

A GUIDE TO **T.R.A.I.N.**

Tax Reform for Acceleration and Inclusion
(REPUBLIC ACT NO.10963)



JANUARY 2018

FOREWORD



This year marks the full implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) Act. This landmark measure is among the cornerstones of President Rodrigo Roa Duterte's poverty alleviation initiative. Having said this, it is the duty of government to sufficiently inform the people on how this new law would affect their everyday lives.

Apart from simplifying the country's tax system, TRAIN allows for a better collection of government revenues to fund projects on infrastructure modernization and human capital formation, all while easing the burden of the average Filipino wage earner.

In line with our firm commitment to provide timely, reliable and accurate information to citizens on the benefits of the government's agenda, we have come up with a TRAIN Primer to help explain the law's key provisions to the public.

We hope to educate and enlighten our people that this vital piece of legislation is not just a victory for the government, but also for all Filipinos. We thank the Department of Finance and the Department of Trade and Industry for their valuable inputs in this primer.

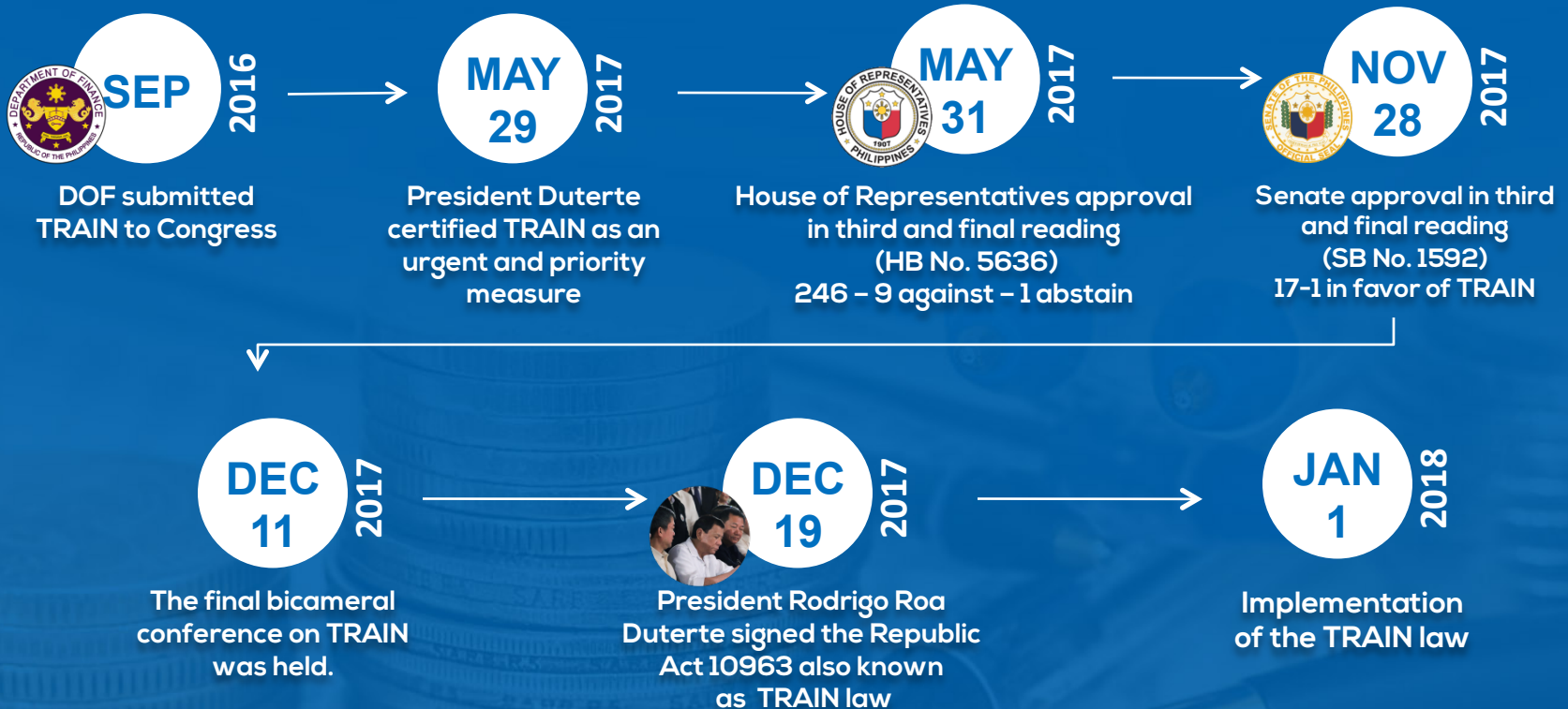
The Duterte administration indeed is a government of *tapang at malasakit*. Expect more victories to come!

SEC. HARRY J. ROQUE, JR.
Presidential Spokesperson

WHAT IS TRAIN?



TRAIN or the Tax Reform for Acceleration and Inclusion is the first package of the comprehensive tax reform program (CTRP) envisioned by President Rodrigo Roa Duterte's administration.



WHAT DOES TRAIN AIM FOR?



TRAIN aims to make the current tax system simpler, fairer, and more efficient.

By 2020

→ Reduce the poverty rate from 26% to 17% uplifting about 10 million Filipinos from poverty

→ Achieve middle – income status

By 2040

→ Eradicate extreme poverty, provide equal opportunities through inclusive economic and political institutions and achieve high income status.

HIGHLIGHTS OF TRAIN



A. INCOME TAXES



TRAIN repeals Section 35 of the National Internal Revenue Code on personal exemptions of individual taxpayers. Whether the taxpayer is single, married, head of the family, with or without dependents, the taxpayer is exempted from paying personal income tax (PIT) as long as he /she is earning less than P21,000 a month.

Starting 1 January 2018, compensation earners, self-employed and professional taxpayers (SEP) whose annual taxable incomes are **P250, 000 and below or less than P21,000 a month** is exempted from the personal income tax (PIT).

SEPs whose gross receipts or sales are **below P3 million** have **the option to choose from the 8% flat tax rate or the TRAIN's new personal income tax table.**

SEPs whose annual salaries are **P500,000 and below** are exempt from 3% percentage tax.

The 13th month pay and other bonuses amounting to P90,000 are likewise tax-exempt.

HIGHLIGHTS OF TRAIN



B. VALUE ADDED TAXES

Businesses with total annual sales of P3 million and below are exempt from paying VAT.

The following are also exempted from VAT:

- Raw food
- Agricultural products
- Health and education
- Senior citizens
- PWDs
- Cooperatives
- Renewable energy
- Tourism enterprises
- BPOs in special economic zones
- Socialized housing (P450,000 and below)
- Low cost housing (amounting to P3 million)
- Leases below P15,000/month
- Condominium association dues

VAT- free starting 2019:

Sale of drugs for diabetes, high cholesterol , and hypertension

VAT- free starting 2021:

Socialized and mass housing projects P2 million and below

HIGHLIGHTS OF TRAIN



C. SUGAR-SWEETENED BEVERAGES



To promote a healthier Philippines, sugar-sweetened beverages will be taxed.

P6 per liter for drinks using sugar and artificial sweeteners

P12 per liter for drinks using high fructose corn syrup

All kinds of milk, 3-in-1 coffee, natural fruit and vegetable juices, and medically indicated beverages are exempted.

KEY EXEMPTIONS: 3-1 Coffee, Milk and 100% Juices

HIGHLIGHTS OF TRAIN



D. PETROLEUM EXCISE TAX

Through appropriately taxing dirty fuel, environmental and health concerns can be addressed. TRAIN increases the excise tax on fuel which has not been adjusted since 1997.



Fuel (per liter)	2018	2019	2020
Diesel	P2.50	P4.50	P6
LPG	P1 per kg	P2 per kg	P3 per kg
Regular and Unleaded Premium Gasoline	P7	P9	P10

HIGHLIGHTS OF TRAIN



E. AUTOMOBILE EXCISE TAX



PRICE	Non-Hybrid Cars	Hybrids Cars
Up to 600,000	4%	2%
Over 600,000 to 1 Million	10%	5%
Over 1 Million to 4 Million	20%	10%
Over 4 Million	50%	25%

Pick-up trucks and electric vehicles are exempted from excise taxes.



HIGHLIGHTS OF TRAIN



F. TOBACCO EXCISE TAX

TAX IMPOSED	SCHEDULE
P32.50	1 January 2018 - 30 June 2018
P35	1 July 2018 - 31 December 2019
P37.50	2020 - 2021
P40	2022 - 2023
Annual 4% increase	2024 onwards



HIGHLIGHTS OF TRAIN



G. COSMETICS TAX



A **5%** tax will be imposed on cosmetic surgery or medical procedures for purely aesthetic purposes.

H. DONOR'S TAX



A single tax rate of **6%** of net donations will be imposed for gifts above P250,000 yearly regardless of relationship to the donor.

I. ESTATE TAX



A single tax rate of **6%** based on the net value of the estate with a standard deduction of P5 million will be imposed.

HIGHLIGHTS OF TRAIN



J. Coal (Mineral Products)



Excise Tax	2018	2019	2020
Coal	P50	P100	P150

K. Nonmetallic Minerals and Quarry Resources

Nonmetallic minerals and quarry resources	TRAIN
Copper and other metallic minerals	4%
Gold and chromite	4%
Indigenous petroleum	6%



VETO MESSAGE OF THE PRESIDENT ON TRAIN



President Rodrigo Duterte, by the power vested in him by Article VI, Section 72 of the Constitution, vetoed five line items under the Tax Reform for Acceleration and Inclusion (TRAIN) Act in an effort to "ease the burden of the common taxpayers."

The vetoed five line items included the following provisions:

1. Reduced income tax rate of employees of Regional Headquarters (RHQs), Regional Operating Headquarters (ROHQs), Offshore Banking Units (OBUs), and Petroleum Service Contractors and Subcontractors.
2. Zero-rating of sales of goods and services to separate customs territory and tourism enterprise zones
3. Exemption from percentage tax of gross sales/receipts not exceeding five hundred thousand pesos (P500,000.00)
4. Exemption of various petroleum products from excise tax when used as input, feedstock, or as raw material in the manufacturing of petrochemical products, or in the refining of petroleum products, or as replacement fuel for natural gas fired combined cycle power plants
5. Earmarking of incremental tobacco taxes

TRAIN'S IMPLEMENTING RULES AND REGULATIONS



The Department of Finance (DOF) is now fast-tracking the Implementing Rules and Regulations (IRR) of TRAIN. Even if there is no IRR yet, the law already took effect on January 1, 2018, as what is required for its effectivity is publication.

WHAT ARE THE BENEFITS OF TRAIN?



EDUCATION

Create a more conducive learning environment
with the ideal teacher-to-student ratio



In the next 5 years, the tax reform can fund
629,120 public school classrooms, or
2,685,101 public school teachers.

WHAT ARE THE BENEFITS OF TRAIN?



HEALTHCARE SERVICES

In the next 5 years, the tax reform can fund



60,483 rural health units, or

484,326 barangay health stations, or

1,324 provincial hospitals.

WHAT ARE THE BENEFITS OF TRAIN?



INFRASTRUCTURE PROGRAMS

Additional funds from the tax reform will be used for the projects of the Department of Public Works and Highways which consists of major highways, expressways, and flood control projects.



In the next 5 years, the tax reform can fund:

35,745 km of paved roads, or

786,400 km of temporary bridge upgrades, or

2.6 million hectares of irrigated land.



THE PRESIDENT'S MESSAGE



The timely passage of TRAIN is indeed a milestone for the Department of Finance and our congressional leadership, especially the Ways and Means committees of both houses, who gave their full support for this measure after numerous hearings and hundreds of public consultation nationwide.

This is the administration's biggest Christmas gift to the Filipino people as 99 percent of the taxpayers will benefit from a simpler, fairer, and more efficient tax system.

One of the TRAIN's most significant breakthroughs is that beginning January 1st 2018, those earning below P250,000 will be exempt from income tax. And I thank all of you.

The law also addresses long and overdue corrections in our tax laws and introduces a more progressive tax system [where] the rich and the poor will contribute to give better services to our people.

Revenues from the TRAIN will fund our priority projects to ensure a quality education, including free tuition in state universities and colleges, equally, quality health care, social protection and conditional cash transfers, improved infrastructures to the Build, Build, Build program and the reconstruction of Marawi.

This is just an initial part of our gains under the comprehensive tax reform programs as Congress has passed two-thirds of the expected revenues from the Package 1 of TRAIN.

PRESIDENT RODRIGO ROA DUTERTE

During the ceremonial signing of the 2018 General Appropriations Act (GAA) and Tax Reform for Accelerations and Inclusion (TRAIN) on December 19, 2017