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BIR MEDIA RELEASE

Percentage Tax Rate, MCIT Rate and Income Tax Rate for Non-Stock and Non-Profit Schools and Hospitals revert back to its ORIGINAL Rates

Starting July 1, 2023, persons subject to percentage tax under Section 116 of the National Internal Revenue Code, as amended, will revert to 3% of their gross quarterly sales or receipts.

As provided in the said Section 116 of the NIRC, "Any person whose sales or receipts are exempt under Section 109(CC) of this Code from the payment of value-added tax and who is not a VAT-registered person shall pay a tax equivalent to 3% of his gross quarterly sales or receipts. Provided, that cooperatives shall be exempt from the 3% gross receipts tax herein imposed: Provided, further, That effective July 1, 2020 until June 30, 2023, the rate shall be one percent (1%)."

The provision on the adoption of the 1% Percentage Tax rate from July 1, 2020 to June 30, 2023 has been promulgated in March 2021 under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law.

Non-VAT taxpayers are mandated to file the Percentage Tax return (BIR Form No. 2551Q) and pay the corresponding tax dues within twenty-five (25) days after the end of each taxable quarter.

Moreover, from July 1, 2023 onwards, the Minimum Corporate Income Tax (MCIT) will return to its previous rate of 2%, calculated based on the gross income at the end of the taxable year. The MCIT rate is applicable to domestic corporations or resident foreign corporations when the MCIT exceeds the regular corporate income tax of the company. The MCIT is imposed beginning the fourth taxable year immediately following the year in which said corporation begins its business operations.

In addition, non-stock/non-profit schools and hospitals will once again be subject to a preferential tax rate of 10% on their taxable income. However, as previously provided, if the gross income from "unrelated trade, business, or other activity" exceeds 50% of the total gross income generated by the educational institution or hospital from all sources, the tax applicable to domestic corporations will be levied on their entire taxable income.