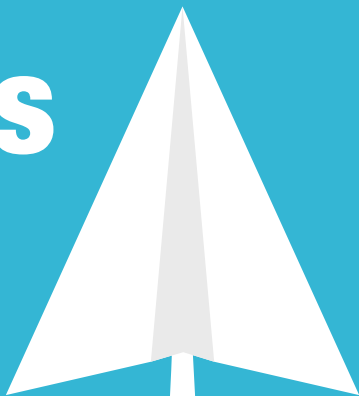


REVISED EDITION

Based on the New TRAIN Law and CREATE Bill

Handy Guide for Business Starters

Learn the Simple Ways
of Starting a Business
in the Philippines



ROWENA B. CEQUEÑA, CPA, MBA

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The best way of looking at the legal requirement of business is to consider that your venture is your newborn child. Any parent would be proud of his or her child and would definitely want to give the child a name and a birth certificate from city hall and a baptismal certificate (for Catholics). No parent would want his or her child to be illegitimate or be taken by someone else other than the real parent.

Weng Cequeña's breadth of experience in accounting, plus her depth of purpose to help aspiring businessmen in the realm of business finance and set-up, makes this book valuable. Read the book and see that business set-up is really easy.

Congrats, Weng, for doing good and doing well.

— Dean Pax Lapid, former dean of Entrepreneurs School of Asia, AIM Adjunct Faculty, GoNegosyo Angelpreneur, and Truly Rich Club mentor

A must-read guide for all those who would like to start a new business. Very practical and applicable to the local setting. As an added bonus, Weng, in her usual inspiring way, injects a lot of good business ethics as a reminder that it pays to be honest in all your business transactions. I am sure this book will bless you immensely.

— Hermie R. Morelos
chairman, Shepherd's Voice Publications, Inc.

Here's a book that's simple enough for a start-up businessperson to understand and use as a checklist in setting up and growing a business.

This book's strength is its simplicity. Here is the mustard seed of a book that can set the standard for best accounting practices for small business in the country.

— Larry Gamboa, Ph.D., author, *Think Rich, Pinoy!*
founder, ThinkRichPinoy.com, chairman and CEO, TRP Realty

Having the big idea to start a new business may be easy, but getting it done is seriously the toughest part. This book will definitely empower aspiring entrepreneurs to finally get things started and get things done right. Entrepreneurs may set their own rules, but our commitment to the ultimate Boss must not be forgotten in all our dealings with our stakeholders. This booklet is a lovely mix of business responsibilities and faithfulness that enlightens readers on how to get the ball rolling when you're starting a business.

— Ruby Albino, marketing director
Shepherd's Voice Radio and Television Foundation, Inc.

Straightforward and easy-to-understand guide for start-up entrepreneurs, business owners, and even professionals. Most of all, you will feel Weng's passion and sincere desire to share her experience as you read the entirety of this book. Great work! Great heart!

— Ma. Nora Balais- Narzoles, CPA

Finally, this author-accountant decided to write this amazing book that is really helpful to anyone who decides to start a business.

As the bookkeeper of my boss, Bo Sanchez, I am very thankful to Weng who is always there to help and guide me every step of the way, always patient with me regarding my work, and always willing to teach me the details of bookkeeping.

Weng taught me how to get all the permits needed for my boss's business. She puts her heart in everything that she does and is very honest in declaring proper taxes. And I think this is the reason why she is blessed.

Follow what's in this book and I'm sure you'll be blessed even more for being honest and for paying what is due to the government.

— Gina Macahilos, bookkeeper, Bo Sanchez, Inc.

I share in Rowena's passion for honest accounting in all industries. It can be done. Businessmen are just too scared to comply with government requirements and fees, hence they cheat or opt not to comply at all because of the lack of technical knowledge in starting up the business. This book is a welcome treat, user-friendly, and a comprehensive tool for both businessmen who just wanted to do the right thing and for government agencies to implement their respective rules and regulations the proper way. I believe people are good and honest because God created us that way. And there are honest government employees as well who just aim to implement rules and regulations, but the public just misunderstand them when they require more documents.

Congratulations, Rowena, for this awesome contribution to our country to get rid of the "underground economy." You nailed it and God is pleased with you.

— Agnes Domingo, CPA

This is a great resource for new entrepreneurs. It gives specific details on the most relevant information on how I will put up my business.

— Jessie Barrot, dean, College of Education
and Sciences, National University

An excellent do-it-yourself guide in setting up your business, this book will show you how to start your business the right way.

— Tina Legaspi, entrepreneur

This book is reader-friendly, easy to understand, and comprehensive. It's like a one-stop shop where you can get all the information you need to start a business. The book does not only provide information but also inspiration and points for reflection for entrepreneurs.

— Maria Cequeña, department head
Senior High School, Catholic Filipino Academy

Heartfelt congratulations for coming up with this wonderful book, an indispensable guide to effectively run a business project.

Present and future entrepreneurs will find this book a superb source of very practical information they need in conducting their day-to-day business.

The information contained here will spare them a lot of headaches and save them from penalties imposed by government regulatory agencies on non-compliance. Not knowing the law is never an excuse for non-compliance.

This book will ensure that entrepreneurs are wisely guided from Day One of their responsibilities in matters of taxation, VAT, SSS, and all other government requirements.

I myself am an entrepreneur and how I wish this book was already in existence when I organized my own business.

I strongly recommend this book to all upcoming business owners—and even to those already in business—as a handy guide in running their operations.

This is a must-read book for all Christian entrepreneurs!

— Reylando Ortega (deceased), founder,
Tahanan ng Pagmamahal Children’s Home, Inc.,
Grace to Be Born, Inc., Jeremiah 33:6-7 Foundation, Inc.,
and Pag-Asa ng Pamilya (Hope of the Family) Scholarship
Foundation, Inc.

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ROWENA B. CEQUEÑA

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Address requests for information to:
SHEPHERD'S VOICE PUBLICATIONS, INC.
#60 Chicago St., Cubao, Quezon City, Philippines 1109
P.O. Box 1331, Quezon City Central Post Office
1153 Quezon City
Tel. No. (+632) 8725-9999; Fax. No. (632) 8727-5615
E-mail: sales@shepherdsvoice.com.ph

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TABLE OF CONTENTS

| | |
|---|--------------|
| Introduction | i-iii |
| Chapter 1: What Form of Business Enterprise Should I Choose? | 1-4 |
| 1.1 Sole Proprietorship | |
| 1.2 Partnership | |
| 1.3 Cooperative | |
| 1.4 Corporation | |
| 1.4.1 Regular Corporation | |
| 1.4.2 The One-Person Corporation | |
| Chapter 2: Where Do I Register? | 5-8 |
| 2.1 Department of Trade and Industry | |
| 2.2 Securities and Exchange Commission | |
| 2.3 Cooperative Development Authority | |
| 2.4 Social Security System (SSS) | |
| 2.5 Philhealth | |
| 2.6 Home Development and Mutual Fund (HDMF) | |
| 2.7 Barangay Micro Business Enterprise Act of 2002, RA 9178 (BMBE) | |

Chapter 3: Where Do I Get Licenses and Permits? 9-12

- 3.1 Barangay Clearance
- 3.2 Municipal/City Permits
- 3.3 Bureau of Internal Revenue
- 3.4 Securities and Exchange Commission
- 3.5 Department of Trade and Industry
- 3.6 Cooperative Development Authority

Chapter 4: What Are the Reportorial Requirements? 13-40

- 4.1 Bureau of Internal Revenue
 - 4.1.1 Percentage Tax
 - 4.1.2 Value Added Tax (VAT)
 - 4.1.3 Expanded Tax
 - 4.1.4 Withholding Tax on Compensation
 - 4.1.5 Final Tax
 - 4.1.6 Income Tax
 - 4.1.7 Income Tax on Individual, Professional and Self-Employed
 - 4.1.8 Minimum Corporate Income Tax
 - 4.1.9 Inventory List
 - 4.1.10 Maintain Your Books of Accounts
 - 4.1.11 Capital Gains Tax
 - 4.1.12 Estate Tax
 - 4.1.13 Certificate of Registration

| | |
|--|--------------|
| 4.2 Securities and Exchange Commission | |
| 4.2.1 General Information Sheet | |
| 4.2.2 Annual Financial Report | |
| 4.2.3 Sworn Statement (Annual Report) | |
| 4.3 Cooperative Development Authority | |
| Chapter 5: What Must I Do If I Want to Close My Business? | 41-43 |
| 5.1 Municipal Clearance | |
| 5.2 Bureau of Internal Revenue | |
| 5.3 Securities and Exchange Commission | |
| 5.4 Department of Trade and Industry | |
| 5.5 Cooperative Development Authority | |
| 5.6 SSS/Philhealth and HDMF | |
| Epilogue | 44 |
| Appendix | 45-55 |
| About the Author | 56-57 |
| Acknowledgments | 58 |

INTRODUCTION

Writing is not my passion.

I am an accountant, and like most accountants, I am not a writer by nature.

So why am I writing this book? My answer is simple. I want to help people who are starting their small business, as well as those who are still planning to have their own. I want to give them the basic knowledge in starting a business and the government-mandated reportorial requirements. The examples are based on the new Tax Reform for Acceleration and Inclusion or TRAIN Law.

My motivation in writing this book is for all Filipinos to be aware—or to increase their awareness—of our basic responsibility when doing business. It's important for us to be honest in all our business ventures because God will bless us even more if we are faithful to our clients and to our government. Luke 16:10 says, "One who is faithful in a very little thing is also faithful in much, and one who is dishonest in a very little thing is also dishonest in much."

I want to help raise a new breed of businessmen who maintain only one set of accounting books instead of maintaining two— one for the Bureau of Internal Revenue (BIR) and another for management purposes. Keeping a second or false book might be one of the reasons why our country is

poor. We must avoid being greedy when we manage our own business. We must remember that we have a responsibility to our country and our neighbors, and keeping a set of false records will do others great injustice. We must make it our advocacy to prosper our business in order to help other people. I can imagine how prosperous our country would be if all Filipino taxpayers and business owners are honest. God will bless our ventures when He sees that we are honest even if no one is looking. Some countries are progressive because their citizens contribute to their progress.

I graduated with a degree in Bachelor of Science Major in Accounting and a Masters Degree in Business Administration. I passed the Certified Public Accountant (CPA) board exam in May 1987. I have been in the field of finance and accounting for more than two decades now. At present, I am working at Shepherd's Voice Publications, Inc. as the vice president for corporate services. I also do some freelance accounting work for some of my friends' businesses. Through the years, I had encountered several problems with the Bureau of Internal Revenue (BIR) audit that my studies in accounting did not prepare me for.

In my years of practice, I have accumulated a wealth of information that I believe will make finance and accounting easy for those starting small- and medium-scale businesses, especially for those who do not have the luxury of hiring financial consultants.

If you are reading this, I presume that you either want to have your own business but do not know how to go about

it, or are just starting your first business. Either way, you will find this book useful. My examples are very simple so you can easily understand them.

For more questions, you can e-mail me at wengcequena@gmail.com. I am more than willing to assist you.

This book is dedicated to my family and to Pag-Asa ng Pamilya (Hope of the Family) Scholarship Foundation, Inc. Part of the proceeds of this book will go to Pag-Asa ng Pamilya, which helps poor but deserving and persevering students to obtain a college education.

My prayer for you is that you prosper in your business endeavor, using this book as a guide.

Rowena B. Cequeña

CHAPTER 1

What Form of Business Enterprise Should I Choose?

There are four types of business enterprises that you can choose from. These are: sole proprietorship, partnership, corporation, and cooperative. The basic features of each form of business are discussed in detail below:

1.1 Sole proprietorship

This kind of business is solely owned by an individual. This is the easiest to organize. In case of dissolution or bankruptcy, however, this kind of business is the most dangerous, since your creditor can run after all your personal properties should anything go wrong. Capital requirement depends on what kind of business you are going to pursue. It could either be capital intensive or no capital at all.

2 *What Form of Business Enterprise Should I Choose?*

1.2 Partnership

This kind of business is owned by two or more partners. It could either be a professional or general partnership. Professional partnership involves the practice of one's profession, like accountancy, law, or engineering. General partnership involves any kind of business. Limited partners are business partners with limited liability up to the extent of their investment in the company in case the company has to pay its creditors. In case of financial distress, they will not be required to add money to pay the creditors unlike the general partners. The starting capital depends on the kind of business the partners will pursue.

1.3 Cooperative

This kind of business is owned by a minimum of 15 individuals. It can have as many members as possible, but each member's investment may not exceed 10 percent of the total capital of the organization. Members vote for the officers of the cooperative.

The provision of Republic Act 9520 and its implementing Rules and Regulations govern the cooperative acts. Registration is done with the Cooperative Development Authority.

1.4 Corporation

1.4.1 Regular Corporation

Corporation, as defined in the *Revised Corporation Code of the Philippines*, is an artificial being created by operation of law, having the right of succession and the powers, attributes, and properties expressly authorized by law or incidental to its existence. It can be formed by two or more incorporators but not exceeding fifteen. It has a perpetual existence unless its articles of incorporation provides otherwise. There is no minimum capital stock, except as otherwise specifically provided by special law. In case of bankruptcy or financial distress, liability to creditors is limited to capital contributions, making the corporation the safest form of business.

1.4.2 The One-Person Corporation

A one-person corporation, as defined in the *Revised Corporation Code of the Philippines*, is a corporation with a single stockholder. Only a natural person, trust, or an estate can form a one-person corporation. There is no minimum authorized capital stock required for a one-person corporation, except as

4 *What Form of Business Enterprise Should I Choose?*

otherwise provided by special law. It is not even required to submit and file corporate by-laws. It must indicate the letters “OPC” either below or at the end of its corporate name. The single stockholder of a one-person corporation is the sole director and president of the corporation. Securities and Exchange Commission (SEC) Memorandum Circular No. 7, Series of 2019, which took effect on May 1, 2019, provides the term of existence of one-person corporation as perpetual. If it is a trust or estate, its term shall be co-terminus with the existence of the trust or estate. Fifteen days after the issuance of the certificate of incorporation, a one-person corporation must appoint a treasurer, corporate secretary, and other officers necessary for the operation of the business. It must notify the SEC within five days after the appointment and run the business like a real corporation. The company’s funds should be separate from the owner’s personal funds. Liability to third parties and creditors are also limited to capital contributions.

CHAPTER 2

Where Do I Register?

To be considered legitimate, your business must be duly registered with the appropriate government agency. Otherwise, you will encounter problems, because just about every procedure in running your business involves dealing with different government offices. The government has the right to padlock your main office or branches in the cities or municipalities where you are operating. After determining what type of business you want to open, you need to register it with the proper government agency.

2.1 Department of Trade and Industry (DTI)

Registration of the sole proprietorship form of business is done with the Department of Trade and Industry. The first step is to determine your business name, which should have no similar name in the DTI's roster of registered businesses. You can check out this roster at DTI's website: **www.dti.gov.ph**. Once your business name is approved, you can

already start the registration process. DTI provides downloadable forms.

2.2 Securities and Exchange Commission (SEC)

Partnerships and corporations are registered with the Securities and Exchange Commission. First, go to **<https://crs.sec.gov.ph>** and register the name of your organization. If there are no other businesses with the same name, you may reserve it and pay the required registration fee, either at the SEC teller counter or with a SEC-accredited bank.

Once your business name is approved, you may then continue with the registration process.

Online registration of a new company is the present system of SEC. Once all data are encoded, you can already print the articles, by-laws, cover sheet and even the stock and transfer book. You will then print the documents for uploading to SEC website after having it signed and notarized to proceed with the registration process. Pay the required fees in the bank or at SEC cashier. Submit the original signed documents in four copies after paying the required fees.

2.3 Cooperative Development Authority (CDA)

Cooperatives are registered with the Cooperative Development Authority. Similar to the other forms of

business enterprises, you must first determine your business name and register it with CDA. The CDA requires that cooperative members attend a seminar on how cooperatives work. For details, check out **www.cda.gov.ph**.

2.4 Social Security System (SSS)

The law mandates that all businesses in the Philippines pay SSS contributions both for the employees' and the employer's shares. Register your company with SSS to avoid penalties. Even if you have no business of your own and want to enjoy SSS benefits, you may volunteer to become an SSS member and pay your contributions regularly. Visit the SSS branch nearest your place of business or you may log on to **www.sss.gov.ph** for more information.

2.5 Philhealth

Philhealth membership is mandatory for employers so that their employees can enjoy Philhealth benefits, such as discounts in hospital bills. Like the SSS, you may register to become a Philhealth member even if you have no business of your own. Registration procedures and forms may be downloaded from **www.philhealth.gov.ph**.

2.6 Home Development and Mutual Fund (HDMF), fondly called the Pag-Ibig Fund

Just like SSS and Philhealth, employers are mandated to make sure their employees are HDMF or Pag-IBIG members. The minimum monthly contribution for employers and employees is only P100.00 a month.

As in SSS and Philhealth, individuals without a regular job or business can also be HDMF members. For details, log on to **www.hdmf.gov.ph**.

2.7 Barangay Micro Business Enterprise Act of 2002—RA 9178 (BMBE).

If your business or activity falls under the micro enterprise category, you can apply or register as a Barangay Micro Business Enterprise (BMBE) and avail of the tax exemption privilege granted to such enterprises. A BMBE is any business engaged in the production or processing of products, as well as trading and services with total assets of not more than P3 million. You can ask your barangay or city government for further details.

CHAPTER 3

Where Do I Get Licenses and Permits?

Before you start your business operations, you must pay the licenses and various fees required by your barangay, city or municipality, and the government's tax collecting agencies. Below are documents you need to accomplish and submit to legitimize your business:

3.1 Barangay Clearance

This permit may be secured from the barangay where you registered your business site. The fees vary in each barangay. In our place—Bangad, Binangonan, Rizal—a barangay clearance costs P100. If the barangay is located in the city, the barangay clearance is more expensive. The barangay clearance must be accomplished every January.

It is important to register your business with the barangay immediately after securing the registration

from DTI, SEC, or CDA, so you can proceed with the next step.

3.2 City or Municipal Business Permit

After securing the barangay clearance, the next step is to secure the municipal or city permit where your barangay is located. There are various departments in the city or municipality where you may have to secure clearance from, such as the fire department, engineering for locational clearance, and business process and licensing office (BPLO), before you can finally pay the required fees for the year or for the quarter. The fees and licenses for business permits vary in each city and municipality. Fees are more expensive in cities than in the provinces.

3.3 Bureau of Internal Revenue (BIR)

Registration with the Bureau of Internal Revenue should be made within 30 days after securing the DTI, SEC, or CDA registration papers to avoid penalties. Use BIR Form No. 0605, which indicates that you must pay P500.00 for the annual registration fee.

Business owners are required to attend the BIR orientation seminar before the Certificate of Registration (COR) for their business is issued. The required Books of Accounts must also be registered with the BIR. They are the Cash Receipts Books (CRB) for collections, Cash Disbursement Books (CDB; see

Exhibit 2 on page 46) for expenses, Sales Book (SB) for sales on account (see Exhibit 1 on page 46), Cash Invoice Book (CIB) for cash sales, Journal Book (see Exhibit 3 on page 46) for adjustments and other entries not falling within CDB, CRB, CIB, and SB, and General Ledger (GL; see Exhibit 4 on page 47 to 49), which summarizes all transactions in all books of accounts. You may use columnar notebooks that are available in bookstores.

If your business is a service company, your CRB will serve as your sales book, since a service business does not have items for sale. Your company does not need a Sales Book or Cash Invoice Book for cash sales.

Authority to print official receipts and invoices must be secured from the BIR before you can start your business and print the required forms. These documents are to be issued to customers and will be the basis of your reports to various government agencies. Use BIR Form 1906.

3.4 Securities and Exchange Commission (SEC)

Partnerships and corporations must file and pay the required fees with SEC before they start business operations. Fees vary depending on the capital of the business.

Reservation of a company name is done online. Once the name is available, current registration

with SEC is done through its online facility. Log on at **<https://crs.sec.gov.ph>** for a new company. The only time you will go to SEC office is when you pay the required fees after filling out the online application of a new company. After payment, submit the original document to SEC.

Stock and Transfer Book costs P350.00. This book must be registered with SEC. It is the record of stockholders' shares of stock with the corporation.

Registration fee depends on your capital. Table of fees based on capital are established by SEC.

You may visit its website at **www.sec.gov.ph**.

3.5 Department of Trade and Industry (DTI)

Sole proprietors file their business name and register with DTI before business operation. You may visit its website at **www.dti.gov.ph**.

3.6 Cooperative Development Authority (CDA)

Cooperatives file their business name and register with CDA before business operations. The CDA officer conducts seminars to members of cooperatives before registration. You may visit its website at **www.cda.gov.ph**.

CHAPTER 4

What Are the Reportorial Requirements?

Starting and operating a business in the Philippines, especially for small businesses, can be daunting. Small businesses may not be able to afford the services of an independent accountant and bookkeeper since it can be expensive. So it's best that you know the basic reportorial requirements of the various agencies of our government so you can prepare them yourself. Many small businesses have closed due to non-compliance with government regulations. Although this may not be the only reason for the closure, I'm certain that it has contributed to its eventual shutdown. I firmly believe that if we are honest in our transactions and if we obey the law, the universe will conspire to prosper our ventures, and God will bless our business in ways we cannot imagine.

An example of this company is The Covenant Car Company, Inc. I heard the owner share in the Light of Jesus Family Leaders' Assembly that his company pays the correct amount of taxes to the government. God has blessed him immensely for this. I've also seen how the Truly Rich Club (www.trulyrichclub.com)

14 *What Are the Reportorial Requirements?*

under Bo Sanchez, Inc. (www.bosanchez.ph) and Shepherd's Voice Publications, Inc. (www.feastbooks.ph) prosper because these companies obey the laws of our country.

I myself follow the principle of paying the correct amount of taxes to the government. It is similar to giving tithes to the Church.

Paying the correct amount of taxes, permits, licenses, and other fees to the government will not only prosper our business, but we are also given the opportunity to serve our fellowmen since the government will use our taxes to deliver the basic services to the people who need it most. I know that many will object to this because we don't see where our taxes go. Corruption has invaded not only our government systems but the consciousness of our nation. It is apparent that our collective conscience as a people is weak. But I believe that if we persevere in doing what is right, then change will come and we, as a people, will overcome corruption and all that hinders us from progress.

4.1 BUREAU OF INTERNAL REVENUE

After getting all the permits, licenses, and registration papers, you may already begin your business transactions with your customers. It's important to issue receipts and invoices to clients, which will become the basis of your reports to various government agencies, and even to the management of the organization. The receipts will show whether you made a profit or not, which will then be the basis of the fees you will have to pay when you renew your business permits.

Let's suppose that XYZ Company is selling computers, gadgets, or digital machines. It makes a P3,000,000 sale in one month. What reports must it submit to the government at the end of the month? See the list below:

4.1.1 PERCENTAGE TAX

Percentage tax is 3% of a company's sale for the month for as long as its sales does not exceed P3,000,000 a year. The percentage tax is remitted to the BIR on the 25th of the month after each quarter. For example, if a company has a sales of P500,000 from January to March, the organization will pay the BIR P15,000 ($3\% \times 500,000$) on April 25 using BIR form 2551Q through its accredited banks. This tax is the only tax that can be claimed as deduction from income to compute for the annual income tax. This applies to both individual and corporate taxpayers. However, due to the CREATE Bill, it is now down to 1% from July 1, 2020 to June 30, 2023. Thus, the new computation for the percentage tax will now be $P500,000 \times 1\% = P5,000$ but it will be back to 3% come July 1, 2023. However, if an individual with less than P3,000,000 annual sales will avail of the 8% final tax option, he will no longer pay the percentage tax. Instead, he will pay quarterly income tax using BIR form 1701Q and pay the 8% final tax.

If sales is more than P3,000,000, the company has to start paying Value Added Tax (VAT) of 12% even if the company registered its operations as non-VAT. The company has to amend its Certificate of Registration (COR) from non-VAT to VAT taxpayer. Otherwise, the company may be imposed with penalties and charges.

16 What Are the Reportorial Requirements?

4.1.2 VALUE ADDED TAX (VAT)

The Value Added Tax is 12% of your gross sales if you exceed the P3,000,000 threshold set by the BIR. The VAT is passed on to buyers of goods or services. So if XYZ Company's sales is P5 million for January, the VAT it must report to BIR is as follows:

| | |
|-------------------------------------|------------|
| Sales | P5,000,000 |
| | ===== |
| VAT - Output Tax (P5,000,000 x 12%) | 600,000 |
| | ===== |
| Total Sales (inclusive of VAT) | P5,600,000 |
| | ===== |

Sales account is recorded in the Sales Book. See Exhibit 1 on page 46.

If in the process of selling its products, XYZ Company made purchases from its suppliers amounting to P3.5 million, its report to the BIR should be as follows:

| | |
|------------------------------------|---------------|
| Purchases | P3,500,000.00 |
| VAT - Input Tax (12% x 3,500,000) | 420,000.00 |
| | ----- |
| Total Purchases (Inclusive of VAT) | P3,920,000.00 |
| | ===== |

Purchases account is recorded in the Cash Disbursement Book. See Exhibit 2 on page 46.

Input tax is the 12% Value Added Tax on purchases of goods and services from a VAT-registered supplier.

Input Tax $P3,500,000 \times 12\% = P420,000$

If you are a VAT-registered business owner, you have the benefit of claiming the input tax and deducting it from your total Output Tax payable to the government.

In our example on page 16, the Output Tax of P600,000 is greater than the Input Tax of P420,000. Therefore, your actual VAT payment will only be P180,000. This amount shall be remitted to the BIR using BIR Form 2550M on the 20th of the following month. Thus, the VAT payment for your sales in January must be remitted to the BIR on February 20 through a BIR-accredited bank. February sales must be remitted on March 20, and March sales shall be reported using 2550Q.

In your March 2550Q, add the sales of January to March, deduct input taxes from January to March, then minus the payments you made for January and February. The difference is your VAT payable for the quarter. Pay this on the 25th of the month following the quarter with a summary list of sales and purchases for the quarter duly sent to BIR through e-mail at **esubmission@bir.gov.ph**. Validation report from BIR must be attached to BIR form 2550Q. For the first quarter, pay on April 25, for the second quarter pay on July 25, for the third quarter pay on October 25, and for the fourth quarter pay on January 25, all with attachment of summary list of sales and purchases for the respective quarter.

18 *What Are the Reportorial Requirements?*

VAT Relief program is available for downloading from BIR website where you will input your summary lists. Afterwards, submit the generated text file at **esubmission@bir.gov.ph**. The quarterly VAT-registered payment is paid using BIR Form 2550Q on or before the 25th of the month following the quarter. You can fill out remittance forms using the EBIROffline program downloadable from the BIR website **www.bir.gov.ph** or through EFRS if you are registered to pay online with the bank.

Lesson: The tax amounting to P180,000 is only 3.6% of XYZ Company's total sales. So, in effect, because of the input tax, XYZ Company does not have to pay a total of 12% VAT. If you are a VAT taxpayer, it's better to buy your raw materials or goods for sale from another VAT taxpayer so you can enjoy the benefit of input tax. If there is input tax, you will not pay the entire 12% VAT on your sales, because it will be decreased by the input tax from your purchases.

4.1.3. EXPANDED TAX

This is the kind of tax that a company remits to the BIR if the company is a withholding agent of the government. Not all companies are tax-withholding agents. Your Certificate of Registration indicates if you are one. At the start of your business, you can tell the BIR not to include the withholding agent feature in your registration, especially if you are a sole proprietor. Most corporations are withholding agents, especially big, multinational ones.

The withholding tax rate varies, depending on what kind of payment the company made, as embodied in the BIR Revenue Regulations 11-2018, as amended. Most commonly used are:

Rental - 5% (if you are renting an office space, for example)

For Individual:

Professional Fees - 5% if gross annual income of the payee is below P3,000,000 and taxpayer is availing of the 8% final tax; submit a Sworn Declaration of gross receipts every January 15.

- 10% if gross annual income of the payee is below P3,000,000 and taxpayer failed to provide the sworn declaration of income availing of the 8% final tax.

For Non-Individual:

- 10% if the annual gross income is below P720,000.

- 15% if the annual gross income is above P720,000.

Contractors - 1% if you are a seller of goods; 2% if you are a seller of services.

For example, if the total amount of XYZ Company's purchases from a supplier of goods is P3.5 million, the company will remit 1% of P3.5 million or P35,000 the following month. The withholding tax must be computed on purchases without the VAT so the computation of the withholding tax is based on P3.5 million, not on the total purchases of P3.92 million with VAT. XYZ Company has to remit this P35,000 to BIR using BIR Form 0619E monthly and 1601EQ quarterly with summary list of all taxes withheld for the quarter. The submitted reports must be validated by BIR through email confirmation from them.

20 *What Are the Reportorial Requirements?*

The total tax withheld shall be remitted to the BIR on the 10th of the month, following the month the tax was withheld, using BIR Form 0619E monthly and 1601EQ quarterly on the last day of the month following the end of the quarter. For year end, the total tax withheld must be paid every January 15 of the following year. A quarterly summary list of payees must be submitted to BIR using 1601EQ on the last day of the month following the close of the quarter as an attachment to the quarterly withholding tax returns prescribed under Revenue Regulation 11-2018, as amended. Form 2307 shall be issued to the payees.

Alphabetical list of payees using the BIRALPHA program shall be submitted electronically on or before March 1 of each year.

4.1.4 WITHHOLDING TAX ON COMPENSATION

This kind of tax is deducted from employees' salaries. There is no withholding tax for an employee who is earning not more than P250,000 a year. If you earn higher than this, the tax rates vary from 20% to 35% as indicated in the BIR Tax Table of Individual Taxpayer on page 27. There are no more personal and additional exemptions allowed in the present TRAIN Law. The employer must remit the withheld tax to the BIR on the 10th of the following month using BIR Form 1601C, and at year end, on January 15 of the following year.

Individuals earning purely compensation income shall be taxed based on graduated income tax rate prescribed by the BIR.

Alphabetical list of employees and other withholding taxes that fall within this category shall be submitted electronically on or before January 31 of each year. BIR Form 2316 shall be issued to employees.

4.1.5 FINAL TAX

This kind of tax is already final and cannot be credited to any other tax payments. An example of this is the Fringe Benefits Tax (use BIR Form 1603) given to executives of an organization, equivalent to 35% of the benefits given. Royalty tax of authors of books and other literary works is 10% of the amount paid as royalty. This kind of tax is remitted on the last day of the month following the quarter using 1601FQ.

Filing of BIR forms for VAT, percentage tax, expanded tax, withholding tax on compensation, and final tax must be done based on the COR issued by the BIR to individual taxpayers on the specified deadline even if there is no payment. Non-filing will incur penalty. So even if there are no sales or tax withheld for that month, **you must still file a return (with no payment) using EBIROffline (updated version) facility of the BIR.**

The alphabetical list of final tax withheld must be incorporated in Form 1604CF filed on or before January 31 of each year.

4.1.6. INCOME TAX

This kind of tax is paid on a quarterly basis using BIR Form 1702Q (60 days after the end of quarter) and on a yearly

22 *What Are the Reportorial Requirements?*

basis using BIR Form 1702RT (April 15 of each year) in the case of a corporation. For individual taxpayers, quarterly income tax (1701Q) for the first quarter must be filed on May 15, second quarter on August 15, third quarter on November 15, and on April 15 for the annual income tax using BIR Form 1701.

Let's say a company has sales of P5 million, with purchases amounting to P3.5 million. Let's assume that in order to get the sales, the company incurred a commission expense of 5% or P250,000. Other expenses include a staff with a salary of P220,000 plus SSS/Philhealth deduction of P11,527.50, and taxes and licenses of P55,000. Let's also say that in the course of maintaining the bank account for the business, XYZ Company earned an interest income amounting to P11,500.00, net of 20% withholding tax. This interest shall be recorded in the Journal Book. See Exhibit 3 on page 46.

With the passage of Corporate Recovery and Tax Incentive for Enterprise (CREATE BILL) last March 26, 2021 and which took effect on April 11, 2021, the new corporate tax rate will be::

1. 25% general corporate income tax rate; and
2. 20% for domestic corporation with total assets not exceeding 100M (excluding land) and total net taxable income not exceeding P5M.

Proprietary educational institutions and hospitals that are non profit are charged 1% income tax on their taxable income effective July 1, 2020 until June 30, 2023. Then it will be back to 10% on July 1, 2023.

How do you compute for the income tax? See recording of expense transactions in Exhibit 2 on page 46.

| | | |
|--------------------------------------|--------------|--------------------------|
| Sales | | P 5,000,000.00 |
| Cost of Sales | | 3,500,000.00 |
| | | ----- |
| Gross Income | | 1,500,000.00 |
| Less: Operating Expenses | | |
| Commission | P 250,000.00 | |
| Salaries | 220,000.00 | |
| SSS/Philhealth | 11,528.00 | |
| Taxes and Licenses | 55,000.00 | 536,528.00 |
| | | ----- |
| Net Income before tax | | 963,472.00 |
| Corporate tax (20% x 963,472) | | 192,694.40 |
| | | ----- |
| Net Profit After Tax | | <u>770,777.60</u> |

24 What Are the Reportorial Requirements?

| | |
|----------------------|-----------|
| Add: Interest Income | 11,500.00 |
|----------------------|-----------|

| | |
|-------------------|---------------------|
| Net Income | P 782,277.60 |
|-------------------|---------------------|

You can also use Optional Standard Deductions (OSD) in computing for the Income Tax as follows:

| | |
|-------|----------------|
| Sales | P 5,000,000.00 |
|-------|----------------|

| | |
|---------------------|--------------|
| Less: Cost of Sales | 3,500,000.00 |
|---------------------|--------------|

| | |
|---------------------|---------------------|
| Gross Income | 1,500,000.00 |
|---------------------|---------------------|

OSD: Expenses (40% of Gross Income
in the case of a corporation)

| | |
|-------------------|------------|
| (40% x 1,500,000) | 600,000.00 |
|-------------------|------------|

| | |
|------------------------------|---------------------|
| Net Income Before Tax | P 900,000.00 |
|------------------------------|---------------------|

Computation of Income Tax Due:

| | |
|---------------------------|---------------------|
| <u>(20% of P 900,000)</u> | P 180,000.00 |
|---------------------------|---------------------|

In this case, OSD is more beneficial to the taxpayer since he paid only P180,000.00 tax instead of P192,694.40, thus, a tax savings of P12,694.40.

It depends on how you can make your taxation legal and more beneficial to you and how your accountant presents the facts.

Reminder: Optional standard deductions should be consistently applied for all quarters of the year. If you want to shift from itemized to optional standard deduction, it should be on a calendar or fiscal year basis, and not just any time you want.

Professional partnership is not taxable as a partnership—the income has to be divided among the partners. Then the partners file for their individual income tax.

Cooperatives are not taxable due to some privileges granted by the government under RA#9520.

BIR deadlines vary when you are following a calendar or fiscal year. You can check the BIR calendar for all deadlines. BIR deadlines enumerated here are for non-EFPS taxpayers (taxpayers not using electronic filing) and if you're using the calendar year as your accounting period.

If you are a professional, say, a certified public accountant, a lawyer, an engineer, a doctor, or the like, following the optional standard deduction method when computing for your personal income tax may save you a lot of trouble. You will pay a little higher than if you claim for itemized deductions, but you'll be the BIR's least priority when it comes to being audited.

In the new TRAIN Law, there are options to pay only 8% final tax for individual taxpayers earning P3,000,000 and below. If you opt for this, there are no more deductions for your expenses.

4.1.7 INCOME TAX FOR SELF-EMPLOYED INDIVIDUALS AND PROFESSIONALS

If we want to fight corruption in the government, let the change begin with us. Let's make a difference in the way we conduct our personal business. The road might be narrow and the path difficult, but with God as our guide, we can't go wrong.

When your business is in its infancy stage, just do the right thing and you will be blessed.

An individual earning purely as self-employed or in the practice of a profession has two options in paying his income tax. One is through graduated rates (on page 27) under Section 24 (A)(2)(a) of the Tax Code, as amended. Second is through paying the final tax on Gross Sales or Receipts and other non-operating income in excess of P250,000 in lieu of the graduated income tax rates and percentage tax under Section 116.

If an individual taxpayer chooses the graduated rates and his income is below P3,000,000, the person shall pay a tax equivalent to 3% of his quarterly sales or receipts. If the income exceeded P3,000,000, the individual taxpayer has to pay VAT and graduated rates on his income tax.

An individual taxpayer shall be considered as having availed of the graduated income tax rates unless he signifies in the first quarter income tax return of the taxable year the

intention to elect the 8% income tax rate. Such election shall be irrevocable for the taxable year. If he wants to shift to graduated rates, he has to wait for the next taxable year.

| TAXABLE INCOME IS | |
|---|--|
| Not over P250,000 | exempted |
| 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 |

Those subject to other percentage taxes under Title V of the Tax Code, as amended except those subject under Section 116 of the same Title and partners of a General Professional Partnership (GPP) since their share from GPP is already net of cost and expenses—cannot avail of the 8% income tax rate.

| IF TAXABLE INCOME IS | |
|---|--|
| Not over P250,000: | exempted |
| 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 |

Tax Table of Individual Taxpayers

Source : Section 3.A. Income Tax Rates on Individual Citizen and Individual Resident Alien Effective January 1, 2018 until December 31, 2022

Source : Section 3. Income Tax Rates on Individual Citizen and Individual Resident Alien Effective January 1, 2023 onwards

Illustration 1. Mikaela Trading operates a small grocery store while she offers accounting services to her clients. For the year, her gross sales amounted to P2,550,000. In addition, she earned P400,000 for her accounting services. **She already signified her intention to be taxed at 8% income tax rate in her income tax return for the first quarter.**

| | |
|---------------------------------------|------------------|
| Gross Sales-Grocery Store | P 2,550,000 |
| Gross Receipts-Accounting | 400,000 |
| | ----- |
| Total Sales/Receipts | 2,950,000 |
| Less: Amount allowed as deduction | 250,000 |
| | ----- |
| Taxable Income | 2,700,000 |
| | ===== |
| Computation of Income Tax Due: | |
| (8% of P2,700,000) | P 216,000 |
| | ===== |

Since the income is below the P3,000,000 threshold of VAT, she can avail of the 8% final tax by provision of law.

Illustration 2. If Mikaela Trading failed to signify her intention to be taxed at 8%, graduated rates will apply. Assuming the cost of sales and operating expenses amounted to P1,000,000 and P500,000 respectively, income tax computation is shown below:

| | |
|--------------------------|--------------------|
| Gross Sales/Receipts | P 2,700,000 |
| Less: Cost of Sales | 1,000,000 |
| | ----- |
| Gross Income | 1,700,000 |
| Less: Operating Expenses | 500,000 |
| | ----- |
| Taxable Income | P 1,200,000 |
| | ===== |

Computation of Income Tax Due:

| | | |
|---|-----------|----------------|
| Income Tax Due on P800,000 | P 130,000 | |
| Income Tax Due on (1,200,000-800,000) P400,000 x 30% | 120,000 | 250,000 |
| | ----- | |
| *Add Business Tax of 1% of P2,700,000 | | 27,000 |
| | | ----- |
| Total Tax Due to BIR | | 277,000 |
| | | ===== |

***Will go back to 3% on July 1, 2023.**

30 What Are the Reportorial Requirements?

Illustration 3. Mikaela Trading signified her intention to be taxed at 8% income tax rate on gross sales in her first quarter income tax. However, gross sales during the taxable year exceeded the VAT threshold.

| | |
|--------------------------|--------------------|
| Total Sales | P 5,500,000 |
| Cost of Sales | 2,500,000 |
| | ----- |
| Gross Income | P 3,000,000 |
| Less: Operating Expenses | 1,500,000 |
| | ----- |
| Taxable Income | P 1,500,000 |
| | ===== |

Computation of Annual Income Tax Payable:

| | | |
|--|-----------|----------------|
| Income Tax Due on P800,000 | P 130,000 | |
| Income Tax Due on (1,500,000-800,000) P700,000 x 30% | 210,000 | |
| | ----- | |
| Total | 340,000 | |
| Less: 8% income tax previously Paid (Q1 to Q3-assuming P3M sales) | 240,000 | 100,000 |
| | ----- | |
| Add: Percentage Tax on the first P3 Million - (P3,000,000 x <u>1%</u>) | 30,000 | |

Excess of Threshold of P3 Million

shall be subjected to VAT -

(P2,500,000 x 12%)

300,000

330,000

Total Taxes Payable to BIR

430,000

=====

Tax payment of 8% for the first three quarters shall be allowed as income tax credit.

In addition, taxpayer shall likewise be liable for business tax in addition to income tax.

A percentage tax shall be imposed on the first P3,000,000 (P3,000,000 x 1% = P30,000).

The excess of the threshold shall be subjected to VAT (P2,500,000 x 12% = P300,000).

Percentage tax due for the P3,000,000 shall be collected without penalty if paid on the due date.

Note: Operators of nightclubs and video bars cannot avail of the 8% final tax even if their gross receipts is below P3,000,000 since the business is subject to Other Percentage Tax under Section 125 of the Tax Code. Aside from the income tax, the taxpayer shall pay the corresponding business tax.

Income Tax Rates for Individuals Earning Both Compensation and Business Income (Self-Employed or Practice of Profession)

Income from compensation is subject to graduated rates.

Income from business or profession has the option to use graduated rates or 8% of the gross sales or receipts if

32 What Are the Reportorial Requirements?

the gross sales does not exceed P3,000,000. If the gross receipts exceeded P3,000,000, it shall be subjected to VAT and graduated income tax rates.

Illustration 4. For instance, an employee earned an annual income of P2,000,000, including 13th month pay and other benefits of P150,000, net of mandatory SSS, Philhealth and Pag-Ibig. Aside from his employment income, he earned a business income of P2,500,000. His cost of sales is P1,200,000 and has operating expenses of P500,000. The taxpayer opted to pay 8% final tax for his business income.

| | |
|---|-------------|
| Total Compensation Income | P 2,000,000 |
| Less: Non-taxable 13 th mo. and other benefits | 90,000 |

Taxable Compensation Income **1,910,000**

Computation of Tax Due:

| | | |
|---|---------|----------------|
| Tax Due on P800,000 | 130,000 | |
| Tax Due on excess of 800,000 (1,910,000-800,000 x 30%) | 333,000 | 463,000 |

On Business Income

(P2,500,000 x 8% final tax) **P200,000**

Total Tax Due (Compensation & Business) P 663,000

If the taxpayer did not opt for the 8% income tax, see computation below:

| | | |
|---|-------------|--------------------|
| Total Compensation Income | | P 2,000,000 |
| Less: Non-taxable 13 th mo. and other benefits | | 90,000 |
| | | ----- |
| Taxable Compensation Income | | 1,910,000 |
| Add: Taxable Income from business | | |
| Gross Sales | P 2,500,000 | |
| Cost of Sales | 1,200,000 | |
| | | ----- |
| Gross Income | 1,300,000 | |
| Less: Operating Expenses | 500,000 | 800,000 |
| | | ----- |
| Total Taxable Income | | P 2,710,000 |
| | | ===== |

Computation on Tax Due

| | | |
|--|---------|----------------|
| Tax on P2,000,000 | 490,000 | |
| Tax Due on Excess P710,000 (P2,710,000-2,000,000x32%) | 227,200 | 717,200 |
| | | ===== |

Tax due of P717,200 using graduated tax rates is much bigger than using 8% final tax (P663,000). It is better to use 8% final tax if the annual income does not exceed P3,000,000.

34 What Are the Reportorial Requirements?

Remember also that in claiming receipts of expenses, it should be in your name or in your business name, otherwise when your books of accounts are audited, such expenses will be disallowed and you have to pay income tax for that disallowance with corresponding penalties, interests, and surcharges.

4.1.8 MINIMUM CORPORATE INCOME TAX (MCIT)

Minimum corporate income tax is 1% of a corporation's gross income (effective July 1, 2020 to June 30, 2023), and will go back to 2% on July 1, 2023, while regular income tax is 20% or 25% of the net income. Please see page 22 of the rate. If the MCIT computed is higher than the 20% or 25% regular income tax, the corporation will pay MCIT. On the contrary, if the corporation's regular income tax of 20% or 25% computed is higher, then tax to be paid shall be based on this computation. So even if the corporation incurs losses, the business is not exempted from paying income tax.

Gross Income is Sales less Cost of Sales.

To illustrate:

| | |
|-------------------|--------------|
| Sales | P 30,000,000 |
| Cost of Sales | 20,000,000 |
| | ----- |
| Gross income | 10,000,000 |
| Operating expense | 11,000,000 |
| | ----- |

| | |
|-----------------|-------------------|
| Net Loss | -1,000,000 |
| | ===== |

Computation of Tax Due:

*Following the MCIT rule, Income Tax Due is:

| | |
|--------------------------------|-----------------|
| <u>P10,000,000 x 1%</u> | P100,000 |
| | ===== |

Following the Regular Income Tax, Tax Due is:

| | |
|---------------------------------|----------|
| <u>-P1,000,000 x 20%</u> | - |
| | ===== |

*MCIT will go back to 2% come July 1, 2023.

As you will see from the example, even if you incur losses, you still have to pay income tax. Take note, though, that for the first three years of a company's operation, it is exempted from paying income tax if it incurred losses. On the fourth year of its operation, MCIT will be applied.

4.1.9 INVENTORY LIST

This is applicable for businesses that sell goods. A year-end inventory list must be submitted on or before January 30 of each year. A service business is not required to submit this list.

SET ASIDE MONEY FOR TAXES

I would advise that you set aside at least 8% to 20% of your total revenue for the month so that you won't have to worry where you will get the money to pay for your taxes.

This will keep you from spending this money for any other purpose than taxes. When you do this, keep in mind that the money you have set aside is no longer yours, so that it will be easier for you to pay it as taxes.

Even in the Bible, payment of taxes is explicitly mandated. Jesus taught His followers to give to Caesar what is due to Caesar and give to God what is due to God (Mark 12:17). Another verse says, “What shall it profit a man if he shall gain the whole world and loses his soul in the process?” (Mark 8:6).

Let’s be honest in paying our taxes so that we can help our country succeed and reach its highest potential. You may object and say, “Weng, why will I pay the right taxes when many do not?” All I can say is, “Let’s make a difference by paying ours correctly. Change will happen little by little, one step at a time. The light of one candle may not be much, but many candles all lit up can illumine the world.”

4.1.10. MAINTAIN YOUR BOOKS OF ACCOUNTS

There is a new BIR regulation that requires you to keep your books of accounts for a period of 10 years.

After filing your income tax on April 15 of each year, preserve your books of accounts, check vouchers, invoices, and collection receipts since the BIR can still issue an audit letter within the ten-year time frame. We have no excuse in not showing our books should the need arises.

BONUS TOPIC

4.1.11 CAPITAL GAINS TAX

If you have property in your personal business such as land, building, etc., and want to sell the same, bear in mind that there is capital gains to be paid either by you or the buyer, depending upon your agreement with the buyer.

Rate of tax is as follows:

6% of the selling price of the value of property. Let's say you sold your land worth P2,000,000, you'll pay 6% of P2,000,000 as capital gains or P120,000 plus 1.5% documentary tax for the sale.

Deadline for documentary tax is every 5th day following the month of sale.

For capital gains, deadline is 30 days after the sale has been executed. This will commence on the date the deed of sales was notarized.

4.1.12 ESTATE TAX

In case of death, this tax has to be paid with the Bureau of Internal Revenue for individuals who have assets under their name. Heirs should have enough cash to pay for it, that's why estate planning is necessary. Better yet, necessary preparation can be done before death. A last will and testament, duly notarized, is also necessary so that beneficiaries will have a guide on how resources will be divided among them.

Details of estate tax on current TRAIN Law is as follows:

38 *What Are the Reportorial Requirements?*

Estate tax is at flat rate of 6%.

Standard Deduction P5,000,000 (exempt from estate tax)

Family Home P10,000,000 A family home worth P10,000,000 is exempted from estate tax.

If value of the assets is P5,000,000, it needs a certification from an independent CPA.

Filing of estate tax must be made within a year after death and payment of estate tax can be paid on installment basis for a period of two years. Cash in the bank can be withdrawn but with 6% withholding tax.

4.1.13 CERTIFICATE OF REGISTRATION (COR)

Based on COR, you will know what type of monthly, quarterly, and annual filing you need to submit to the BIR with corresponding form type. Filing will either be through EFPS or ERIR offline portal.

4.2 SECURITIES AND EXCHANGE COMMISSION

Corporations and partnerships have to submit to SEC the following reports:

4.2.1 GENERAL INFORMATION SHEET (GIS)

This report should be submitted to SEC 30 days after the annual board meeting. This report includes the list of incorporators and the current directors of an organization, together with the capital structure of the company, as well as its total assets for the year that ended.

4.2.2 ANNUAL FINANCIAL REPORT

After filing the Income Tax Return with the Bureau of Internal Revenue, you must submit the audited Financial Report to SEC, duly stamped by the BIR. Submission of this report depends on the SEC Registration Number. SEC releases the deadline through a memorandum circular. Non-stock and non-profit organizations, in addition to the above report, have to submit other reports such as Sworn Statement of Sources and Applications of Funds in the compliance with Sec 4 of SEC Memorandum Circular No. 8 dated June 22, 2006 and Sec Memorandum Circular No. 4 dated March 7, 2013.

4.3 COOPERATIVE DEVELOPMENT AUTHORITY (CDA) RULE 8 REPORTS REQUIRED FOR COOPERATIVE

(Excerpts from Republic Act No. 9520)

Section 1. Legal Basis. The legal basis for this rule is Art. 53 of this Code, quoted as follows: "Art. 53. Report.

(1) Every cooperative shall draw up regular reports of its program of activities, including those in pursuance of their socio-civic undertakings, showing their progress and achievements at the end of every fiscal year. The reports shall be made accessible to its members of record. These reports shall be filed with the Authority within one hundred twenty (120) days from the end of the calendar year. The form and contents of the reports shall be prescribed by the rules of Authority. Failure to file the required reports shall subject the accountable officer/s to fines and penalties as may be

prescribed by the Authority, and shall be a ground for the revocation of authority of the cooperative to operate as such. The fiscal year of every cooperative shall be the calendar year, except as may be otherwise provided in the by-laws.

(2) If a cooperative fails to make, publish and file the reports required herein, or fails to include therein any matter required by this Code, the Authority within fifteen (15) days from the expiration of the prescribed period, send such cooperative a written notice stating its non-compliance and the commensurate fines and penalties that will be imposed until such time that the cooperative has complied with the requirement.”

Section 2. Required Regular Reports. The following reports shall be submitted to the Authority:

1. Cooperative Annual Performance Report (CAPR);
2. Governance and Management Audit Report (Performance Audit Report)
3. Audited Financial Statements duly stamped “Received” by the BIR; and
4. List of Officers and Trainings Undertaken/ Completed.

CHAPTER 5

What Must I Do If I Want to Close My Business?

In any form of business, closure is inevitable in situations such as bankruptcy, partners or stockholders no longer want to continue the business, disagreements among the owners, and other reasons decided upon by the business owners. Closing shop doesn't just end with ceasing operations. Physically, you can close shop any time you want to, but you must follow the proper procedures for closure. Otherwise, you will be penalized even if you are no longer operating. Proper closure is necessary to avoid these penalties.

5.1 Municipal Clearance

You need to secure a clearance from the municipality where you registered your business. It is important to do it right after closing shop to avoid inconvenience and penalty from the city or municipality of your business address. They will assess the final bill based on your sales prior to closure.

5.2 Bureau of Internal Revenue

In closing the business with the BIR, you need to accomplish BIR Form 1905 and submit the required documents. There will be open cases that will arise out of this closure that you need to submit, and even pay, should they find out that some taxes are not paid during their review. The BIR will issue your Tax Clearance Certificate for the closure.

5.3 Securities and Exchange Commission

Partnerships and corporations will file the business closure with SEC and comply with its documentary requirements.

5.4 Department of Trade and Industry

Sole proprietorship will file the closure of the business with this agency and comply with its documentary requirements.

5.5 Cooperative Development Authority

Cooperatives will file the closure of the business with this agency and comply with its documentary requirements.

5.6 Philhealth / HDMF / SSS

Your company should also notify and get clearance from these three government agencies if your company ceases to operate to avoid unnecessary penalties.

EPILOGUE

When I was still a child, our house had no grills or locks. We would sleep with open windows and nothing would be stolen from our house. Gone are those days, but I believe Filipinos can be honest if they see good governance in our country. We are a teachable people and we need to see good examples set by our leaders. There are still many honest and faithful people in our country. We need to empower them. There's so much to be done to heal our country and nothing is impossible if Filipinos will embrace this challenge.

To effect the changes we want to improve our country, we need honest and incorruptible leaders—leaders who truly believe in God and obey His command.

This little handy guide is intended to show you the honest path to walk through when running a business. The decision to conduct an honest business rests on you, in accordance with your inner voice. I believe that even if there is only one good person left in the world, God will still save it and not condemn the world.

Let us dream for a progressive Philippines where our country reaches its highest potential as a nation.

APPENDIX

SIMPLE BUSINESS CHECKLIST GUIDE

1. Identify the appropriate form of business.
2. Decide on the company name.
3. Register with DTI, SEC, or CDA.
4. Register with barangay, city or municipal hall and BIR.
5. Print receipts for your business.
6. Start operations.
7. Report to various agencies.

**XYZ COMPANY
SALES BOOK**
Exhibit 1

| | | DEBIT | CREDIT | CREDIT |
|--------------|-------------------|---------------------|---------------------|-------------------|
| DATE | PARTICULARS | CASH IN BANK | SALES | OUTPUT TAX |
| JANUARY | Various Customers | 5,600,000.00 | 5,000,000.00 | 600,000.00 |
| TOTAL | | 5,600,000.00 | 5,000,000.00 | 600,000.00 |

**XYZ COMPANY
CASH DISBURSEMENT BOOK**
Exhibit 2

| | | CREDIT | DEBIT | | | | | |
|--------------|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| DATE | PARTICULARS | CASH IN BANK | PURCHASES | INPUT TAX | COMMISSION | SALARIES | TAXES & LICENSES | SSS/PHILHEALTH |
| JANUARY | Various Suppliers | 3,920,000.00 | 3,500,000.00 | 420,000.00 | | | | |
| | Various Expenses | 536,527.50 | | | 250,000.00 | 220,000.00 | 55,000.00 | 11,527.50 |
| TOTAL | | 4,456,527.50 | 500,000.00 | 420,000.00 | 250,000.00 | 220,000.00 | 55,000.00 | 11,527.50 |

**XYZ COMPANY
JOURNAL BOOK**
Exhibit 3

| DATE | PARTICULARS | REF | DEBIT | CREDIT |
|--------------|-----------------|-----|------------------|------------------|
| JANUARY | Cash in Bank | | 11,500.00 | |
| | Interest Income | | | 11,500.00 |
| TOTAL | | | 11,500.00 | 11,500.00 |

XYZ COMPANY GENERAL LEDGER
ACCOUNT NAME: CASH IN BANK
Exhibit 4

| DATE | PARTICULARS | DEBIT | DATE | PARTICULARS | CREDIT |
|---------|----------------------|---------------------|------|--------------------------------|---------------------|
| JANUARY | SALES BOOK SUMMARY | 5,600,000.00 | 2018 | CASH DISBURSEMENT BOOK SUMMARY | 4,456,527.50 |
| | JOURNAL BOOK SUMMARY | 11,500.00 | | | |
| | TOTAL | 5,611,500.00 | | | 4,456,527.50 |
| | | | | | - |
| | DEBIT BALANCE | 1,154,972.50 | | | |

GENERAL LEDGER
ACCOUNT NAME: INPUT TAX

| DATE | PARTICULARS | DEBIT | DATE | PARTICULARS | CREDIT |
|---------|---------------------------|-------------------|------|-------------|--------|
| JANUARY | CASH DISBURSEMENT SUMMARY | 420,000.00 | | | |
| | TOTAL | 420,000.00 | | | |

GENERAL LEDGER
ACCOUNT NAME: OUTPUT TAX

| DATE | PARTICULARS | DEBIT | DATE | PARTICULARS | CREDIT |
|------|--------------|-------|---------|--------------------|-------------------|
| 2018 | | | JANUARY | SALES BOOK SUMMARY | 600,000.00 |
| | TOTAL | | | | 600,000.00 |

GENERAL LEDGER**ACCOUNT NAME: SALES**

| DATE | PARTICULARS | DEBIT | DATE | PARTICULARS | CREDIT |
|---------|--------------|-------|------|--------------------|---------------------|
| JANUARY | | | 2018 | SALES BOOK SUMMARY | 5,000,000.00 |
| | TOTAL | | | | 5,000,000.00 |

GENERAL LEDGER**ACCOUNT NAME: INTEREST INCOME**

| DATE | PARTICULARS | DEBIT | DATE | PARTICULARS | CREDIT |
|---------|--------------|-------|------|----------------------|------------------|
| JANUARY | | | 2018 | JOURNAL BOOK SUMMARY | 11,500.00 |
| | TOTAL | | | | 11,500.00 |

ACCOUNT NAME: SALARIES

| DATE | PARTICULARS | DEBIT | DATE | PARTICULARS | CREDIT |
|---------|---------------------------|-------------------|------|-------------|----------|
| JANUARY | CASH DISBURSEMENT SUMMARY | 220,000.00 | 2018 | | - |
| | TOTAL | 220,000.00 | | | - |

GENERAL LEDGER**ACCOUNT NAME: COMMISSION**

| DATE | PARTICULARS | DEBIT | DATE | PARTICULARS | CREDIT |
|---------|---------------------------|-------------------|------|-------------|--------|
| JANUARY | CASH DISBURSEMENT SUMMARY | 250,000.00 | 2018 | | |
| | TOTAL | 250,000.00 | | | |

GENERAL LEDGER**ACCOUNT NAME: TAXES AND LICENSES**

| DATE | PARTICULARS | DEBIT | DATE | PARTICULARS | CREDIT |
|---------|---------------------------|------------------|------|-------------|--------|
| JANUARY | CASH DISBURSEMENT SUMMARY | 55,000.00 | 2018 | | - |
| | TOTAL | 55,000.00 | | | - |

GENERAL LEDGER**ACCOUNT NAME: SSS/PHILHEALTH**

| DATE | PARTICULARS | DEBIT | DATE | PARTICULARS | CREDIT |
|---------|---------------------------|------------------|------|-------------|--------|
| JANUARY | CASH DISBURSEMENT SUMMARY | 11,527.50 | 2018 | | - |
| | TOTAL | 11,527.50 | | | - |

STEPS TO REGISTER A CORPORATION

Exhibit 5

1. Reserve a company name – SEC website
2. Once approved, fill out Articles and By-laws online.
3. Once completed, print, then have it signed by the incorporators, and then notarized.
4. Open a TITF (Treasure in Trust Fund) account in the bank in the name of the treasurer (amount depends upon the capital of the corporation: 25% must be subscribed, 25% must be paid). Use paid-up capital to open a bank account.
5. Get a bank certification for this deposit.
6. Scan documents then upload to SEC website.
7. After submission, wait for the approval on the date specified by SEC and pay the required fees. Submit original documents.
8. After approval, register the business at the barangay and city hall.
9. Register the books of accounts to BIR and pay 0605 registration fee (P500.00).
10. After registration at BIR, print the required documents to start the business operations, such as sales invoice and official receipts.
11. Start operations.

**CHECKLIST OF DOCUMENTS FOR SUBMISSION
TO VARIOUS GOVERNMENT AGENCIES**

Exhibit 6

| | Name of Document | Agency | Deadline |
|----------|--|---|--|
| 1 | INCOME TAX RETURN | BIR 1701 - Individual taxpayer 1702RT-Corporation 1702EX-Exempt organization | Every April 15 each year |
| | Required Attachments: Financial Reports Notes to financial statements Statement of Management Responsibility-SEC Statement of Management Responsibility-BIR | | |
| 2 | INCOME TAX RETURN | SEC | SEC Schedule |
| | Required Attachments: Financial Reports Notes to financial statements Statement of Management Responsibility-SEC Statement of Management Responsibility-BIR Supplemental Written Statement-reg corp Sworn Statement of Activities-non stock, non-profit org. | | |
| 3 | QUARTERLY INCOME TAX-INDIVIDUAL | BIR 1701Q- Quarter 1 1701Q- Quarter 2 1701Q- Quarter 3 | on or before May 15 on or before August 15 on or before November 15 |
| 4 | QUARTERLY INCOME TAX-CORPORATION | BIR 1702Q- Quarter 1 1702Q- Quarter 2 1702Q- Quarter 3 | 60 days after the close of the quarter |
| 5 | GENERAL INFORMATION SHEET | SEC | SEC Schedule |

| | Name of Document | Agency | Deadline |
|-----------|---------------------------------|--|--|
| 6 | WITHHOLDING TAX ON COMPENSATION | BIR 1601C | on or before the 10th of the month following the month of withholding (EFPS filers on staggered basis depending on grouping) |
| 7 | ALPHALIST OF EMPLOYEES | BIR 1604CF 2316 | January 31 of each year on or before February 28 following the close of the taxable year |
| 8 | EXPANDED TAX WITHHOLDING TAX | BIR 0619E-monthly first two months 1601EQ-quarterly with quarterly list of payees | on or before the 10th day of the month following the month of withholding (EFPS filers on staggered basis depending on grouping) on or before the end of the month following the close of the quarter |
| 9 | ALPHALIST OF PAYEES | 1604E Annual information Return of Creditable Income taxes Withheld (Expanded) | March 1 following the close of taxable year |
| 10 | FINAL WITHHOLDING TAX | 0619F first two months | on or before the 10th day of the month following the month of withholding (EFPS filers on staggered basis depending on grouping) |
| | | 2306-Certificate of Final Tax Withheld at Source (for payees) 1604F -Annual Information on Final Income Taxes Withheld and Annual Alphalist of Payees | on or before the 20th day after the close of the quarter or upon demand of payee January 31 following the close of the taxable year |

| | Name of Document | Agency | Deadline |
|----|--|--|---|
| 11 | FINAL WITHHOLDING TAX ON FRINGE BENEFITS | 1603Q- Quarterly Remittance Return of Final Income Taxes Withheld on Fringe Benefits paid to employees other than Rank and File; Annual Alphabet of Employees with Fringe Benefits | on or before the end of the month following the close of the quarter |
| 12 | QUARTERLY PERCENTAGE TAX | 2551Q- Quarter 1 2551Q- Quarter 2 2551Q- Quarter 3 2551Q- Quarter 4 | on or before April 25 on or before July 25 on or before October 25 on or before January 25 |
| 13 | BOOKS OF ACCOUNTS | BIR | maintain for 10 years |
| 14 | INVENTORY LIST | BIR | on or before January 30 of each year |
| 15 | BIR RENEWAL OF REGISTRATION | BIR 0605 | on or before January 31 of each year |
| 16 | GOVERNMENT MONEY PAYMENTS | 1600 - monthly remittance return of value added tax and other percentage taxes | on or before the 10th day following the close of the month |
| 17 | BUSINESS PERMIT RENEWAL | BRGY/CITY HALL-LGU | on or before January 20 of each year |
| 18 | DOCUMENTARY STAMP TAX | BIR FORM 2000 | every 5th of the month |

De Minimis Benefits as of January 1, 2018

Exhibit 7

1. Monetized unused vacation leave credits of private employees not exceeding ten (10) days during the year;
2. Monetized value of vacation and sick leave credits paid to government officials and employees;
3. Medical cash allowance to dependents of employees not exceeding P1,500 per employee per semester or P250 per month;
4. Rice subsidy of P2,000 or one sack of 50-kg. rice per month amounting to not more than P2,000;
5. Uniforms and clothing allowance not exceeding P6,000 per annum;
6. Actual medical assistance, e.g., medical/executive check up, maternity assistance, and routine consultations, not exceeding P10,000 per annum;
7. Laundry allowance not exceeding P300 per month;
8. Employee achievement awards, e.g., for length of service or safety achievement, which must be in the form of tangible personal property other than cash or gift certificate, with an annual monetary value not exceeding P10,000 received by the employee under an established written plan which does not discriminate in favor of highly paid employees;
9. Gifts given during Christmas and major anniversary celebrations not exceeding P5,000 per employee per annum;

10. Daily meal allowance for overtime work and night/ graveyard shift not exceeding twenty-five (25%) percent of the basic minimum wage on a per region basis; and
11. Benefits received by an employee by virtue of a collective bargaining agreement (CBA) and productivity incentive schemes, provided that the total annual monetary value received from both CBA and productivity incentive schemes combined do not exceed ten thousand (P10,000) per employee per taxable year.

The benefits given in excess of the maximum amount allowed as “de minimis” benefits shall be included as part of the “other benefits” which is subject to the P90,000 ceiling. Any amount in excess of the P90,000 shall be subject to income tax, and consequently, to withholding tax on compensation.

ABOUT THE AUTHOR

Rowena “Weng” B. Cequeña, a native of Bangad Talim Island, Binangonan, Rizal, stayed with her aunt, Nelly Francisco, in Morong, Rizal from high school to college so she could finish her education. In those eight years, she helped in household chores to show gratitude to her aunt and her family. Weng finished strong—she graduated valedictorian in Bangad Elementary School, 10th honorable mention in Morong National Comprehensive School, and cum laude at Tomas Claudio Memorial College in Morong, Rizal with a degree of Bachelor of Science in Commerce, major in Accounting in October 1986. She passed the CPA board exam in May 1987 and earned her Masters in Business Administration from Philippine School of Business Administration (PSBA) in 2002.

With her life, she has proven that being poor is not a hindrance to success. A strong faith in God and a determination to succeed are important. She never stopped dreaming to attain her goals. Her guiding principle is Proverbs 3:5-6: “Put God first and He will guide you and crown your efforts with success.”

Weng is the fifth among nine children of Mr. and Mrs. Gregorio Cequeña (both deceased) and the first child who earned a college degree in her family. Her parents and three older siblings, Ching, Nita, and Flor, supported Weng financially while she was studying. She was also a consistent academic scholar in college. After graduating, almost all her younger

siblings were also able to finish college through her financial support.

Being part of a big family is not easy but through God's helping hand, and with the help of other people, success is possible. By sharing her achievements, Weng only wishes to encourage struggling, big families like her own that poverty can motivate you to succeed. If one is determined, nothing is impossible.

Weng is now the vice president for Corporate Services of Shepherd's Voice Publications, Inc. Concurrently, she assists Bo Sanchez, a bestselling author and Catholic lay preacher, in his businesses and ministries, such as the Light of Jesus Family, Shepherd's Voice Radio and Television Foundation, Grace to Be Born, Anawim Lay Missions Foundation, Jeremiah 33:6-7 Foundation, and Pag-asa ng Pamilya (Hope of the Family) Scholarship Foundation, Jesus Cares for Cancer Foundation, Inc., particularly in the area of finance and accounting.

She is an active member of the Light of Jesus Family.

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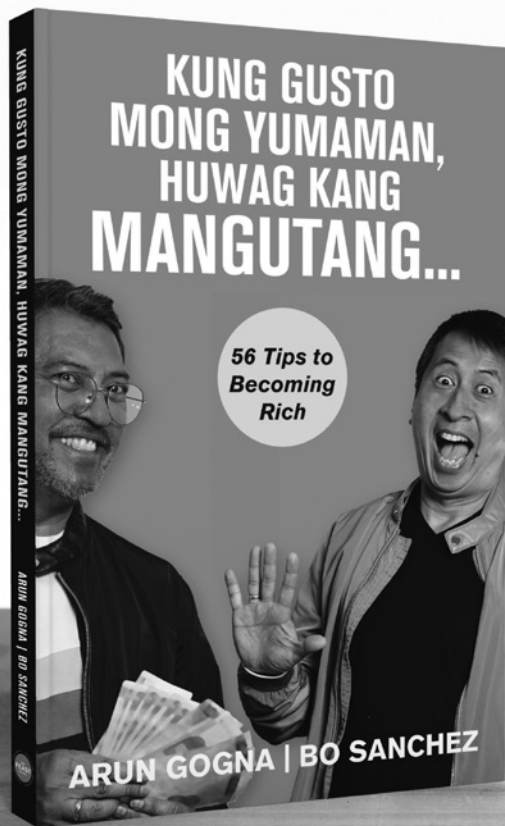
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I especially dedicate this small book to my family, the source of my inspiration and the reason why I am doing what I am doing now.

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Do you want to start a business? Believe me, this tiny book will save you a ton of money. My friend Weng wrote an easy-to-understand, step-by-step guide on all the government requirements you need to fulfill so you can have a business.

– Bo Sanchez, bestselling author
and Catholic lay preacher



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