



# **TAXATION OF SELF-EMPLOYED INDIVIDUALS**

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**The 5th IMF-Japan High-Level Tax Conference for Asian Countries**

**April 21-23, 2014**

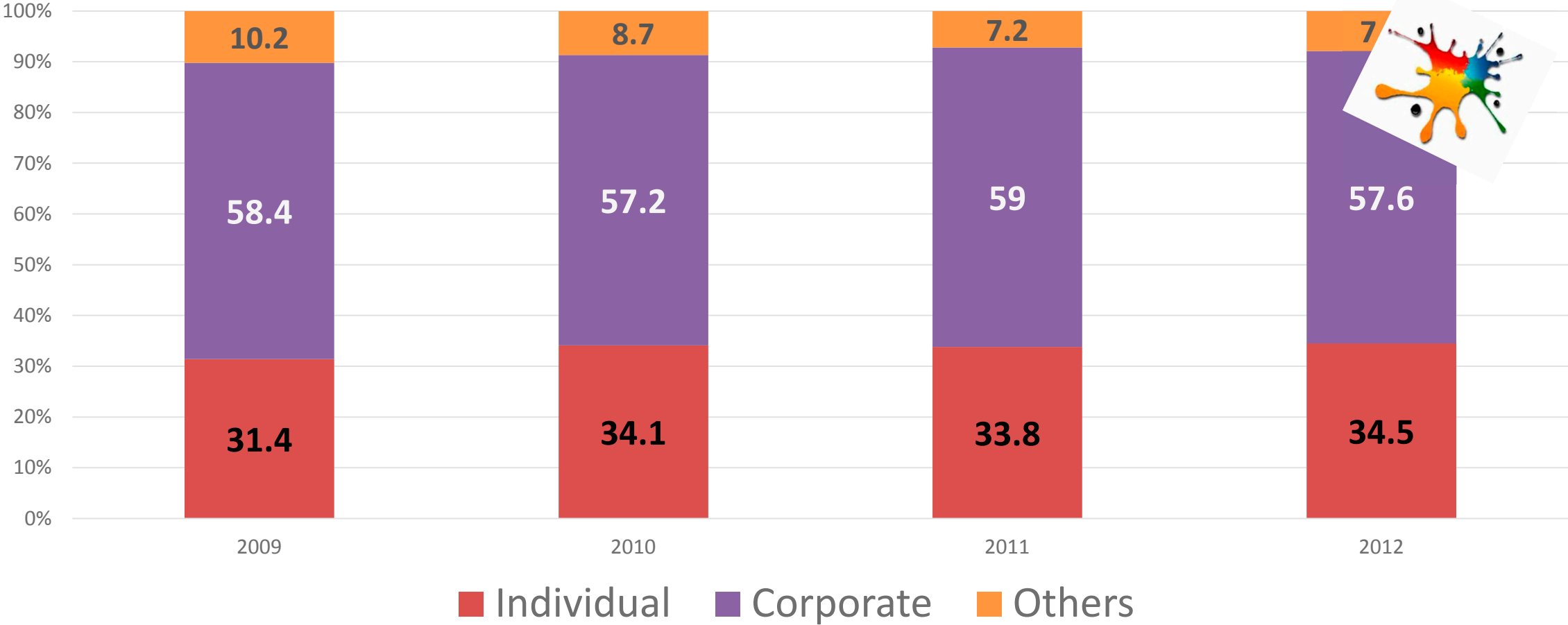


## Bureau's Participation in the Philippines' progress on Economy



	2009 Actual	2012 Actual	Jan-Sept 2013 Actual
Tax Effort	12.2%	12.9%	13.7%
BIR Effort	9.3%	10.0%	10.8%
Others	2.7%	2.7%	2.7%

# Individuals bear an increasingly larger burden of income taxes (35%)



# Unreasonably low collections from the self-employed

	2009	2010	2011	2012
% Total Individual Income	100%	100%	100%	100%
O/W Compensation Income Earners	81.7%	80.9%	82.1%	81.5%
O/W Self-Employed and Professionals	8.0%	8.4%	6.9%	6.8%

**Average Collection (2011):**

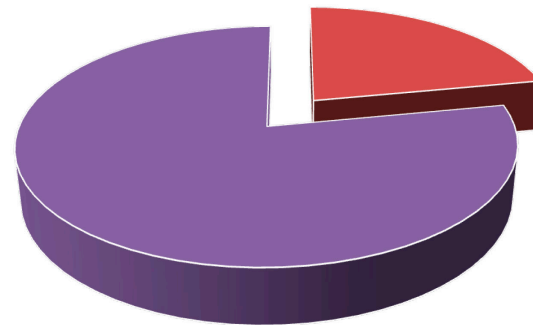
**P33,441**

**Implied annual income**

P283,764

**Implied monthly income**

P23,647



■ paying ■ non-paying

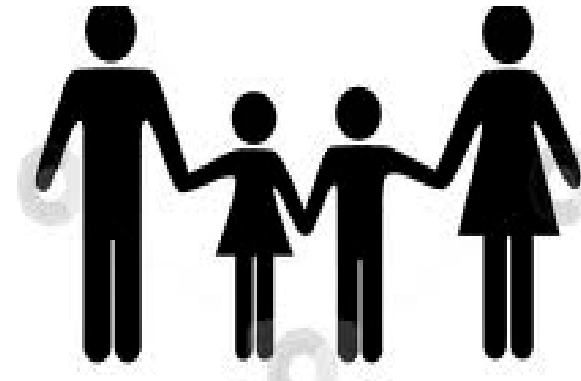
**1,821,599 registered self-employed individual taxpayers**

**Only 402,934 are paying**

# Increasing average collection to P200,000 per filer is reasonable



- Car (Fortuner) P1,779,000
- House (Bungalow) P8,500,000
- Recurring Expenses:
  - Gas (2tanks/week) P47,133
  - Food(Household size of four) P328,000
  - Groceries and other purchases P130,000
  - Electricity (1,000kWh) P142,038
  - Tuition Fees P140,000
  - Allowances P80,000
- TOTAL recurring family expenses P867,671
- TAX (married with 2 dependents) P210,684



**Conservative annual expenses of a family of four**



# Ridiculously low tax payments

	No. of Taxpayer	Average tax collection	Total tax collection
TARGET	1.8 Million	P200,000	P360,000 Billion
ACTUAL	0.4 Million	P33,000	P13.4 Billion

	Public School Teacher	Conservative Estimates Bacolod Lawyer
Monthly Salary	P21,436	P43,258
Annual Salary	P257,231	P519,099
Expected income due per year	P26,808	<b>P100,730</b>
Actual tax paid	P26,808 wages withheld	<b>P200</b>



# STATISTICAL DATA

From a BIR Regional Office which has jurisdiction over the Philippines premiere business district



Ridiculously low tax payments

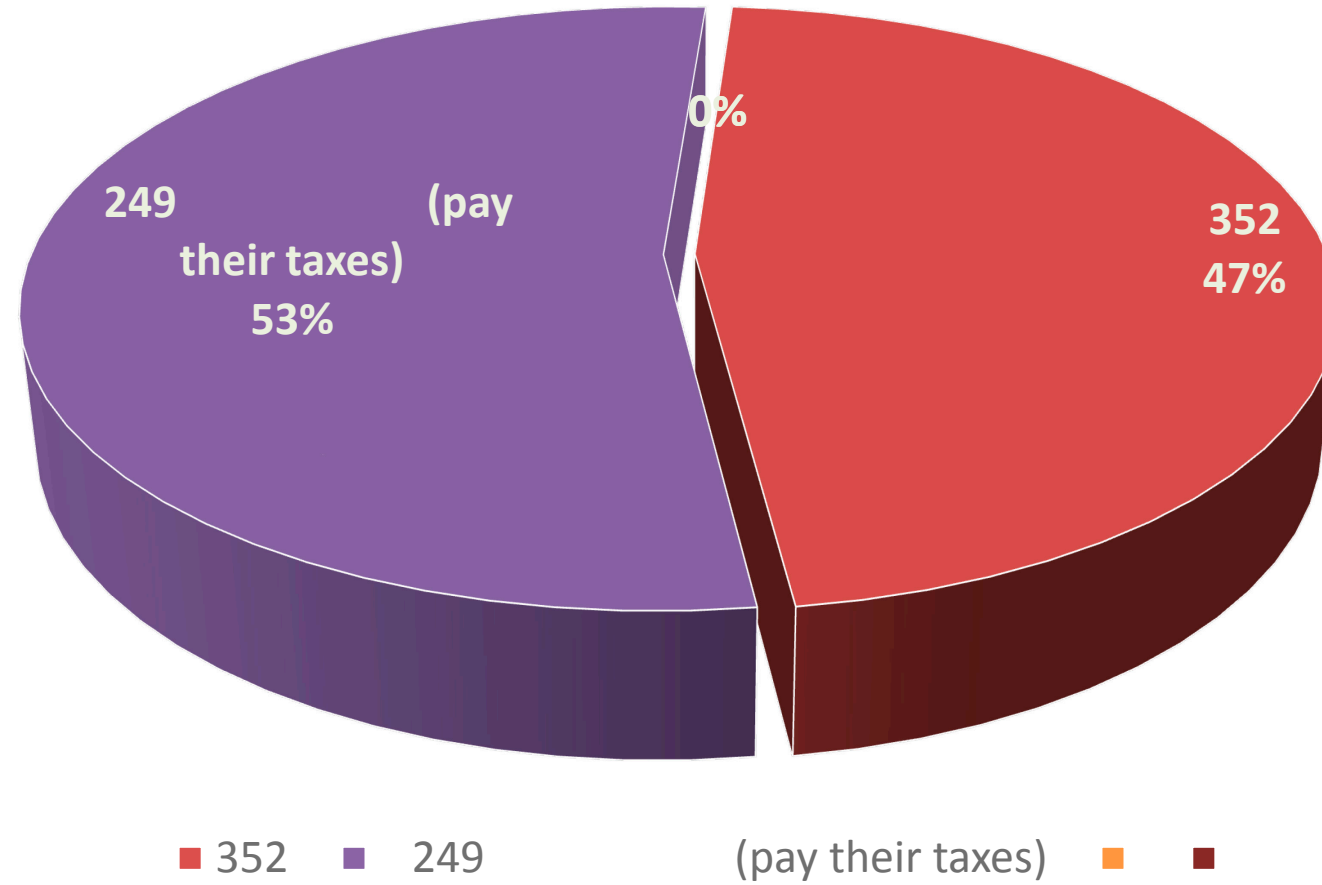


**Out of 2 self-employed accountants,  
doctors, and lawyers in a premiere business district in the PH  
paid less tax\* than a public school teacher**

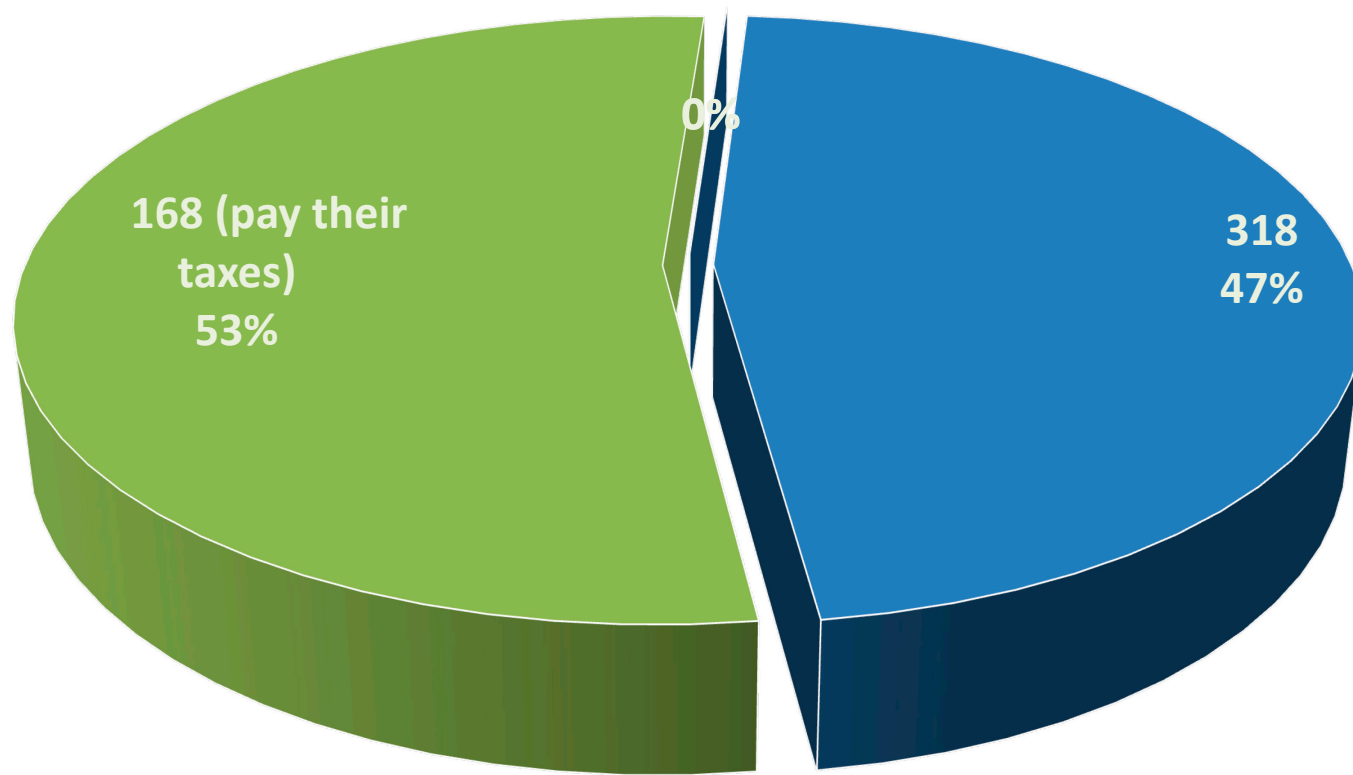
\*P35,952 = Annual income tax of a public school teacher earning P21,500/month



# 249 out of 532 (47%) self employed lawyers paid less than P35,000

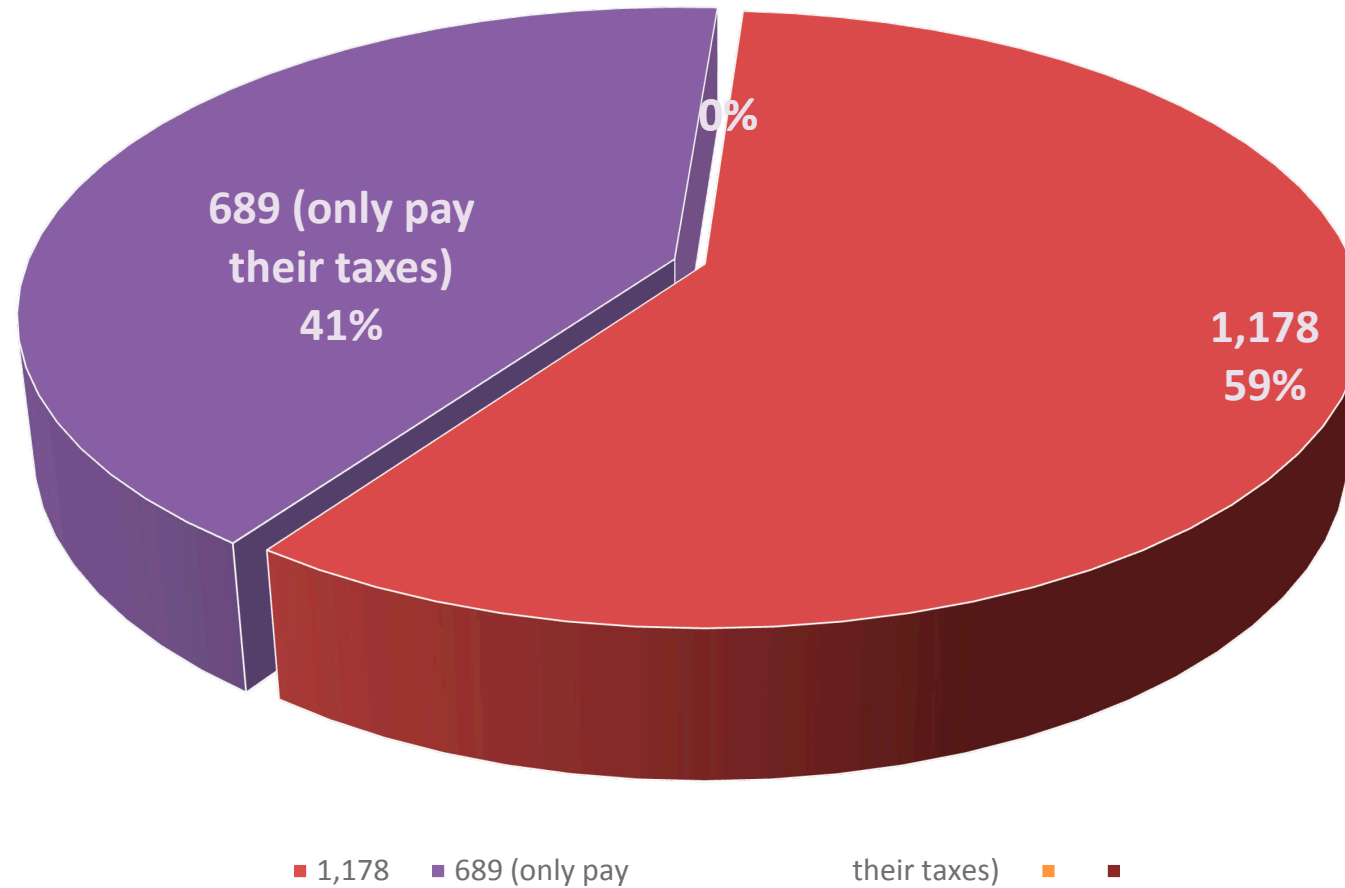


# 168 out of 318 (53%) self employed accountants paid less than P35,000



■ 318 ■ 168 (pay their taxes) ■ ■

# 689 out of 1,178(59%) self employed doctors paid less than P35,000





## Solutions

- Targeted and active strategy to improve compliance of self-employed individuals and professionals
  - Through the RATE Program
  - Public awareness campaign through Media Ads
  - Issue regulations to aid compliance with tax obligations



# **RUN AFTER TAX EVADERS (RATE) PROGRAM**





# RATE PROGRAM

- ✓ Investigate potential violators of Philippine tax law
- ✓ Prosecute offenders
- ✓ Public is made aware of the tax offense



# RATE PROGRAM

- ✓ Publicizing indictment and convictions created a “shame campaign” aimed at increasing the compliance mentality in the mind of the public.

*Filipinos, “kahihiyan” is a highly valued trait that all seek to preserve.*



# Public Awareness Campaign

## ONLY 53.7% OF ALL TAXPAYER LAWYERS IN MAKATI FILED THEIR INCOME TAX RETURNS\* IN 2012

840

Total number of lawyer taxpayers registered in BIR Makati Revenue Region\*\*

451

Number of Makati lawyers who filed their income tax returns in 2012

167  
19.9%

Number of Makati lawyers who declared income tax dues less than P27,360, the income tax of a public school teacher earning P18,549 a month

₱ 329

Next to zero, their lowest declared income tax due in 2012

₱ 1,327,112

2012 gross income of a certain lawyer in Makati

₱ 2,975

2012 income tax due this lawyer declared

₱ 222,588

Annual starting pay of a public school teacher in the Philippines (monthly salary of PHP 18,549)

₱ 27,360

Income tax withheld from this teacher's salary

**WHEN YOU DON'T PAY YOUR TAXES, YOU'RE A BURDEN TO THOSE WHO DO.**  
KNOWYOURTAXES.PH

\* Lawyer taxpayers who have filed BIR Form 1701 or Annual Income Tax Return for Self-Employed Individuals, Estates and Trusts for the return period 2012.  
\*\* Taxpayers registered with office 7433 (Legal Activities) in BIR Makati Revenue Region, which covers RDOs 44 (Taguig-Pateros), 47 (East Makati), 48 (West Makati), 49 (North Makati), 50 (South Makati), 51 (Pasay City), 52 (Paranaque), 53A (Lac Piñas City), and 53B (Muntinlupa City).  
\*\*\* Data based on BIR Integrated Tax System (ITS).

## WHICH PROFESSIONALS ARE TOP INCOME TAXPAYERS?



## 3 OUT OF 8\* DOCTORS IN CEBU AND DAVAO DECLARED LESS INCOME TAX DUES THAN THE AVERAGE PUBLIC SCHOOL TEACHER

CEBU

2,825

registered taxpayer doctors in Cebu and Davao\*\*

DAVAO

2,406

1,467

52%

declared 2012 income tax dues less than P27,360, the income tax of a public school teacher earning P222,552 a year

464

19.3%

1,150

40.7%

have no record of declaring their income tax dues in 2012

1,307

54.3%

₱ 24.50

next to zero, their lowest declared income tax due in 2012

₱ 19

₱ 222,552

Starting pay of a public school teacher in the Philippines (monthly salary of PHP 18,549)

₱ 27,360

Amount of income tax due this public school teacher has to pay

**WHEN YOU DON'T PAY YOUR TAXES, YOU'RE A BURDEN TO THOSE WHO DO.**  
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\* Estimate based on 36.9% of 1931 of 5231.  
\*\* Doctors registered with PSC 052 (Private medical, dental, and other health activities) in BIR Revenue Region 13 (Cebu City), which covers Revenue District Offices (RDOs) 80 (Mandaue City), 81 (Cebu City North), 82 (Cebu City South), 83 (Talisay, Cebu), and 84 (Tagbilaran City), and Revenue Region 19 (Davao City), which covers RDOs 192 (Digos), Davao del Norte: 11A (West Davao City), 113B (East Davao City), 114 (Marikina), Davao Oriental: 115 (Digos), Davao del Sur.  
\*\*\* Data based on BIR Integrated Tax System (ITS).



# Revenue Regulations for Self-employed Individuals

## **A Professional upon registration:**

- **Must submit an affidavit indicating professional rates**
- **Manner of billings**
- **Factors they consider in determining services fees**

**END OF PRESENTATION**

Thank you.