

# Guidelines and Instructions for BIR Form No. 1700 June 2013 (ENCS)

## Annual Income Tax Return For Individuals Earning Purely Compensation Income (Including Non-Business/Non-Profession Income)

These instructions are designed to assist tax filers, or their representatives, with the preparation of the annual income tax return (ITR). If there are questions which are not adequately covered, please consult the local BIR office. If there appears to be any discrepancies between these instructions and the applicable laws and regulations, the laws and regulations take precedence.

### Who Shall File

This return shall be filed by every resident citizen deriving compensation income from all sources, or resident alien and non-resident citizen with respect to compensation income from within the Philippines, except the following:

1. An individual whose gross compensation income does not exceed his total personal and additional exemptions.
2. An individual with respect to pure compensation income, as defined in Section 32(A)(1) derived from sources within the Philippines, the income tax on which has been correctly withheld (tax due equals tax withheld) under the provisions of Section 79 of the Code: Provided, that an individual deriving compensation concurrently from two or more employers at any time during the taxable year shall file an income tax return.
3. An individual whose income has been subjected to final withholding tax (alien employee as well as Filipino employee occupying the same position as that of the alien employee of regional or area headquarters and regional operating headquarters of multinational companies, petroleum service contractors and sub-contractors, and offshore banking units; non-resident alien not engaged in trade or business).
4. A minimum wage earner or an individual who is exempt from income tax.

Married individuals shall file a single return for the taxable year to include the income of both spouses, separately computing their individual income tax based on their respective taxable income, which return shall be signed by the tax filer or the spouse, or their authorized representative. Where it is impracticable for the spouses to file one return, each spouse may file a separate return.

Individuals not required to file an ITR or those qualified for substituted filing may voluntarily file this return for purposes of loans, foreign travel requirements, and for other purposes they may deem proper. Employers

are required to submit Certificate of Compensation Payment/Tax Withheld (BIR Form No. 2316) to the Revenue District Office (RDO) where registered on or before February 28 of the following year.

However, individuals other than those solely earning income as Overseas Filipino Workers (OFWs) as defined in RR No. 1-2011 availing of the benefits of special laws, such as, but not limited to the Personal Equity and Retirement Account Act (PERA Act) under RA 9505, are required to file an ITR.

This return shall likewise be used by individuals earning other taxable income from non-business/non-profession.

**“Minimum Wage Earner”** shall refer to a worker in the private sector paid the statutory minimum wage or to an employee in the public sector with compensation income of not more than the statutory minimum wage in the non-agricultural sector where he/she is assigned.

The term "individual whose compensation income has been subjected to final withholding tax" shall include aliens or Filipino citizens occupying the same positions as the alien employees, as the case may be, who are employed by regional operating headquarters, regional or area headquarters, offshore banking units, petroleum service contractors and sub-contractors, pursuant to pertinent provisions of Sections 25 (C), (D), (E) and 57(A), including those subject to Fringe Benefits Tax (FBT) under Section 33 of the Tax Code, as amended, Republic Act No. 8756, Presidential Decree No. 1354, and other pertinent laws.

### When and Where to File and Pay

**A. For Electronic Filing and Payment System (eFPS) Tax Filers:** The return shall be e-filed and the tax shall be e-paid on or before the **15<sup>th</sup> day of April of each year** covering income of the preceding taxable year using the eFPS facilities thru the BIR website **www.bir.gov.ph**.

**B. For Non-Electronic Filing and Payment System (Non-eFPS) Tax Filers:** The return shall be filed and the tax shall be paid on or before the **15<sup>th</sup> day of April of each year** covering income of the preceding taxable year with any Authorized Agent Bank (AAB) located within the territorial jurisdiction of the RDO where the tax filer is registered. In places where there are no AABs, the return shall be filed and

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the tax shall be paid with the concerned Revenue Collection Officer (RCO) under the jurisdiction of the RDO.

Non-eFPS tax filer may opt to use the electronic format under “eBIRForms” (refer to [www.bir.gov.ph](http://www.bir.gov.ph)) for the preparation, generation and submission and/or payment of this return with greater ease and accuracy, upon availability of the same in the system.

**FOR NO PAYMENT RETURNS:** This shall be filed with the RDO where the tax filer is registered or with the concerned RCO under the same RDO.

**FOR INSTALLMENT PAYMENT:** When the tax due exceeds P 2,000, the tax filer may elect to pay in two equal installments, the first installment to be paid at the time the return is filed and the second installment, **on or before July 15** of the same year.

**FOR NON-RESIDENT TAX FILER:** In case tax filer has no legal residence or place of business in the Philippines, the return shall be filed with the Office of the Commissioner thru RDO No. 39, South Quezon City.

## How to Accomplish the Form

1. Enter all required information in **CAPITAL LETTERS** using **BLACK INK**. Mark applicable boxes with an “X”. Two copies **MUST** be filed with the BIR and one held by the tax filer;
2. Indicate Taxpayer Identification Number (TIN) and registered name on each page;
3. For all questions wherein an appropriate box is provided for a possible answer, mark the applicable box corresponding to the chosen answer with an “X”; and
4. Required information wherein the space provided has a letter separator, the same must be supplied with CAPITAL LETTERS where each character (including comma or period) shall occupy one box and leave one space blank for every word. However, if the word is followed by a comma or period, there is no need to leave blank after the comma or period. Do NOT write “NONE” or make any other marks in the box/es.

## For Items 1 to 4

**Item 1** Indicate the taxable year covered by the return being filed;

**Item 2** Choose “Yes” if the tax return is one amending previous return filed, “No” if not;

**Item 3** Indicate whether the tax filer and spouse are filing jointly or not; and

**Item 4** Indicate whether the source of income is compensation income or other income (non-business/ non-profession).

## Part I - Background Information

**Item 5 Taxpayer Identification Number (TIN):** Enter the tax filer’s TIN. Spouse’s TIN is entered in Item 17. If no TIN, apply for one before filing using *Application for Registration-For Individuals Earning Purely Compensation Income and Non-Resident Citizens/ Resident Alien Employee* (BIR Form No. 1902).

**Item 6 RDO Code:** Enter the appropriate code for RDO per BIR Form No. 1902 and/or Certificate of Update of Exemption and of Employer’s and Employee’s Information (BIR Form No. 2305).

**Item 7 Philippine Standard Occupational Classification (PSOC) Code:** Refer to [www.bir.gov.ph](http://www.bir.gov.ph) for applicable PSOC or visit the local BIR Office.

**Item 8 Tax Filer’s Name:** Print name as it was entered on the registration forms.

**Item 9 Registered Address:** This refers to the preferred address (i.e. residence or employer’s business address) provided by the tax filer upon registration with the BIR. If tax filer has moved since the previous filing and has NOT updated the registration, accomplish Table 1 on the last page of this ITR.

**Items 10-12:** Enter the requested information. If no email address, leave the space blank.

**Item 13 Civil Status:** Indicate civil status.

## Items 14 & 15 Additional Exemption for Qualified Dependent Children:

An individual shall be allowed an additional exemption of P25,000 for each qualified dependent child, but not exceeding four (4). The additional exemption for dependents shall be claimed by the husband, who is deemed the proper claimant unless he explicitly waives his right in favor of his wife. In the case of legally separated spouses, additional exemption may be claimed only by the spouse who has custody of the child or children; *Provided*, that the total amount of additional exemptions that may be claimed by both shall not exceed the maximum additional exemption allowed by the Tax Code.

“**Qualified Dependent Child**” means a legitimate, illegitimate or legally adopted child chiefly dependent upon and living with the tax filer if such dependent is not more than twenty-one (21) years of age, unmarried and not gainfully employed or if such dependent, regardless of age, is incapable of self-support because of mental or physical defect. If “yes” is marked for Item 14, enter the number of Dependent

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Children in Item 15, and then provide the required information for each child in Table 2.

Should there be additional dependent(s) during the taxable year, tax filer may claim the corresponding additional exemption, as the case may be, in full for such year. If the tax filer dies during the taxable year, his estate may still claim the personal and additional exemptions for himself and his dependent(s) as if he died at the close of such taxable year.

If the spouse or any of the dependents dies or if any of such dependents marries, becomes twenty-one (21) years old or becomes gainfully employed during the taxable year, the tax filer may still claim the same exemptions as if the spouse or any of the dependents died, or as if such dependents married, became twenty-one (21) years old or became employed at the close of such year.

**Items 16-22 Spouse's Background Information:** Enter the appropriate information using the same guidelines as above.

## Part II - Total Tax Payable

**Items 23-31:** Accomplish first Part IV – Computation of Tax on page 2 before accomplishing these items. Then transfer the information from Part IV to each of the items. Individual instructions as to the source of the information and the necessary calculations are provided on each line item.

**Signature Line:** When all pages of the return are complete, sign the return in the place indicated, enter the number of pages filed. In Items 32-35, provide the required information about tax filer's Government Issued ID and its details.

## Part III (Item 36) - Details of Payment

Enter the information required and then file the original ITR plus two (2) copies to any AAB within the RDO where registered. Refer to [www.bir.gov.ph](http://www.bir.gov.ph) for the applicable AAB or visit the local BIR Office. For no payment returns, proceed with filing the ITR with the RDO where the tax filer is registered or the concerned RCO under the same RDO.

## Part IV - Computation of Tax

At the top of this page and in all succeeding pages that are to be filed, enter tax filer's TIN and Last Name. The requirement for entering centavos on the ITR has been eliminated. If the amount of centavos is 49 or less, drop down centavos (e.g. P100.49 = P100.00). If the amount is 50 centavos or more, round up to the next peso (e.g. P100.50 = P101.00)

**Items 1-4:** Enter the required information for each of the employers and mark whether the information is for the Tax filer or the Spouse. Attach additional sheets, if necessary. On Item 4A, enter the Total Gross Compensation and Total Tax Withheld for the Tax Filer. On Item 4B, enter the appropriate information for the Spouse.

**Item 5 Non-Taxable/Exempt Income:** This includes enumerations under Sections 32B of the NIRC, as amended, and other applicable rules and regulations, including De Minimis Benefits within the limitations prescribed under existing revenue issuances.

**Item 6 Gross Taxable Compensation Income:** This refers to Item 4A.1 or 4B.1 less the Non-Taxable/Exempt Income in Item 5. The Gross Taxable Compensation Income does not include employees' contributions to SSS, GSIS, HDMF, PHIC and Union Dues. Refer to BIR Form No. 2316 issued by the employer/s.

**Item 7 Premium Payment on Health and/or Hospitalization Insurance:** The amount of premiums not to exceed Two Thousand Four Hundred Pesos (P2,400) per family or Two Hundred Pesos (P200) a month paid during the taxable year for health and/or hospitalization insurance taken by the tax filer for himself, including his family, shall be allowed as a deduction from his gross income; *Provided*, that said family has a gross income of not more than Two Hundred Fifty Thousand Pesos (P250,000) for the taxable year; *Provided, finally*, that in the case of married tax filers, only the spouse claiming the additional exemption for dependents shall be entitled to this deduction.

### Items 8 & 9 Personal and Additional Exemptions:

An individual tax filer shall be allowed a basic personal exemption of Fifty Thousand Pesos (P50,000). In the case of married individuals where only one of the spouses is deriving income, only such spouse shall be allowed the personal exemption.

An individual shall be allowed an additional exemption of P 25,000 for each qualified dependent child, not exceeding four (4). The additional exemption for dependents shall be claimed by the husband, who is deemed the proper claimant unless he explicitly waives his right in favor of his wife.

**Items 10, 11, 13 & 14:** Calculate as indicated on the form.

**Item 12 Other Taxable Income:** Any non-business/non-profession related income reported under "other

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taxable income" should reflect only the taxable amount. *Example: Honorarium received not in the practice of business or profession by an employee other than from his employer.*

## Items 15-20 Computation of Tax Credits/Payments:

Enter the applicable amounts in the Tax filer and/or Spouse column. On Item 20 calculate the Net Tax Payable. Attach proof on income received and credits claimed, e.g. BIR Form No. 2316.

Over withholding of income tax on compensation shall be refunded by the employer, except if the over withholding is due to the employee's failure or refusal to file BIR Form No. 2305, or supplies false or inaccurate information, the excess shall not be refunded but shall be forfeited in favor of the government.

**Item 21 Net Tax Payable (Overpayment) For Tax Filer and Spouse:** This is the aggregate amount of Tax Payable (Overpayment) for both Tax Filer and Spouse.

**Item 22 Portion of Tax Payable Allowed for 2<sup>nd</sup> Installment:** Indicate the amount applicable.

**Items 23, 27 & 28:** Calculate as indicated in the form.

**Penalties shall be imposed and collected as part of the tax**

**Item 24:** A surcharge of twenty five percent (25%) for each of the following violations:

1. Failure to file any return and pay the amount of tax or installment due on or before the due date;
2. Unless otherwise authorized by the Commissioner, filing a return with a person or office other than those with whom it is required to be filed;
3. Failure to pay the full or part of the amount of tax shown on the return, or the full amount of tax due for

which no return is required to be filed on or before the due date;

4. Failure to pay the deficiency tax within the time prescribed for its payment in the notice of assessment.

A surcharge of fifty percent (50%) of the tax or of the deficiency tax shall be imposed in case of willful neglect to file the return within the period prescribed by the Tax Code and/or by rules and regulations or in case a false or fraudulent return is filed.

**Item 25: Interest** at the rate of twenty percent (20%) per annum, or such higher rate as may be prescribed by rules and regulations, on any unpaid amount of tax, from the date prescribed for the payment until it is fully paid.

**Item 26: Compromise** penalty pursuant to existing/applicable revenue issuances.

## Part V - Supplemental Information

Fill-up applicable fields.

"**Fair Market Value**" as determined in accordance with the Tax Code, as amended, and existing revenue issuances shall be used in reporting the non-cash income and receipts in the Supplemental Information.

## REQUIRED ATTACHMENTS:

1. Certificate of Compensation Payment/Tax Withheld (BIR Form No. 2316).
2. Waiver of the husband's right to claim additional exemption, if applicable.
3. Duly approved Tax Debit Memo, if applicable.
4. Proof of Foreign Tax Credits, if applicable.
5. For amended return, proof of tax payment and the return previously filed.
6. Proof of other tax payment/credit, if applicable.
7. Authorization letter, if filed by authorized representative.

## Tax Table

If Taxable Income is:	Tax Due is:	If Taxable Income is:	Tax Due is:
Not over P 10,000	5%		
Over P 10,000 but not over P 30,000	P 500 + 10% of the excess over P 10,000	Over P 140,000 but not over P 250,000	P 22,500 + 25% of the excess over P 140,000
Over P 30,000 but not over P 70,000	P 2,500 + 15% of the excess over P 30,000	Over P 250,000 but not over P 500,000	P 50,000 + 30% of the excess over P 250,000
Over P 70,000 but not over P 140,000	P 8,500 + 20% of the excess over P 70,000	Over P 500,000	P 125,000 + 32% of the excess over P 500,000