

Reg'l HQ staff lose special

tax rate under TRAIN

By MARY GRACE PADIN

The Department of Finance (DOF) said employees of regional operating headquarters (ROHQ) would no longer enjoy special tax rates on their gross income under the new tax reform law.

In an interview, Finance Secretary Carlos Dominguez said the 15 percent special tax rate on the gross income of employees of ROHQs is no longer applicable after President Duterte vetoed the provision granting the preferential rate under the Tax Reform for Acceleration and Inclusion Act.

Dominguez issued the clarification after sectors expressed confusion on preferential rate on ROHQ employees.

"It is clear to us. We will tell them that our interpretation is that the (provision) is vetoed," Dominguez said.

Finance Undersecretary Antonette Tionko said "the intention under the veto is to repeal. That's the intention."

Earlier, Duterte vetoed the provision in the tax reform law granting a special tax rate of 15 percent on the gross income of employees of regional headquarters, regional operating headquarters, offshore banking units, and petroleum service contractors and subcontractors.

Duterte said the provision violates the Equal Protection Clause under Section 1,

Article III of the 1987 Constitution, as well as the rule of equity and uniformity in the application of the burden of taxation.

However, the Philippine Association of Multinational Companies Regional Headquarters Inc. (PAMURI) said there were two citations in the TRAIN law regarding the preferential tax rate.

The PAMURI said the President's veto only applied to the second citation, which stated the tax perk would only be applied to ROHQs already existing before 2018.

"We don't get into all those, whether the veto affects this particular line," Tionko said in response.

Meanwhile, the Tax Management Association of the Philippines (TMAP) said the President's veto on the preferential tax rate of ROHQ employees does not automatically remove the perks they enjoy as it does not amend Section 25 (C), (D), and (E) of the Tax Code.

The TMAP said the existing provision in the Tax Code needs to have a repealing clause for it to take effect.

According to Tionko, the repeal on the special tax rate of ROHQ employees only affects high-ranking employees earning P975,000 and up with managerial and technical positions.

"The ones that qualify for the 15 percent rate are those earning P975,000 and up, which is the high-earning people and they enjoy lower rates. So to be fair, that is the intention," Tionko said.

* TAXATION

* DEPT. OF FINANCE (DOF)

* TAX REFORM FOR ACCELERATION
& INCLUSION (TRAIN)