

Ease of Paying Taxes Act (EOPT)

An Act Introducing Administrative Tax Reforms

Republic Act No. 11976

5 January 2024



Ease of Paying Taxes Act

In brief

On 5 January 2024, the **Ease of Paying Taxes (EOPT)** Act was signed into law by President Ferdinand Marcos, Jr. The EOPT Act introduced significant amendments to the National Internal Revenue Code of 1997 (“Tax Code”) which are intended to protect and safeguard taxpayer rights and welfare, to modernize tax administration by providing mechanisms that encourage easy compliance at the least cost and resources, and to update the tax system and adopt best practices. It takes effect 15 days after its publication in the Official Gazette or in a newspaper of general circulation.

The amendments include the following, among others:

- File-and-pay anywhere mechanism. Taxes shall be paid EITHER electronically or manually at the time the return is filed.
- Classification of taxpayers into micro, small, medium and large taxpayers
- Withholding of tax on income payments only when payable
- Imposing value-added tax (VAT) on services based on gross sales, no longer on gross receipts
- VAT invoices are sufficient to substantiate input VAT arising from the purchase of both goods and services
- Removal of ‘business style’ as a VAT invoicing requirement
- Removal of withholding tax as a requirement for deductibility of income payments

The provision of the EOPT bill granting micro-enterprises exemption from the obligation to withhold taxes was vetoed by the President.

The details of the amendments and their implications are discussed herein.

Income tax

Removal of withholding tax as a requirement for deductibility of income payments [Section 34(K)]

The withholding of applicable income taxes shall no longer be a requirement for deductibility of expenses for purposes of computing income taxes.

When claims for CWT refund are given due course [Section 58]

Claims for tax credit/refund of creditable withholding taxes shall be given due course if:

1. the income payment was declared as part of gross income; and
2. the fact of withholding is established.

When to withhold income taxes [Section 58(C)]

The obligation to deduct and withhold tax shall arise when the income has become payable. This simplifies the timing of withholding of taxes, and abolishes the long-standing rule prescribed by BIR regulations that taxes should be withheld when they are paid, payable or accrued, whichever comes first.

CWT refund claims of taxpayers who have dissolved or ceased business [Section 76]

A taxpayer which cannot carry over excess income tax credit due to dissolution or cessation of business shall file an application for refund of any unutilized excess income tax credit. The BIR shall decide on said application and refund the excess taxes within two (2) years from the date of the dissolution/cessation of business.

Provisions on creditable withholding tax (CWT) refunds/credits [Section 58 (E)]

CWT credits deducted and withheld in a prior period can still be utilized in the subsequent year provided that the income tax was declared in the tax return where the corresponding income was reported.

OFWs not required to file income tax returns [Section 51]

A Filipino citizen who is an Overseas Contract Worker or an Overseas Filipino Worker (OFW) shall not be required to file an income tax return.



Value-added tax

Sales of services shall be subject to VAT based on gross sales, NOT anymore on gross receipts [Section 108]

The VAT (Value-Added Tax) liability on the sale or exchange of services and lease of property shall be levied, assessed and collected on gross sales. It shall no longer be based on gross receipts.

- Consequently, sales invoices shall be sufficient to substantiate sales of services and the corresponding input VAT arising therefrom.
- VAT-registered sellers of services shall issue only one type of document - the VAT sales invoice.



Definition of gross sales [Section 108(A)]

- “Gross sales” means the total amount of money or its equivalent which the purchaser pays or is obligated to pay to the seller.
- It excludes amounts earmarked for payment to third party or received as reimbursement.
- For long-term contracts for one year or more, the invoice shall be issued in the month when the service was rendered.
- Sales discounts and allowances for services expressly apply to services.

Classifying VAT refund claims [Section 112(C)]

Classification of VAT refund claims into low-risk, medium-risk, and high-risk shall be based on the amount of VAT refund claim, tax compliance history and frequency of filing, among others.

Medium-risk and high-risk claims shall be subject to audit or other verification processes of the BIR.

Appeal to the Court of Tax Appeals of BIR decision on VAT refund claim [Section 112(C)]

The taxpayer may appeal the decision of the Commissioner of Internal Revenue (CIR) to the Court of Tax Appeals:

1. In case of full or partial denial of the refund application; or
2. Upon failure of the CIR to act on the application within 90 days from date of submission of invoices and supporting documents.

The appeal should be filed within 30 days from receipt of the denial or after the expiration of the 90-day period.

Consequence of disallowance of BIR-granted refund by the Commission on Audit [Section 112(D)]

In case of disallowance by the Commission on Audit, only the taxpayer shall be liable for the disallowed amount. However, this is without prejudice to any administrative liability on the part of the BIR employee who may be found to be grossly negligent in the grant of the refund.

Value-added tax

Invoicing requirements [Section 113(A), (B) and (D)]

1. A VAT official receipt is no longer required to be issued in the sale of services or lease of property.
2. 'Business style' is no longer required to be indicated in the invoice.
3. If a VAT invoice lacks information required under Section 113(B), here are the consequences:
 - a. Issuer shall be liable for non-compliance; and
 - b. Purchaser shall be allowed to claim the input tax if the invoice contains the sales amount, VAT amount, name and TIN of both parties, description of the goods or service, and transaction date.

Exempt VAT Transactions [Section 109(CC)]

The threshold amount of P3m in Section 109(CC) shall be adjusted to its present value using the Consumer Price Index as published by the Philippine Statistics Authority every three (3) years.

Output VAT Credit on Uncollected Receivables [Section 110(D)]

- Output VAT paid on uncollected receivables may be deducted from output VAT of the next quarter after the lapse of agreed period to pay, subject to the following conditions:
 - a. Seller fully-paid the VAT on the transaction; and
 - b. The VAT component of the uncollected receivables was not claimed as an allowable deduction.
- In case of recovery of uncollected receivables, the related output VAT shall be added to the output VAT of the taxpayer during the period of recovery.

Threshold for issuing invoices. Taxpayers shall issue duly registered invoices for sales valued at PhP500 (previously, PhP100), or when buyer requires, or if seller is VAT-registered. **1**

Securing an ATP free of charge. All persons who are engaged in business can now secure, free of charge from the BIR, an authority to print sales or commercial invoices before a printer can print the same. **2**

Easing burden on registration and transfers

- a. Removal of "business style" in the taxpayer's registration.
- b. Removal of annual registration fee.
- c. BIR registration or cancellation/transfer of a taxpayer may be done manually or electronically, by merely filing the registration information update form. **3**



Tax compliance

Issuance of sales or commercial invoices [Section 237]

- Sales/commercial invoices are required for sale of goods or services rendered valued at PhP500.
- Sales/commercial invoices must indicate the name and taxpayer identification number of the buyer.
- Sales/commercial invoices shall be issued when the buyer so requires, regardless of the transaction amount.
- If the transaction amount is below the PhP500 threshold, one invoice will be issued by the seller for the aggregate sales amount (at least PhP500) at the end of the day.
- In any case, VAT-registered persons shall issue sales or commercial invoices regardless of amount.

Authority to Print free of charge [Section 238]

Taxpayers shall secure, free of charge from the BIR, an authority to print sales or commercial invoices before a printer can print the same.

Preservation of books of accounts [Section 235]

Books shall be preserved for five (5) years reckoned:

1. from the day following the deadline of filing a return, or
2. 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 books of accounts.

Transfer of place of business [Section 236]

- Taxpayers transferring their registered place of business shall file a registration information update form either electronically or manually.
- If the taxpayer is under tax audit, the same shall be continued by the initiating revenue district office.

File-and-pay anywhere mechanism [Section 245(j)]

- Taxes shall be paid EITHER electronically or manually at the time the return is filed.
- The CIR may require the filing of tax returns through ANY authorized agent bank, Revenue District Office, or Authorized Tax Software Provider.

When to withhold income taxes [Section 58(C)]

The obligation to deduct and withhold tax shall arise when the income has become payable. This simplifies the timing of withholding of taxes and abolishes the long-standing rule prescribed by BIR regulations that taxes should be withheld when they are paid, payable or accrued, whichever comes first.

No Annual Registration Fee [Section 236(B)]

The requirement to pay the PhP500 Annual Registration Fee (ARF) has been repealed.



Other provisions

Classifying taxpayers for tax administration purposes [Section 21(B)]:

Group	Gross Sales
Micro	Less than PhP3m
Small	PhP3m to less than PhP20m
Medium	PhP20m to less than P1bn
Large	PhP1bn and above

Availability of registration facilities to all taxpayers including those residing outside the Philippines [Section 236]

The CIR must ensure the availability of registration facilities to all taxpayers including those who are not residing in the Philippines.

Lower penalties for micro and small taxpayers [Section 45 of EOPT Act]:

	Current Provision	Reduced Penalty
Section 248	25% or 50%	10%
Section 249	double the legal interest rate	Legal interest rate
Section 250 - Failure to File Information Returns	PhP1,000 per failure	PhP500 per failure
Sections 113, 237 and 238		50% reduction

Manner of publication by the BIR [Section 245(i)]

In the publication of information required to be published, the BIR may use any electronic means of publication in the Official Gazette or the official BIR website.



The definition of a “large taxpayer” has been removed [Section 245]

The out-of-district or wrong venue filing of tax returns is no longer subject to the 25% surcharge. [Section 248]

Refund Claims [Section 204/229]

- Taxpayer still has two years to file a refund claim for overpaid tax.
- The BIR has 180 days to process and decide on the refund claim.
- In case of full or partial denial of the claim by the Commissioner of Internal Revenue (CIR) or inaction on the part of the CIR, the taxpayer has 30 days from the receipt of the CIR’s decision denying the claim or after the expiration of the 180-day period to appeal the decision to the Court of Tax Appeals.

Other provisions

Percentage taxes [Sections 117 to 120]

- The term “gross receipts” was replaced by “gross sales.” [Sections 117, 118 and 119]
- The term “amount paid” was replaced by “amount billed.” [Section 120]



Let's talk

To help you understand and appreciate the EOPT provisions, you may contact:



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