

As part of the expended Benefits and PWD tax privileges of PWDs

May 31, 2017

Deaf Filipino can start enjoying their value added tax (VAT) exemption privilege. The new benefit is on top of the 20% discount PWDs are already entitled to under the Magna Carta for Disabled Persons. Since the passage of Republic Act (RA) 10754, An Act Expanding the Benefits and Privileges of Persons With Disability (PWDs), it is only now that disabled members of society will be fully enjoying the benefits granted by this law.

Sales discount for qualified PWDs

Similar to our senior citizens, qualified PWDs shall be entitled to a 20% discount on purchases of goods and services from the following establishments:

- a. hotels and similar lodging establishments, restaurants and recreation centers
- b. theaters, cinema houses, concert halls, circuses, carnivals and other similar places of culture, leisure and amusement
- c. medicines in all drugstores
- d. medical and dental services, including diagnostic and laboratory fees, and professional fees of attending doctors in all private hospitals and medical facilities (in accordance with the rules and regulations to be issued by DoH in coordination with PhilHealth)
- e. domestic air and sea travel
- f. land transportation
- g. funeral and burial services for the death of the PWD

VAT Exemption

Goods and services entitled to the 20% sales discount shall also be exempted from the 12% value-added tax (VAT). Computed in the same manner as that on senior citizen's purchases, the VAT amount shall be excluded from the amount of sales subject to discount.

Deductions from Gross Income for the covered establishments: Under the rules, establishments granting sales discounts to PWDs for goods and services will be entitled to deduct such discounts from their gross income following certain conditions:

- a. The discount on the sales to PWDs may be claimed as deduction from gross income in the taxable year the discount is granted, provided that the name of the qualified PWD and the PWD Identification Card (PWD ID) number are reflected in the required record of sales;
- b. Only the portion of the gross sales for the exclusive use and enjoyment of the PWD shall be eligible for the deductible sale discount;

- c. The sales amount must still be recorded inclusive of the discount granted. The discount is not claimed as a reduction of sales to arrive at net sales, but as a deduction from gross income as necessary and ordinary expense falling under the category of itemized deductions;
- d. For establishments availing of the Optional Standard Deduction (OSD), the discount shall not be accounted as a deductible expense;
- e. In the issuance of official receipts or sales invoices, the gross selling price and the sales discount must be separately indicated;
- f. Only the actual amount of sales discount granted or sales discount not exceeding 20% of the gross selling price or gross receipts can be deducted from the gross income, net of VAT;
- g. The covered establishment shall keep separate and accurate records of sales to qualified PWD for every sales transaction;

Prohibition on Double Discounts:

The PWD discount shall not be given if the PWD is claiming a higher discount as may be granted by the establishment under other existing laws or in combination with other discount programs. Likewise, a PWD who is at the same time a senior citizen can only claim one 20% discount on each transaction.

Additional exemptions for benefactors:

A PWD can qualify as a dependent and entitle the benefactor to an additional exemption of P25,000 in computing the personal income tax. The PWD should be living with and chiefly dependent on the benefactor for support. He should be related within the 4th degree of consanguinity. Including the dependent PWD and children, a maximum of four qualified dependents may be claimed by a single taxpayer or by spouses.

Employers can therefore remind their employees who have parents and other relatives within the 4th degree who have disabilities and dependent on them for support. The taxpayer-benefactor of the PWD should update his exemption with the BIR by submitting the following:

- a. Duly accomplished BIR Form 2305
- b. Photocopy of the PWD ID issued by the PWD Affairs Office (PDAO) or the City/Municipal Social Welfare and Development Office where the PWD resides
- c. Sworn declaration/identification of the qualified PWD, support and relationship provided as Annex A of the regulations

- d. Birth certificate of the PWD
- e. Medical certificate attesting to the disability
- f. Barangay certification that the PWD is living with the benefactor

The employer can start to consider the additional dependent in computing the monthly withholding tax on compensation upon receipt of the BIR-stamped Form 2305 of the employee.

With the issuance of these guidelines, our disabled Filipinos will now fully enjoy the tax incentives and maximize the benefits that they deserve under the law.