall be subject to the following- taxes:

"(1) All Income from Compensation — The rates prescribed under Subsection (A)(2)(a) of this Section.

"(2) All Income from Business or Practice of Profession -

"(a) If Total Gross Sales and/or Gross Receipts and Other Non-operating Income Do Not Exceed the VAT Threshold as Provided in Section 109(BB) of this Code. - The rates prescribed under Subsection (A) (2) (a) of this Section on taxable income, or eight percent (8%) income tax based on gross sales or gross receipts and other non-operating income in lieu of the graduated income tax rates under Subsection (A)(2)(a) of this Section and the percentage tax under Section 116 of this Code.

"(b) If Total Gross Sales and/or Gross Receipts and Other Non-operating Income Exceeds the VAT Threshold as Provided in section 109 (BB) of this Code.- The rates prescribed under Subsection (A)(2)(a) of this Section.

"(B) *Rate of Tax on Certain Passive Income: —*

"(1) *Interests, Royalties, Prizes, and Other Winnings.* - A final tax at the rate of twenty percent (20%) is hereby imposed -upon the amount of interest from any currency bank deposit and yield or any other monetary benefit from deposit substitutes and from trust funds' and similar arrangements; royalties, except on books, as well as other literary works and musical compositions, which shall be imposed a final tax of ten percent (10%); prizes (except prizes amounting to Ten thousand pesos (P10,000) or less which shall be subject to tax under Subsection (A) of Section 24; and other winnings (except winnings amounting to Ten thousand pesos (P10,000) or less from Philippine Charily Sweepstakes and Lotto which shall be exempt), derived from sources within the Philippines: *Provided, however,* That interest income received by an individual taxpayer (except a nonresident individual) from a depository bank under the expanded foreign currency deposit system, shall be subject to a final income tax at the rate of fifteen percent (15%) of such interest income: *Provided, further,* That interest income from long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas (BSP) shall be exempt from the tax imposed under this Subsection: *Provided, finally,* That should the holder of the certificate pre-terminate the deposit or investment before the fifth (5 th) year, a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term depositor investment certificate based on the remaining maturity thereof;

"(2) *Cash and/or Property Dividends.* - A final tax at the rate of ten percent (10%) shall be imposed upon the cash and/or property dividends actually or constructively received by an individual from a domestic corporation or from a joint stock company, insurance or mutual fund companies and regional operating headquarters of multinational companies, or on the share of an individual in the distributable net income after tax of a partnership (except a general professional partnership) of which he is a partner, or on the share of an individual in the net income after tax of an association, a joint account, or a joint venture or consortium taxable as a corporation of which he is a member or co-venturer.