



# Minimum Taxation

(Minimum Corporate Income Tax or MCIT)

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Countries

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# MCIT

I. Imposition

II. Tax Base

III. Carry Forward of Excess MCIT for  
3 Years

IV. Annual and Quarterly Application

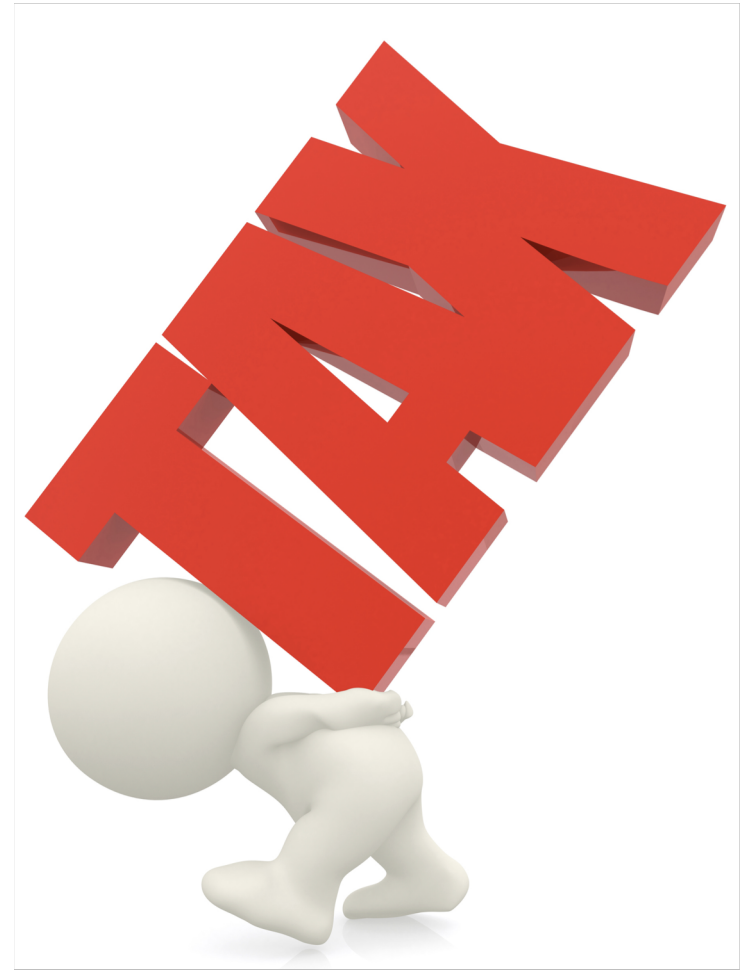
V. TRABAHO Bill



# Imposition

# MCIT Rate and Purpose

- Rate of 2%
- Low income tax compliance of corporate taxpayers by declaring net loss
- Corrective measure to ensure minimum contribution



# Imposition

- MCIT is imposed:
  - On domestic and resident foreign corporations
    - Whenever such corporation has zero or negative taxable income or
    - Whenever the amount of MCIT is greater than the Regular Corporate Income Tax (RCIT)
    - Beginning on the 4th year immediately following the year of start of commercial operation



# Tax Base

# Tax Base

- Tax Base: **Gross income** subject to RCIT **less cost of goods sold or direct costs and expenses**
  - Sale of goods
  - Sale of services
  - Includes all items of gross income enumerated under Section 32(A) of the Tax Code, as amended

# Tax Base

	<b>RCIT</b>	<b>MCIT</b>
	Gross Revenue/Sales	Gross Revenue/Sales
Less:	Cost of Services/Sales	Cost of Services/Sales
	<hr/> Gross Profit	
Less:	Operating Expenses	Gross Income
	<hr/> Taxable Income	
Multiply by:	RCIT rate at 30%	MCIT rate at 2%
<b>Tax Due</b>	<b>RCIT</b>	<b>MCIT</b>



# Tax Base

- **Gross Receipts and Cost of Services Per Industry:**
  - Banks and non-bank financial intermediaries performing quasi-banking activities
  - Insurance and pension funding companies
  - Finance companies and other financial intermediaries not performing quasi-banking activities
  - Brokers of securities (excluding banks)
  - Customs, insurance, real estate, immigration and commercial brokers
  - General engineering and/or building contractors
  - Common carriers or transportation contractors
  - Hotel, motel, rest/pension/lodging house and resort operators
  - Food service establishments
  - Lessors of property
  - Telephone and telegraph, electric, gas, and water utilities
  - Radio and/or television broadcasting

# Tax Base

- Ex. Common carriers or transportation contractors

## Gross Receipts

- Actual or constructive receipts
- Business of carrying or transporting passengers or goods or both, by land, water, or air, for compensation, offering their services to the public

## Costs of Services

- Those incurred directly and exclusively for such activities
- Limited to the following: salaries, toll fees, parking fees, franchise fees, depreciation, rentals, repairs, fuel and lubricants used in transporting, meals provided to passengers, cost of safety paraphernalia, and annual transportation equipment registration fee



# Annual and Quarterly Application

# Annual and Quarterly Application

Quarter	Normal Income Tax	MCIT	Taxes Withheld	Excess MCIT Taxes Prior Year	Excess W/Tax Prior Year
1st	<b>100,000.00</b>	<b>80,000.00</b>	<b>20,000.00</b>	<b>30,000.00</b>	<b>10,000.00</b>
2nd	120,000.00	250,000.00	30,000.00		
3rd	250,000.00	100,000.00	40,000.00		
4th	200,000.00	100,000.00	35,000.00		

Quarterly corporate income tax due				
(higher amount between normal income tax and MCIT) — normal income tax				100,000.00
Less: Taxes Withheld — Prior Year			10,000.00	
Taxes Withheld — 1st qtr			20,000.00	
Excess MCIT prior year			<u>30,000.00</u>	<u>60,000.00</u>
<b>Net Income Tax Due, 1st quarter — normal income tax</b>				<b>40,000.00</b>

# Annual and Quarterly Application

Quarter	Normal Income Tax	MCIT	Taxes Withheld	Excess MCIT Taxes Prior Year	Excess W/Tax Prior Year
1st	100,000.00	80,000.00	20,000.00	30,000.00	10,000.00
2nd	<u>120,000.00</u>	<u>250,000.00</u>	<u>30,000.00</u>		
<b>Total</b>	<b>220,000.00</b>	<b>330,000.00</b>	<b>50,000.00</b>		

Quarterly corporate income tax due			
(higher amount between normal income tax and MCIT) — MCIT			330,000.00
Less: Taxes Withheld — Prior Year		10,000.00	
Taxes Withheld — 1st qtr		20,000.00	
Taxes Withheld — 2nd qtr		30,000.00	
Net income tax payment — 1st qtr		<u>40,000.00</u>	<u>100,000.00</u>
<b>Net Income Tax Due, 2nd quarter — MCIT</b>			<b>230,000.00</b>

# Annual and Quarterly Application

Quarter	Normal Income Tax	MCIT	Taxes Withheld	Excess MCIT Taxes Prior Year	Excess W/Tax Prior Year
1st	100,000.00	80,000.00	20,000.00	30,000.00	10,000.00
2nd	120,000.00	250,000.00	30,000.00		
3rd	250,000.00	100,000.00	40,000.00		
4th	200,000.00	100,000.00	35,000.00		
<b>Total</b>	<b>670,000.00</b>	<b>530,000.00</b>	<b>125,000.00</b>		

# Annual and Quarterly Application

Annual corporate income tax due			
(higher amount between normal income tax and MCIT) — Normal Income Tax			670,000.00
Less: Taxes Withheld — Prior Year		10,000.00	
Taxes Withheld — 1st qtr		20,000.00	
Taxes Withheld — 2nd qtr		30,000.00	
Taxes Withheld — 3rd qtr		40,000.00	
Taxes Withheld — 4th qtr		35,000.00	
Net income tax payment — 1st qtr		40,000.00	
Net income tax payment — 3rd qtr		70,000.00	
MCIT paid in the 2nd quarter		230,000.00	
Excess MCIT in prior year		30,000.00	505,000.00
<b>Annual Net Income Tax Due — Normal Income Tax</b>			<b>165,000.00</b>



# Carry Forward of Excess MCIT for 3 Years



# Carry Forward of Excess MCIT for 3 Years

- Pay MCIT, whenever MCIT > RCIT

Quarter	RCIT	MCIT
1st	0.00	80,000.00
2nd	0.00	250,000.00
3rd	0.00	200,000.00
4th	0.00	150,000.00
<b>Annual</b>	<b>0.00</b>	<b>680,000.00</b>

Net loss so no RCIT due

excess of **680,000**



# TRABAHO Bill

# TRABAHO Bill

- Tax Reform for Attracting Better and High Quality Opportunities
- Deals with corporate taxation
- Current version of the House of Representatives does not amend MCIT
- Target is to lower rate for RCIT



# Minimum Taxation

(Minimum Corporate Income Tax or MCIT)

THANK YOU.