

# Guidelines and Instructions for BIR Form No. 1701Q [January 2018 (ENCS)]

## Quarterly Income Tax Return for Individuals, Estates and Trusts

### Who Shall File

This return shall be filed in triplicate by the following individuals regardless of amount of gross income:

- 1) A resident citizen engaged in trade, business, or practice of profession within and without the Philippines.
- 2) A resident alien, non-resident citizen or non-resident alien individual engaged in trade, business or practice of profession within the Philippines.
- 3) A trustee of a trust, guardian of a minor, executor/administrator of an estate, or any person acting in any fiduciary capacity for any person, where such trust, estate, minor, or person is engaged in trade or business.

An individual whose sole income has been subjected to final withholding tax, or who is exempt from income tax pursuant to the Tax Code and other laws, is not required to file an income tax return.

Married individuals shall file a return for the taxable year to include the income of both spouses, computing separately their individual income tax based on their respective total taxable income. Where it is impracticable for the spouses to file one return, each spouse may file a separate return of income. If any income cannot be definitely attributed to or identified as income exclusively earned or realized by either of the spouses, the same shall be divided equally between the spouses for the purpose of determining their respective taxable income.

The income of unmarried minors derived from property received from a living parent shall be included in the return of the parent except (1) when the donor's tax has been paid on such property, or (2) when the transfer of such property is exempt from donor's tax.

If the taxpayer is unable to make his own return, the return may be made by his duly authorized agent or representative or by the guardian or other person charged with the care of his person or property, the principal and his representative or guardian assuming the responsibility of making the return and incurring penalties provided for erroneous, false or fraudulent returns.

Compensation income need not be reported in the Quarterly Income Tax Return. The same shall be reported in the Annual Income Tax Return only.

### When and Where to File

The return of the taxpayers shall be filed as follows:

|                         |                                                      |
|-------------------------|------------------------------------------------------|
| 1 <sup>st</sup> quarter | On or before May 15 of the current taxable year      |
| 2 <sup>nd</sup> quarter | On or before August 15 of the current taxable year   |
| 3 <sup>rd</sup> quarter | On or before November 15 of the current taxable year |

The income tax return shall be filed with any Authorized Agent Bank (AAB) located within the territorial jurisdiction of the Revenue District Office where the taxpayer is required to register/where the taxpayer has his legal residence or place of business in the Philippines. In places where there are no AABs, the returns shall be filed with the Revenue Collection Officer of the Revenue District Office where the taxpayer is required to register/where the taxpayer has his legal residence or place of business in the Philippines. In case taxpayer has no legal residence or place of business in the Philippines, the return shall be filed with the Office of the Commissioner or Revenue District Office No. 39, South Quezon City.

### When and Where to Pay

Upon filing of this return, the estimated tax due shall be paid to the Authorized Agent Bank (AAB) where the return is filed. In places where there are no AABs, payments shall be made directly to the Revenue Collection Officer who shall issue an Electronic Revenue Official Receipt (eROR)) therefor.

When the return is filed with an AAB, taxpayer must accomplish and submit BIR-prescribed deposit slip, which the bank teller shall machine validate as evidence that payment was received by the AAB. The AAB receiving the tax return shall stamp mark the word "Received" on the return and also machine validate the return as proof of filing the return and payment of the tax by the taxpayer, respectively. The machine validation shall reflect the date of payment, amount paid and the transaction code, the name of the bank, branch code, teller's code and the teller's initial. Bank debit memo number and date should be indicated in the return for taxpayers paying under the bank debit system

### For eFPS Taxpayer

The deadline for electronically filing and paying the taxes due thereon shall be in accordance with the provisions of existing applicable revenue issuances.

### Tax Rate

The income from business or practice of profession shall be subject to the following:

- 1. If the gross sales/receipts and other non-operating income do not exceed the VAT threshold, the individual has the option to be taxed at:
  - a. Graduated income tax rates prescribed under Section 24(A)(2)(a) of the Tax Code, as amended.
  - b. Eight percent (8%) income tax rate based on gross sales/receipts and other non-operating income in lieu of the graduated income tax rates under Section 24(A)(2)(a) and percentage tax under Section 116 of the Tax Code, as amended.
- 2. If the gross sales/receipts and other non-operating income exceed the VAT threshold, the individual shall be subject to the graduated income tax rates prescribed under Section 24(A)(2)(a) of the Tax Code, as amended.

For individual earning income purely from self-employment or practice of profession the eight percent (8%) tax rate is based on gross sales/receipts and other non-operating income in excess of two hundred fifty thousand pesos (P250,000). However for mixed income earner, the compensation income is subject to graduated rates only and it is to be declared on annual basis in the final return (BIR Form No. 1701), and the income for business/profession is also subject to the tax rates as discussed in the first paragraph of this item (Tax Rate). In this case, if qualified, the 8% option if selected, the same is based on gross sales/receipts and other non-operating income and the P250,000 reduction is no longer applicable.

### Deductions

A taxpayer engaged in business or in the practice of profession shall choose either the itemized or optional standard (described below) deduction. He shall indicate his choice by marking with "X" the appropriate box, otherwise, he shall be deemed to have chosen itemized deduction. The choice made in the return is irrevocable for the taxable year covered.

**Itemized Deduction** – There shall be allowed as deduction from gross income all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on or which are directly attributable to the development, management, operation and/or conduct of the trade, business or exercise of a profession including a reasonable allowance for salaries, travel, rental and entertainment expenses.

**Optional Standard Deduction** – A maximum of 40% of their gross sales or receipts shall be allowed as deduction in lieu of the itemized deduction. This type of deduction shall not be allowed for non-resident aliens. An individual who opts to avail of this deduction need not submit the Account Information Return (AIF)/Financial Statements.

### Estimated Income Tax Liability

The taxpayers herein referred shall make and file a declaration of their estimated income for the current period from which they shall derive their estimated income tax liability.

### Penalties

There shall be imposed and collected as part of the tax:

- 1. A surcharge of twenty-five percent (25%) for the following violations:
  - a. Failure to file any return and pay the amount of tax or installment due on or before the due date;
  - b. Filing a return with a person or office other than those with whom it is required to be filed, unless otherwise authorized by the Commissioner;
  - c. 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;
  - d. Failure to pay the deficiency tax within the time prescribed for its payment in the notice of assessment.
- 2. A surcharge of fifty percent (50%) of the tax or of the deficiency tax, in case any payment has been made before the discovery of the falsity or fraud, for each of the following violations:
  - a. Willful neglect to file the return within the period prescribed by the Code or by rules and regulations; or
  - b. A false or fraudulent return is willfully made.
- 3. Interest at the rate of double the legal interest rate for loans or forbearance of any money in the absence of an express stipulation as set by the Bangko Sentral ng Pilipinas from the date prescribed for payment until the amount is fully paid: Provided, That in no case shall the deficiency and the delinquency interest prescribed under Section 249 Subsections (B) and (C) of the National Internal Revenue Code, as amended, be imposed simultaneously.
- 4. Compromise penalty as provided under applicable rules and regulations.

### Required Attachments:

- 1. Certificate of Creditable Tax Withheld at Source (BIR Form 2307), if applicable;
- 2. Duly Approved Tax Debit Memo, if applicable;
- 3. Authorization letter, if return is filed by authorized representative;
- 4. Proof of other payment/s made, if applicable; and
- 5. Summary Alphabet of Withholding Agents of Income Payments Subjected to Withholding Tax at Source (SAWT), if applicable

The quarterly income tax return does not have to be accompanied with Account Information Form and/or Financial Statements.

### Note: All background information must be properly filled out.

- The last 5 digits of the 14-digit TIN refers to the branch code
- All returns filed by an accredited tax agent on behalf of a taxpayer shall bear the following information:
  - A. For Individual (CPAs, members of GPPs, and others)
    - a.1 Taxpayer Identification Number (TIN); and
    - a.2 BIR Accreditation Number, Date of Issue, and Date of Expiry.
  - B. For members of the Philippine Bar (Lawyers)
    - b.1 Taxpayer Identification Number (TIN);
    - b.2 Attorney's Roll Number;
    - b.3 Mandatory Continuing Legal Education (MCLE) Compliance Number; and
    - b.4 BIR Accreditation Number, Date of Issue, and Date of Expiry.