

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

FIFTEENTH CONGRESS
First Regular Session

COMMITTEE REPORT NO. 425

Submitted by the COMMITTEE ON WAYS AND MEANS
on 13 DEC 2013

Re : House Bill No. 3856
Recommends its approval in substitution of House Bill No. 3510

Sponsor : Representative Hermilando I. Mandanas

MR. SPEAKER:

The Committee on Ways and Means to which was referred House Bill No. 3510, introduced by Honorable Representative Hermilando I. Mandanas, entitled:

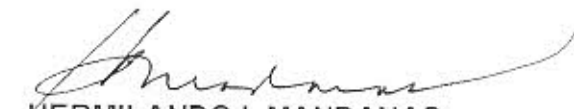
“AN ACT ESTABLISHING A SIMPLIFIED INCOME TAX RETURN AUDIT FOR INDIVIDUALS AND CORPORATIONS BY PAYING A CERTAIN AMOUNT HIGHER THAN A PRIOR YEAR INCOME TAX PAYMENT”

has considered the same and recommends that the attached House Bill No. 3856 entitled:

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

be approved in substitution of House Bill No. 3510 with Representative Hermilando I. Mandanas as author thereof.

Respectfully submitted:


HERMILANDO I. MANDANAS
Committee Chairman
Ways and Means

THE HONORABLE SPEAKER
House of Representatives
Quezon City

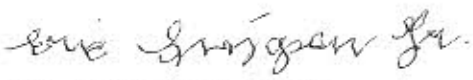


REP. GIORGIDI B. AGGABAO
Senior Vice-Chairman

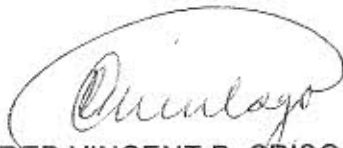
REP. RODOLFO W. ANTONIO
Vice Chairman



REP. RODOLFO C. FARIÑAS
Vice-Chairman

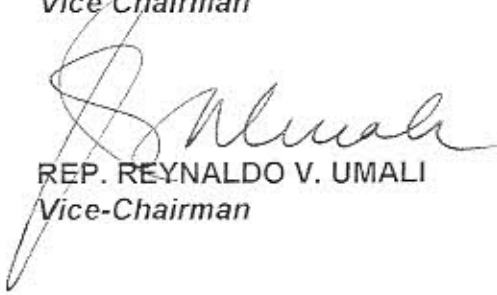


REP. ERIC G. SINGSON
Vice-Chairman



REP. VINCENT P. CRISOLOGO
Vice Chairman

REP. ALFREDO D. MARAÑON III
Vice Chairman



REP. REYNALDO V. UMALI
Vice-Chairman

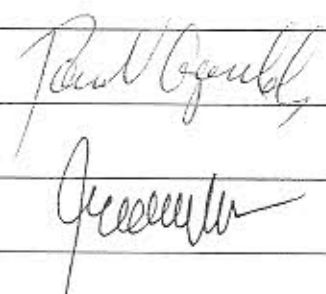
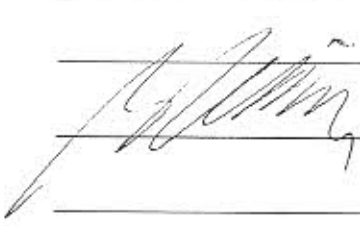
REP. PAOLO S. JAVIER
Vice-Chairman

HOUSE BILL NO. 3856
(in substitution of House Bill No. 3510)

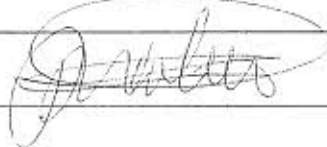
AN ACT
ESTABLISHING A SIMPLIFIED INCOME TAX RETURN AUDIT FOR INDIVIDUALS
AND CORPORATIONS BY PAYING A CERTAIN AMOUNT HIGHER THAN A
PRIOR YEAR INCOME TAX PAYMENT

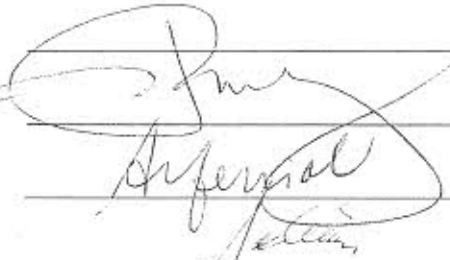
FOR THE MAJORITY:

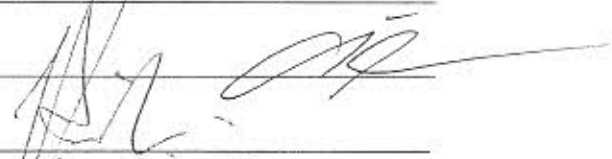
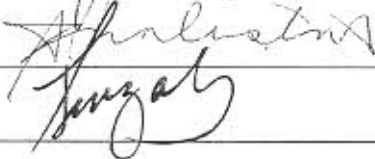
ABAYA , JOSEPH EMILIO A.
ACOP, ROMEO M.
ALCALA, IRVIN M.
ANDAYA. JR. , ROLANDO G.
ANTONIO, PATRICIO A.
APACIBLE, TOMAS V.
ARNAIZ, GEORGE P.
ARQUIZA, GODOFREDO V.
BAGATSING, AMADO S.
BARZAGA, JR., ELPIDIO F.
BIRON, FERJENEL G.
BRAVO, JR., NARCISO R.
BRIONES, NICANOR M.
CAJAYON, MARY MITZI L.
COJUANGCO, ENRIQUE M.
COJUANGCO, KIMI S.

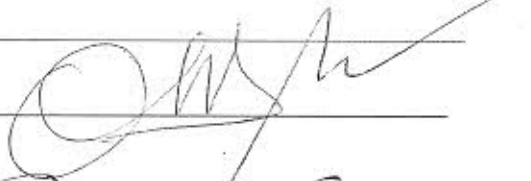
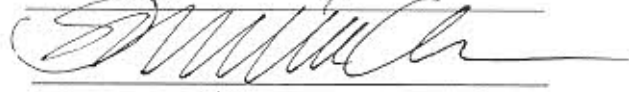

DEFENSOR, JR., ARTHUR R.
DUAVIT, JOEL ROY R.
ECLEO, JR., RUBEN B.
ENVERGA, WILFRIDO MARK M.
FERRER, JEFFREY P.
FERNANDEZ, DANILO RAMON S.
FERRIOL, ABIGAIL FAYE
FORTUNO, SALVIO B.
GARCIA, ALBERT RAYMOND S.
GARCIA, PABLO JOHN F.
GO, ANA CRISTINA S.
GONZALES, FERNANDO V.
GULLAS, EDGARDO R.
HERRERA-DY, BERNADETTE R.
JAAFAR, NUR G.
LEDESMA IV, JULIO A.
LIMKAICHONG, JOCELYN S.
MALAPITAN, OSCAR G.
MATUGAS, FRANCISCO T.
MERCADO, ROGER G.
MIRAFLORES, FLORENCIO T.
ONG, EMIL L.
ORTEGA III, FRANCISCO EMMANUEL R.





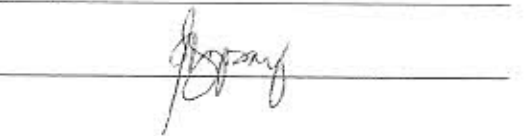
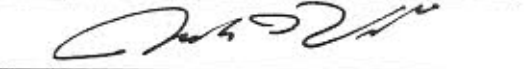
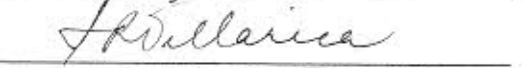
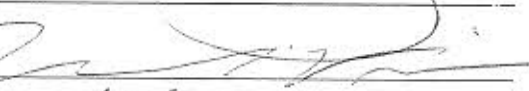
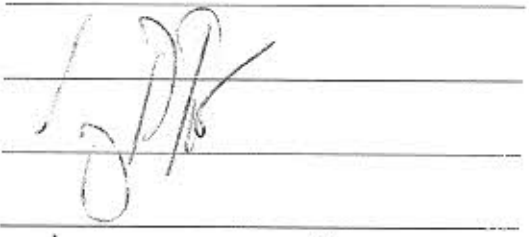
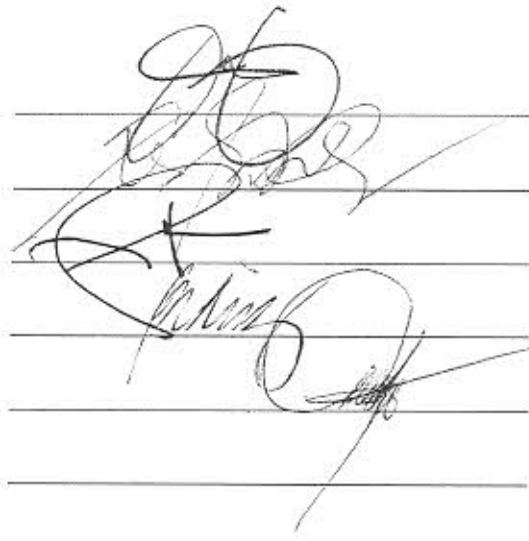






PONCE-ENRILE, JR., JUAN C.
RAMOS, JR., DEOGRACIAS B.
ROBES, ARTURO B.
RODRIGUEZ, RUFUS B.
SAHIDULLA, NUR-ANA I.
SALVACION, ANDRES D., JR.
TIANGCO, TOBIAS REYNALDO M.
TIENG, IRWIN C..
TREÑAS, JERRY P.
TUPAS, JR., NIEL C.
UNICO, JR., RENATO J.
VILLAFUERTE, LUIS R.
VILLAR, MARK A.
VILLARICA , LINABELLE RUTH R.
VIOLAGO, JOSEPH GILBERT F.
ZAMORA-APSAY, MARIA CARMEN



FOR THE MINORITY:

ALCOVER, JR., PASTOR M.

ARROYO, JR., IGNACIO T.

AUMENTADO, ERICO B.

DIMAPORO, FATIMA ALIAH Q.

MACAPAGAL-ARROYO, GLORIA M.

MAGSAYSAY, MARIA MILAGROS H.

ORTEGA, VICTOR F.

PICHAY, PHILIP A.

ROMUALDEZ, FERDINAND MARTIN G.

The image shows handwritten signatures for each of the nine individuals listed on the left. The signatures are written on horizontal lines. The first signature (Alcover, Jr.) is a large, stylized 'A' with a loop. The second (Arroyo, Jr.) is a cursive signature. The third (Aumentado) is a cursive signature. The fourth (Dimaporo) is a cursive signature. The fifth (Macapagal-Arroyo) is a cursive signature. The sixth (Magsaysay) is a cursive signature. The seventh (Ortega) is a cursive signature. The eighth (Pichay) is a cursive signature. The ninth (Romualdez) is a cursive signature.

EX-OFFICIO MEMBERS

FELICIANO BELMONTE, JR.
Speaker

RAUL A. DAZA
Deputy Speaker

LORENZO R. TANADA III
Deputy Speaker

ARNULFO P. FUENTBELLA
Deputy Speaker

JESUS CRISPIN C. REMULLA
Deputy Speaker

MARIA ISABELLE G. CLIMACO
Deputy Speaker

NEPTALI M. GONZALES II
Majority Leader

JANETTE L. GARIN
Sr. Deputy Majority Leader

ROMAN T. ROMULO
Deputy Majority Leader

MAR-LEN ABIGIAL S. BINAY
Deputy Majority Leader

MAGTANGGOL T. GUNIGUNDO I
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DAISY A. FUENTES
Deputy Majority Leader

JORGE BANAL
Deputy Majority Leader

ROMERO FERERICO S. QUIMBO
Deputy Majority Leader

EDCEL C. LAGMAN
Minority Leader

DANILO S. SUAREZ
Sr. Deputy Minority Leader

AUGUSTO BOBOY SYJUCO Ph D.
Deputy Minority Leader

CARLOS M. PADILLA
Deputy Minority Leader

MA. AMELITA C. VILLAROSA
Deputy Minority Leader

MARC DOUGLAS C. CAGAS IV
Deputy Minority Leader



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

FIFTEENTH CONGRESS

First Regular Session

House Bill No. 3856
(in substitution of House Bill No. 3510)

Introduced by Representative Hermilando I. Mandanas

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:*

- 1 **Section 1. Short Title.** This Act shall be known and cited as the
2 "***Simplified Income Tax Return Audit Act (SITRA) of 2011***".
- 3 **Sec. 2 Declaration of Policy.** – The State shall maximize revenue
4 collection with the least costs, encourage voluntary tax compliance, and
5 maintain harmonious relations with the taxpayers by granting exemption
6 from income tax audit and/or investigation. Consistent with the principle

1 of a sound tax system, the government shall properly and efficiently
2 administer and enforce tax laws with the least inconvenience to the
3 taxpayer.

4 **Sec. 3. Availment of SITRA.** – An income taxpayer may avail of the
5 privilege of exemption from income tax audit and investigation by
6 complying with the following conditions:

7 1. Registration of the income taxpayer before the Bureau of Internal
8 Revenue (BIR) signifying the intention to avail of SITRA.

9 2. Existence of the Income Tax Return filed by the taxpayer in the
10 previous year following the availment of SITRA.

11 3. Payment of, in addition to the amount of income tax paid in the
12 previous year, an amount based on the following incremental
13 rates:

14 a. 20% of the previous income tax paid for the first year of
15 availment.

16 b. 15% of the previous income tax paid for the second year of
17 availment.

18 c. 12% of the previous income tax paid for the succeeding years
19 of availment.
20
21

1 **Provided, That the** availment of SITRA shall be continuous,
2 otherwise, taxpayer will have to start over based on the first year's
3 incremental rate.

4
5 **Provided further, That** the privilege of exemption from income tax
6 audit and/or investigation may continuously be availed of by paying
7 income tax based on the above schedule or the following minimum
8 amounts of income tax, whichever is higher, to wit:

9 1. Individuals (whether

10 resident or nonresident

11 citizens, including resident

12 or nonresident aliens)

13 Trusts and Estates----- P100,000

14
15 2. Corporations

16 (a) With subscribed capital

17 of above P50 Million----- P500,000

18
19
20 (b) With subscribed capital

21 of above P20 Million up

22 to P50 Million----- P250,000

23
24
25 (c) With subscribed capital of

1 P20 Million and below----- P100,000

2
3
4 3. Other juridical entities, including

5 Partnerships, but not limited to,

6 Cooperatives and Foundations

7 that have become taxable as of

8 December 31, 2010----- P100,000

9
10 ***Provided furthermore, That*** the taxpayer shall still have to pay
11 the actual income tax due even if such amount is higher than the above
12 prescribed schedule. ***Provided finally, That*** transactions subject to a
13 final tax such as capital gains tax in the sale, transfer or exchange of real
14 property shall be excluded from the computation of the income tax due
15 for purposes of availing of the privilege under SITRA.

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

1 **Sec. 5. Installment Payment.** – When the income tax liability is in
2 excess of Five Million Pesos (Php 5,000,000.00), the taxpayer may elect
3 to pay in three (3) equal installments based on the dates as may be
4 approved by the Commissioner.

5 If any installment is not paid on or before the date set by the
6 Commissioner for its payment, the privilege of SITRA granted to the
7 income taxpayer shall be cancelled which shall make the whole amount
8 of unpaid tax immediately due and demandable.

9 **Sec. 6. Exceptions** – The following shall be disqualified in availing
10 exemption from income tax audit and/or investigation:

11 (a) A taxpayer who has already been issued a Final Assessment
12 Notice (FAN) with respect to his income tax applicable to the
13 taxable period(s) covered by the FAN;

14 (b) A taxpayer under investigation for tax fraud and evasion by the
15 Bureau of Internal Revenue (BIR);

16 (c) A taxpayer with tax fraud cases filed and pending in the
17 Department of Justice, Court of Tax Appeal, or any government
18 agency or tribunal;

19 (d) A taxpayer with unpaid income tax liability as admitted and
20 reflected in his books of accounts/records, or financial

1 statements and tax return in a particular taxable period, unless
2 he first pay the said income tax liability.

3 (e) A taxpayer with a pending case involving any of the following:

4 a. those falling under the jurisdiction of the Presidential
5 Commission on Good Government (PCGG).

6 b. those involving unexplained or unlawfully acquired wealth
7 under the Anti-Graft and Corrupt Practices Act.

8 c. those filed in court involving violation of the Anti-Money
9 Laundering Law.

10 d. those filed under the Run After Tax Evaders (RATE)
11 Program.

12 (f) A taxpayer who paid the Minimum Corporate Income Tax
13 (MCIT) in the previous year.

14 **Sec. 7. Punishable Act.** – It shall be unlawful to divulge the Income
15 Tax Return filed in this Act which shall be penalized by a fine of not less
16 than Fifty Thousand Pesos (P50,000.00) and imprisonment of not less
17 than six (6) years but not more than ten (10) years.

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

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

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

9 Approved,

FACT SHEET

HOUSE BILL NO. 3856
in Substitution of House Bill No. 3510

**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**

Committee Chairperson: REP. HERMILANDO I. MANDANAS

OBJECTIVES:

- To enhance the collection of income tax without increasing the income tax rate.
- To provide peace of mind to taxpayers by granting exemption from income tax audit and/or investigation.
- To reduce, if not eliminate, undue harassment of taxpayers when subjected to audit.

KEY PROVISIONS:

- Any income taxpayer will be exempted from income tax audit and/or investigation by registering with the Bureau of Internal Revenue (BIR) and by paying a certain amount higher than his prior year income tax payment.
- It provides for the minimum amount of income tax payment and for the exceptions in availing SITRA.
- It offers an installment plan in case the income tax liability exceeds Five Million Pesos (P5,000,000.00).
- It penalizes unlawful divulgence of the Income Tax Return filed under SITRA.

RELATED LAW:

- Republic Act No. 8424, as amended.

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.

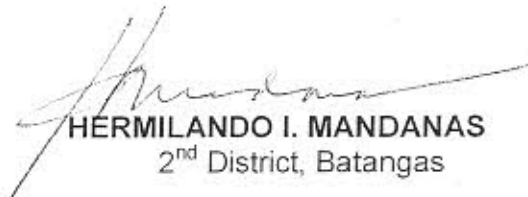
This bill seeks to enhance the collection of income tax without necessarily increasing the income tax rate. An income taxpayer will have an option to be exempted from income tax audit and/or investigation by registering with the Bureau of Internal Revenue and by paying a certain amount higher than his 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

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

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:

1. Individuals (whether resident or nonresident citizens, including resident or nonresident aliens)----- Applicable rate or P100,000
Trusts and Estates----- 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,

Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Fifteenth Congress
First Regular Session

12/7
pm 4 pm

COMMITTEE ON WAYS AND MEANS

FOR : HON. FELICIANO BELMONTE, JR.
Speaker

THRU : ATTY. ARLENE C. DADA-ARNALDO
Deputy Secretary General
Committee Affairs Department

RE : SPOT REPORT ON THE MEETING OF THE COMMITTEE ON WAYS AND MEANS HELD ON
DECEMBER 7, 2010, 9:30 A.M., ROLANDO R. ANDAYA HALL, HOUSE OF
REPRESENTATIVES, QUEZON CITY

DATE : December 7, 2010

I. FOURTH DELIBERATION ON HOUSE BILL NO. 1970 ENTITLED "AN ACT IMPOSING VALUE SIMPLIFIED TAX IN LIEU OF THE VALUE-ADDED TAX AMENDING FOR THE PURPOSE TITLE IV OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AMENDED".

On motion of Rep. Remulla, seconded by Rep. Singson Jr., the substitute bill to HB 1970 was approved by the Committee.

II. SECOND DELIBERATION ON HOUSE BILL NO. 3510 ENTITLED "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".

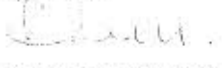
On motion of Rep. Ortega, seconded by Rep. Remulla, the substitute bill to HB 3510 was approved by the Committee.

Certified Correct


MAURICIO R. PULHIN
Legislative Committee Secretary

Noted by:


ATTY. PANCHO A. BELEN
Service Director


DONALD Z. MARASIGAN
Director IV

Cc: Deputy Speaker, The Chairperson, Committee on Rules, The Secretary General, The Executive Director, CAD, The Deputy Executive Director, CAD, The Service Director, CASS