

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Manila

FIFTEENTH CONGRESS
First Regular Session

House Bill No. 3510

Introduced by Representative HERMILANDO I. MANDANAS

EXPLANATORY NOTE

Our nation's present fiscal deficit calls for a more aggressive tax collection. It cannot be denied that the fiscal gap is ballooning primarily because of our poor tax collection effort. In fact, the Department of Finance divulged the emerging deficit for the year is about 325.0 billion pesos. Hence, the urgent need to strengthen collection of tax revenues to fund government programs that would spur economic growth.

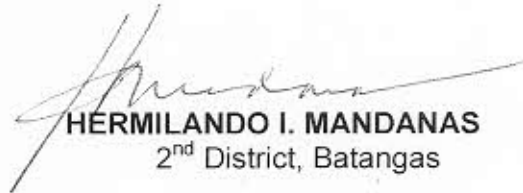
This bill seeks to enhance the collection of income tax without necessarily increasing the income tax rate. An income taxpayer will have an option to be exempted from income tax audit and/or investigation by registering with the Bureau of Internal Revenue and by paying a certain amount higher than his prior year income tax payment. In the event that the amount due is lower than the prescribed minimum amount, the taxpayer shall pay at least the minimum amount to enjoy the privilege of tax audit and/or investigation exemption.

The bill intends to provide peace of mind to the taxpayers by granting them exemption from income tax audit and/or investigation, while the government shall have a continuous stream of revenue collection automatically increased at a certain rate. Ultimately, this measure is also designed to reduce, if not eliminate the feeling of the taxpayer of undue persecution or harassment when subjected to audit of income tax returns, where the revenue officer's discretion is assumed to usually prevail.

The basic premise of this bill is that government revenues from voluntary taxation, like income tax, will be increased by simplifying the audit requirements and reducing occasions for corruption.

The passage of this bill, to be known as " Simplified Income Tax Return Audit (SITRA) of 2010 " will increase the revenue collections of the government needed not only to fill in the current fiscal gap but also to fund the socio-economic programs that will improve the lives of every Filipino.

In view of the foregoing, passage of this bill is earnestly sought.



HERMILANDO I. MANDANAS
2nd District, Batangas

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Fifteenth Congress
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AN ACT
ESTABLISHING A SIMPLIFIED INCOME TAX RETURN AUDIT FOR
INDIVIDUALS AND CORPORATIONS BY PAYING A CERTAIN AMOUNT HIGHER
THAN THE PRIOR YEAR INCOME TAX PAYMENT

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

Section 1. Short Title. This Act shall be known and cited as the "***Simplified Income Tax Return Audit Act of 2010***".

Sec. 2 Declaration of Policy. – It is hereby declared the policy of the State to maximize revenue collection with least costs, encourage voluntary tax compliance, and maintain harmonious relations with the taxpayers by granting exemption from income tax audit and/or investigation. Consistent with the principle of a sound tax system, the government shall properly and efficiently administer and enforce tax laws with the least inconvenience to the taxpayer.

Sec. 3. Coverage. - Any person, whether natural or juridical, shall be exempted from income tax audit and/or investigation by registering with the Bureau of Internal Revenue (BIR) and by paying an additional twelve percent (12%) over his prior year income tax payment. ***Provided that***, to avail of this exemption, the taxpayer shall pay on the first year, an additional twenty percent (20%) of his previous annual income tax payment, and an additional fifteen percent (15%) for the second year, following the registration. ***Provided further, that***, any person may register and avail of the exemption from audit at any time after the effectivity of this Act and will be subjected to the prescribed rates for the first and second year mentioned herein.

The benefit of exemption from income tax audit and/or investigation may be availed except for the persons mentioned in Section (6) of this Act, in accordance with the following schedule:

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| 1. Individuals (whether resident or nonresident citizens, including resident or nonresident aliens) | |
| Trusts and Estates----- | Applicable rate or P100,000 whichever is higher |
| 2. Corporations | |
| (a) With subscribed capital of above P50 Million----- | Applicable rate or P500,000 whichever is higher |
| (b) With subscribed capital of above P20 Million up to P50 Million----- | Applicable rate or P250,000, whichever is higher |
| (c) With subscribed capital of P20 Million and below----- | Applicable rate or P100,000, whichever is higher |
| 3. Other juridical entities, including Partnerships, but not limited to, Cooperatives and Foundations that have become taxable as of December 31, 2009----- | Applicable rate or P100,000, whichever is higher |

Sec. 4. Manner of Availment. – The applicant-taxpayer shall avail of exemption from income tax audit and/or investigation authorized and granted in this Act by filing his application in such form as may be prescribed in the Implementing Rules and Regulations (IRR) of this Act, and pay the required amount, as provided in Section 3 hereof, to an authorized agent bank, Revenue Collection Officer or duly authorized City or Municipal Treasurer located within the revenue district where the taxpayer is registered or required to register.

Sec. 5. Installment Payment. – When the income tax liability is in excess of Five Million Pesos (Php 5,000,000.00), the taxpayer may elect to pay in three (3) equal installments provided that all installment payments shall be made on or before December 31, 2011 unless extended by the Commissioner.

If any installment is not paid on or before the date fixed for its payment, the whole amount of unpaid tax becomes due and payable, otherwise, the SITRA registration shall be cancelled.

Sec. 6. Exceptions – The exemption from income tax audit and/or investigation shall not be extended to the following persons:

- (a) A taxpayer who has already been issued a Final Assessment Notice (FAN) with respect to his income tax applicable to the taxable period(s) covered by the FAN;
- (b) A taxpayer under investigation as a result of verified information filed by a Tax Informer, duly processed and recorded in the Bureau of Internal Revenue (BIR) Official Registry Book;
- (c) A taxpayer with tax fraud cases filed and pending in the Department of Justice or in courts;
- (d) A taxpayer with unpaid income tax liability as admitted and reflected in his books of accounts/records, or financial statements and tax return in a particular taxable period, unless he first pay the said income tax liability.
- (e) A taxpayer with a pending case under the Run After Tax Evaders (RATE) Program.

Sec. 7. Punishable Act. – It shall be unlawful to divulge the Income Tax Return filed in this Act which shall be penalized by a fine of not less than Fifty thousand pesos (P50,000.00) and imprisonment of not less than six years but not more than ten (10) years.

If the offender is an officer or employee of the BIR or any government entity, he shall suffer the penalty of perpetual disqualification to hold public office, to vote and to participate in any public election.

Sec. 8. Implementing Rules and Regulations. – For the effective implementation of this Act, the Secretary of Finance shall, upon recommendation of the Commissioner of Internal Revenue, promulgate and publish the necessary rules and regulations within sixty (60) days from the effectivity of this Act.

Sec. 9. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any two newspapers of general circulation, whichever comes earlier.

Approved,