



HO 3 – OTHER PERCENTAGE TAX

HANDOUT

OTHER PERCENTAGE TAX (OPT) - It is a business tax imposed on persons, entities, or transactions specified under Sections 116 to 127 of the National Internal Revenue Code of 1997 (also known as Tax Code), as amended, and as required under special laws.

SCOPE OF OPT

- Persons, who are not VAT-registered, who sell goods, properties or services, whose annual gross sales and/or receipts do not exceed three million pesos (Php3,000,000.00) and are exempt from value-added tax (VAT) under Section 109 (CC) of the National Internal Revenue Code, as amended by Republic Act No. 10963 (TRAIN) and 11534 (CREATE).
- Persons engaged in the following industries/transactions:
 1. Cars for rent or hire driven by the lessee, transportation contractors, including persons who transport passengers for hire, and other domestic carriers by land for the transport of passengers (except owners of bancas and owners of animal-drawn two-wheeled vehicle) and keepers of garages.
 2. International air/shipping carriers doing business in the Philippines on their gross receipts derived from transport of cargo from the Philippines to another country.
 3. Franchise grantees of –
 - a. radio and/or television broadcasting companies whose annual gross receipts for the preceding year do not exceed Php 10,000,000.00 and did not opt to register as VAT taxpayers, and
 - b. gas and water utilities.
 4. Overseas dispatch, message or conversation transmitted from the Philippines by telephone, telegraph, tele-writer exchange, wireless and other communication equipment services, except those transmitted by:
 - The Philippine Government or any of its political subdivisions or instrumentalities;
 - a. Diplomatic services;
 - b. Public international organizations or any of their agencies based in the Philippines enjoying privileges, exemptions and immunities which the Philippine Government is committed to recognize pursuant to international agreement; and
 - c. News services for messages which deal exclusively with the collection of news items for, or the dissemination of news item through, public press, radio or television broadcasting or a newsticker service furnishing a general news service similar to that of the public press.
 5. Banks, non-bank financial intermediaries performing quasi-banking functions
 6. Other non-bank financial intermediaries (including pawnshops as clarified under Revenue Regulations [RR] No. 10 – 2004)
 7. Person, company or corporation (except purely cooperative companies or associations) doing life insurance business in the Philippines
 8. Fire, marine or miscellaneous agents of foreign insurance companies

9. Proprietor, lessee or operator of cockpits, cabarets, night or day clubs, boxing exhibitions, professional basketball games, Jai-Alai and racetracks, including videoke bars, karaoke bars, karaoke televisions, karaoke boxes and music lounges as clarified under Revenue Memorandum Circular (RMC) No. 18 – 2010
10. Winnings or 'dividends' in horse races

OPT REPORTING RESPONSIBILITIES:

- Paid and reported every quarter every 25th day following the close of the quarter using Form 2551Q, except;
 - Overseas Communication Tax, Amusement Tax, Taxes on Winnings – 20th day following the close of the quarter (Form 2551Q)
 - Stock Transaction Tax (Form 2552) - Sale of Stock in Local Stock Exchange and Sale of Stock in IPO (shareholders selling their existing shares to the public) = 5 banking days from the date of collection

OPT RATES:

COMMON CARRIERS' TAX:

COMMON CARRIER – is a private or public entity that transports goods or people for a fee. Utility companies and telecommunications companies also are considered common carriers. – www.investopedia.com

A. PERCENTAGE TAX ON DOMESTIC CARRIERS AND KEEPERS OF GARAGES [Sec 117] - Cars for rent or hire driven by the lessee, transportation contractors, including persons who transport passengers for hire, and other domestic carriers by land, for the transport of passengers (except owners of bancas) and owners of animal-drawn two wheeled vehicle), and keepers of garages shall pay **a tax equivalent to three percent (3%)** of their quarterly gross receipts.

- Applicable to (ALL must be satisfied):
 - Domestic Carrier
 - Land Transport of passengers
 - Except bancas and animal-drawn two wheeled vehicles
- Rate: 3% on Actual Gross Receipts or Minimum Gross Receipts, whichever is higher
- Minimum Gross Receipts – refers to minimum amount to be used as tax base regardless of actual gross receipts
 - Jeepney for hire:
 - Manila and other cities P 2,400
 - Provincial 1,200
 - Public utility bus:
 - Not exceeding 30 passengers P 3,600
 - Exceeding 30 but not exceeding 50 passengers 6,000

- Exceeding 50 passengers 7,200
- Taxis -
 - Manila and other cities P 3,600
 - Provincial 2,400
- Car for hire (with chauffer) P 3,000
- Car for hire (without chauffer) 1,800

PROBLEM 1

In 3rd quarter of 2021, Eren Corp, an operator of domestic land carriers, have earned the following:

	<u>Passengers</u>	<u>Cargoes</u>	<u>Total</u>
Taxi in Metro Manila	15,000.00	-	15,000.00
Car for hire with chauffer	500.00	10,000.00	10,500.00
Total	15,500.00	10,000.00	25,500.00

Required: Compute the Common Carriers' Tax to be paid by Eren

- B. PERCENTAGE TAX ON INTERNATIONAL CARRIERS [Sec 118]** - International air/shipping carriers doing; business in the Philippines on their gross receipts derived from transport of cargo from the Philippines to another country shall pay a **tax of three percent (3%)** of their quarterly gross receipts.
- Applicable to (ALL must be satisfied):
 - a. International Carrier
 - b. Air/Shipping Transport of Cargoes
 - Rate: 3% on Gross Philippine Billings

PROBLEM 2

The Philippine operations of Kinathay Pacific, a foreign air carrier, reported the following gross receipts for the 2nd quarter 2021:

Transport of:	<u>Incoming</u>	<u>Outgoing</u>	<u>Total</u>
Passengers	20,000,000.00	30,000,000.00	50,000,000.00
Baggage	10,000,000.00	15,000,000.00	25,000,000.00
Total	30,000,000.00	45,000,000.00	75,000,000.00

Required: Compute the Common Carriers' Tax to be paid by Kinathay

TAX ON FRANCHISES [Sec 119] - all franchises on:

a. radio and/or television broadcasting companies whose annual gross receipts of the preceding year do not exceed Ten million pesos (P10,000.00), **a tax of three percent (3%);** and

- Applicable to (ALL must be satisfied):
 - a. Franchise grantee of radio and tv
 - b. Never exceeded P10,000,000 annual gross receipts, otherwise will be subjected to VAT in the entire life of the business.
 - c. Never registered as VAT taxpayer
- Rate: 3% on Gross Receipts

b. gas and water utilities, **a tax of two percent (2%)** on the gross receipts derived from the business covered by the law granting the franchise.

- Applicable to (ALL must be satisfied):
 - a. Franchise grantee of gas and water utilities
- Rate: 2% on Gross Receipts

PROBLEM 3

During the month, Harinawa Water District, the sole water distributor in Indang, Cavite, earned P15,000,000. Compute the percentage tax.

PROBLEM 4

Last year, Sarimanok Corp earned P20,000,000. On the seventh month of the current year, Sarimanok earned P500,000. As of the end of seventh month, Sarimanok estimates that the gross annual receipt will only result to more or less P6,000,000. Compute the percentage tax.

TAX ON OVERSEAS DISPATCH, MESSAGE OR CONVERSATION ORIGINATING FROM THE PHILIPPINES [Sec 120] - every overseas dispatch, message or conversation transmitted from the Philippines by telephone, telegraph, telewriter exchange, wireless and other communication equipment service, a tax of **ten percent (10%)** on the amount paid for such services.

- Applicable to:
 - a.** Messages originating from the Philippines to a recipient outside the country.
- Rate: 10% on Gross Philippine Billings

PROBLEM 5

PLDC Telecommunications had the following receipts during the quarter:

Calls originating from the Philippines:

Recipients within the Philippines	P50,000,000
Recipients outside the Philippines	45,000,000

Calls originating from Foreign Countries (Collect Call):

Recipients within the Philippines	P25,000,000
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Compute the percentage tax

GROSS RECEIPTS TAX:

A. **TAX ON BANKS AND NON-BANK FINANCIAL INTERMEDIARIES PERFORMING QUASI- BANKING FUNCTIONS [Sec 121]** - on a gross receipt derived from sources within the Philippines by all banks and non-bank financial intermediaries in accordance with the following schedule:

(a) On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

(b) On dividends and equity shares and net income of subsidiaries **0%**

(c) On royalties, rentals of property, real or personal, profits, from exchange and all other items treated as gross income under Section 32 of NIRC **7%**

(d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives, and other similar financial instruments. **7%**

In case the maturity period referred to in paragraph (a) is shortened thru pre-termination, then the maturity period shall be as if to end as of the date of pre-termination.

BANK – is a financial institution that makes a profit by taking people’s deposits and lending that money at a profit. In other words, the institution charges more for its loans than it pays on deposits.

FINANCIAL INTERMEDIARY – an entity that acts as the middleman between two parties in a financial transaction, such as a commercial bank, investment bank, mutual fund, or pension fund.

QUASI BANKING ACTIVITY – means borrowing funds, for the borrower's own account, through the issuance, endorsement or acceptance of debt instruments of any kind other than deposits, or through the issuance of participations, certificates of assignments, or similar instrument with recourse, trust certificates, or of repurchase agreements, from twenty or more lenders at any

one time, for purposes of relending or purchasing of receivables and other similar obligations: Provided, however, That commercial, industrial, and other non-financial companies, which borrow funds through any of these means for the limited purpose of financing their own needs or the needs of their agents or dealers, shall not be considered as performing quasi-banking functions.

- B. TAX ON OTHER NON-BANK FINANCIAL INTERMEDIARIES [Sec. 122] – a tax of five percent (5%)** on the gross receipts derived by other non-bank financial intermediaries doing business in the Philippines, from interests, commissions, discounts and all other items treated as gross income under NIRC: Provided, That interests, commissions and discounts from lending activities, as well as income from financial leasing, shall be taxed on the basis of the remaining maturities of the instruments from which such receipts are derived, in accordance with the following schedule:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

In case the maturity is shortened thru pre-termination, then the maturity period shall be as if to end as of the date of pre-termination.

PROBLEM 6

On April 1, 2016, Bangko De Plata (BDP) issued a 10-year-loan to a client amounting to P2,500,000. The amount yields P12,500 interest income every month. Interest payments are collected every quarter end. Compute the percentage tax for the 1st and 2nd quarter of the year 2021.

PROBLEM 7

The following items pertain to income of United Rice Farmers' Bank (URFB) for the year 2021:

- February
 - Interest Income from loans issued – remaining maturity of more than 5 yrs – P120,000
 - Interest Income from loans issued – remaining maturity of 5 yrs or less – P210,000
 - Rent income (gross of 5% withholding tax) – P114,000
 - Trading Loss from trading of debt securities – (P50,000)
- March
 - Interest Income from loans issued – remaining maturity of more than 5 yrs – P100,000
 - Interest Income from loans issued – remaining maturity of 5 yrs or less – P270,000
 - Rent income (gross of 5% withholding tax) – P114,000
 - Income from deposits in other bank under FCDO (net of 15% FWT) – P170,000
 - Trading Gain from trading of debt securities – P90,000

TAX ON INSURANCE

- A. TAX ON LIFE INSURANCE PREMIUMS [Sec 123]** - every person, company or corporation (except purely cooperative companies or associations) doing life insurance business of any sort in the Philippines **a tax of two percent (2%)**

- Applicable to:
 - a. Total premium collected, whether such premiums are paid in money, notes, credits or any substitute for money.
 - Except:**
- a. Premiums refunded within six (6) months after payment on account of rejection of risk or returned for other reason to a person insured;
- b. Reinsurance by a company that has already paid the tax;
- c. Upon doing business outside the Philippines on account of any life insurance of the insured who is a nonresident, if any tax on such premium is imposed by the foreign country where the branch is established;
- d. Premiums collected or received on account of any reinsurance , if the insured, in case of personal insurance, resides outside the Philippines, if any tax on such premiums is imposed by the foreign country where the original insurance has been issued or perfected;
- e. Portion of the premiums collected or received by the insurance companies on variable contracts (as defined in Section 232(2) of Presidential Decree No. 612), in excess of the amounts necessary to insure the lives of the variable contract workers.

- B. TAX ON AGENTS OF FOREIGN INSURANCE COMPANIES [Sec 124]** - Every fire, marine or miscellaneous insurance agent authorized under the Insurance Code to procure policies of insurance as he may have previously been legally authorized to transact on risks located in the Philippines for companies not authorized to transact business in the Philippines shall pay a **tax equal to twice the tax on Sec 123 (4%)**. Except reinsurance.

Provided, however, owners of property may obtain for himself policies in foreign companies. In all cases where owners of property obtain insurance directly with foreign companies, **it shall be the duty of said owners to report to the Insurance Commissioner and to the Commissioner each case where insurance has been so effected, and shall pay the tax of five percent (5%) on premiums paid**, in the manner required by Section 123.

PROBLEM 8

Max-A-Life, a domestic insurance company, have the following receipts for the month of March 2021:

Premiums on life insurance	P3,000,000
Premiums on non-life insurance	2,500,000
Reinsurance premiums for non-resident insurer	1,500,000

Compute Percentage Tax

AMUSEMENT TAXES [Sec 125] – proprietor, lessee or operator of:

- A. Cockpits, cabarets, night or day clubs = 18%

- B. Boxing exhibitions = 10%
- Except if all of the following are satisfied:
 - World or Oriental Championships in any division is at stake
 - That at least one of the contenders for World or Oriental Championship is a citizen of the Philippines
 - Promoted by a citizen/s of the Philippines or by a corporation or association at least sixty percent (60%) of the capital of which is owned by such citizens
- C. Professional basketball games as envisioned in Presidential Decree No. 871 = 15%
- D. Jai-Alai and racetracks of their gross receipts (whether or not any amount is charged for admission) = 30%

PROBLEM 9

La Isla Vorakey is a resort hotel with eat-all-you-can restaurant that becomes disco bar at night. Following are the data for the month of March 2021:

Revenue from hotel room rentals	P6,500,000
Revenue from “day” restaurant	2,500,000
Revenue from “night” disco (P1,000,000 entrance fee, P7,500,000 liquor and foods)	8,500,000
VATable purchases of food and drinks (used by both restaurant & disco)	3,500,000
VAT Exempt purchases of foods (used by both restaurant & disco)	2,000,000
VATable purchases for hotel consumptions	4,000,000

Compute Amusement Tax and VAT Payable

TAX ON WINNINGS [Sec 126]

- A. Person who wins in horse races **shall pay a tax equivalent to ten percent (10%)** of his winnings or 'dividends', the tax to be based on the actual amount paid to him for every winning ticket after deducting the cost of the ticket
- B. Winnings from double, forecast/quinella and trifecta bets, the **tax shall be four percent (4%)**, the tax to be based on the actual amount paid to him for every winning ticket after deducting the cost of the ticket
- C. Owners of winning race horses, the **tax shall be ten percent (10%)** of the prizes.

PROBLEM 10

Mr. Suga Role is a regular patron of horse race. He has a favorite horse named “Makibao”. Each time run in the competition, he also bets with other races. Following are his winnings during a lucky day:

<u>Winnings</u>	<u>Amount</u>	<u>Cost of Tickets</u>
Dividends from normal bets	50,000.00	500.00
Dividends from Forecast	200,000.00	15,000.00
Dividends from Quinella	300,000.00	12,000.00
Prize from Owned Champion Horse	900,000.00	-
TOTAL	1,450,000.00	27,500.00

Compute for pay-out to him if the operator will withhold necessary tax

STOCK TRANSACTION TAX: TAX ON SALE, BARTER OR EXCHANGE OF SHARES OF STOCK LISTED AND TRADED THROUGH THE LOCAL STOCK EXCHANGE - every sale, barter, exchange, or other disposition of shares of stock listed and traded through the local stock exchange other than the sale by a dealer in securities, a tax at the rate of six-tenths of one percent (6/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed which shall be paid by the seller or transferor.

- Applicable to:
 - Individual taxpayers, citizens or aliens
 - Resident and Foreign corporation
 - Taxpayers other than the above (i.e Trust, Estate, Funds, etc.)
- Except:
 - Dealers in securities
 - Investors in shares of stock in a mutual fund company in connection with the gains realized by said investor upon redemption of said shares of stock in a mutual fund company.
 - Those exempt under investment incentives and special law

PROBLEM 11

On July 17, 2021, Luna entered in the following sale of shares in Philippine Stock Exchange:

Shares	No. of Shares on hand (prior to sale)	Cost	Selling Price	No. of Shares sold
JFC	5,000	125.00	132.00	5,000
BDO	2,000	110.00	108.00	1,000

Compute Stock Transaction Tax

TAX ON PERSONS EXEMPT FROM VALUE-ADDED TAX (VAT) [Sec 116] - Any person whose sales or receipts are exempt under Section 109 (CC) from the payment of value-added tax and who is not a VAT-registered person shall pay a tax equivalent to three percent (3%) of his gross quarterly sales or receipts: Cooperatives shall be exempt from the three percent (3%) gross receipts tax. Effective July 1, 2020 until June 30, 2023, the rate shall be one percent (1%).

- Applicable to (ALL below must be satisfied):
 - Non-VAT registered
 - Gross receipts does not exceed P3,000,000
 - Transactions are not VAT Exempt under Section 109 (A) to (BB)
 - Transactions are not subject to other OPT rates (Section 117 to 127)
- Rate: 3%/1% based on Gross Receipts/Gross Sales

PROBLEM 12

In 1st quarter 2021, Simbayanan ni Sta.Maria (SnSM), a VAT registered multi-purpose cooperative, received P47,5000 rental income (net of 5% withholding tax) and P1,000,000 interest income from previously long-term loans, but are now maturing this year. Compute the business tax for SnSM.

PROBLEM 13

In 1st quarter 2021, Banko de Plata (BDP), a VAT registered domestic bank, received P475,000 rental income (net of 5% withholding tax) and P10,000,000 interest income from previously long-term loans, but are now maturing this year. Compute the business tax for BDP.

PROBLEM 14

Ms. Renta, non-VAT taxpayer, is a land lady who owns 3 buildings. Each of them caters 5 **residential units** that are rented out for P14,500 monthly. Compute the business tax payable (excess input, if applicable) of Ms. Renta for the month of January 2022.

PROBLEM 15

Ms. Renta, non-VAT taxpayer, is a land lady who owns 3 buildings. Each of them caters 5 **commercial units** that are rented out for P14,500 monthly. Compute the business tax payable (excess input, if applicable) of Ms. Renta for the month of January 2022.

PROBLEM 16

Ms. Renta, non-VAT taxpayer, is a land lady who owns 3 buildings. Each of them caters 5 **residential units** that are rented out for P25,000 monthly. Compute the business tax payable (excess input, if applicable) of Ms. Renta for the month of January 2022.

PROBLEM 17

Ms. Renta, non-VAT taxpayer, is a land lady who owns 3 buildings. Each of them caters 5 **commercial units** that are rented out for P25,000 monthly. Compute the business tax payable (excess input, if applicable) of Ms. Renta for the month of January 2022.

PROBLEM 18

Mr. Brooom, a non-VAT registered taxpayer, is an operator of 5 jeepney units that operates in City of Davao. For the quarter ending June 30, 2021, he reported P250,000. Compute the business tax for Mr. Brooom.

PROBLEM 19

Linis Lamig Corp is a non-VAT corporation whose business is to provide aircon cleaning to various business offices and warehouses. Due to aggressive advertisements made on the last week of September 2021, the company's receipts jumped five folds resulting to a breach to the VAT threshold. Following are the summary of the year's receipts and expenses.

Period	Receipts	VATable Expenditures	VAT Exempt Expenditures
1st Qtr	500,000.00	200,000.00	100,000.00
2nd Qtr	600,000.00	220,000.00	150,000.00
October	2,700,000.00	1,300,000.00	600,000.00
November	2,300,000.00	1,000,000.00	500,000.00
December	2,900,000.00	1,600,000.00	200,000.00

Compute business tax