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How to reduce business tax philippines

April 15 of each year is probably one of the most stressful time of the year for businesses. It is a time where you have to pay your individual and business income tax. Are there ways to lessen your taxes or even make it easier for you? Here are some tips to beat your Philippine tax problems.

1. Ensure that you pay the right taxes. Ensuring that you pay your taxes properly based on your actual receipts is the number one rule in avoiding tax problems in the future. Yes, it might be a bit costly and some would say you can lessen it by not issuing official receipts but mind you if the BIR discovers this then that will be more costly when it comes to fines and penalties.
2. Organize your accounting records. Make sure that your records are properly organized. Put all your income tax payments (monthly, quarterly and annual) in a separate folder. Cross check them while you are preparing your annual return. A small mistake in filling your return might cost you as well.
3. Automate your accounting system. Using a manual system might be affordable but it is also prone to human error. Try to upgrade your accounting system by using computerized systems like Quickbooks and MYOB. Using these systems will save you a lot of money and headaches as well.
4. Computerize your payroll system. If you have more than 5 employees, it is time to upgrate your payroll system. Since payroll and employee deductions are part of your income tax filing, it would be best if they are computed properly and on time. (Check out Philippine Payroll Pro Packages)
5. Reduce your tax legally. Do you know that you can actually reduce your tax payments legally? If you know of the proper ways to charge various expenses and business activities then you might actually save a lot. Some of the expenses that can be charges are: Representation expenses - you can charge from 0.5% to 1% of net sales to this account. This involves meeting of your clients and other customers in restaurants and other establishments. You can also charge travel expenses going to customers who are far from your office. Make sure to collect receipts always. If your business involves research and development. You can actually charge travel expenses and even leisure stays locally and internationally just make sure that these includes visits to your suppliers. You can actually save if you hire family members simply because their salaries may be deducted from taxable income. Do you have bad paying clients for more than a year? If you have consider writing them off and charge them to bad debts expense. Donate to charities and institution. Make a habit of sharing your blessings. These donations are 100% deductible if they are to accredited non-government organizations. If they are not registered you can still deduct up to 5% of your taxable income as a corporation and up to 10% if you are a single proprietor. Deduct tax withheld. Be sure to have BIR Form 2307 from customers who deducted tax in advance from you so that you can claim them against your taxable income. Enjoy 100% tax savings for new businesses. If you have just started your business and your total assets is below P3 million then apply as a Barangay Micro Business Enterprise. Once approved you will avail 100% income tax exemption plus exemption from minimum wage and lower local taxes. Taxes are used to make our country better and paying them correctly and on time will be your contribution to the country's economy. Remember to always be updated and be on time. Reference: Entrepreneur.com

Written by imoney It is a sad reality that a lot of Filipinos just accept their tax liabilities as what it is from their payroll. They seem to have no idea or just neglect the fact that there are ways to legally reduce them. It is very important to point out that reducing taxes through acceptable and legal means is tax avoidance. And although there is a fine line between the two, tax avoidance different from tax evasion, where there is wilful attempt to avoid taxes by concealing or misinterpreting actual income. In that regard, below are some doable ways to reduce taxes:

- Avail of Another Retirement Plan Even if there are already mandatory government plans for retirement, it is wise to avail of another one to reduce your taxes (i.e. from work). The idea is this - the most basic way to reduce taxes is to lessen income. Of course, it doesn't mean that you should quit your high paying job and take one that pays less. The point is, if you avail of another retirement plan at work, in paper, you seem to have lesser salary because your gross income is adjusted (lessened) due to your contribution for a traditional IRA (Individual Retirement Account). From this, there is a down side - you receive less every pay day. But to think of it, it's not half bad because you will receive a whole lot more when you retire. Declare Dependents for Additional Exemptions Although it may vary, every Filipino is entitled to a personal exemption of PHP 50,000. On the other hand, not all can avail of additional exemptions for dependent individuals. Both exemptions are deductible from gross income so both reduce taxes. That is why it is important to declare any dependent child (up to 4) to avail of the PHP 25,000 (for every dependent) additional exemption. For purposes of determining whether a person is a dependent or not, here is the definition of a dependent: A legitimate, illegitimate, legally adopted child who is unmarried, not more than 21 years old unless if disabled (in which case can be of any age), not gainfully employed, receives over 50% of support from the taxpayer, and living with the taxpayer. Double Declining Depreciation For business owners, as you already know to arrive at the tax liability, you first have to determine the gross income. Then you deduct that with the allowable deductions then multiply it by the tax rate. With basic mathematical operation, you can determine that by increasing the deductions, you reduce your tax liability. This is where depreciation comes in. The double declining method is a depreciation method wherein your depreciation expense is higher in the earlier life of an asset. In turn, your deductions from gross income higher at the early life of an asset hence lesser tax liability. This may not be applicable for all but it certainly is one way for you to lower your tax. For businesses or corporations, the double declining is very useful especially if a business is starting out or has just been established because its tax liability becomes less burdensome in your first years of operation. Make Some Donations Another part of the gross income deductions are charitable contributions or donations. If donations are increased, the tax liability is decreased due to a lower net income (gross income minus deductions). Hence, it is logical to donate some of your income to scientific, religious, charitable, youth, or sports organizations and even the government for that matter to lower your tax liability. Track All Itemized Deductions As obvious as it may seem, it is very important to keep track of all your deductions for you to include everything in your yearly tax form and avoid paying beyond your correct tax liability. It is important to point out that it's not the government's fault if you don't know that an item is to be included or if you forgot to include an item that should be part of your itemized deductions. In that regard, the items that should be included in the itemized deductions are Expenses, Interest, Taxes, Losses, Bad Debts, Depreciation, Depletion of Oil, Gas Wells or Mines, Charitable & Other Contributions, Research & Development, Pension Trusts, Additional Requirements for Deductibility of Certain Payments, Optional Standard Deduction, and Premium Payments on Health and/or Hospitalization Insurance. To sum it up, there are basically two ways to lessen your income tax liability. First is to reduce your gross income and second is to increase your deductions. It's up to you to decide on which one to follow. And you must remember that there are more ways to legally reduce your taxes other than what's mentioned above. You just have to explore and think beyond those two basic ways.

CC0/stevoph/Pixabay As the old adage goes, taxes are a fact of life. And the more we know about them as adults the easier our finances become. There are many things to learn to become an expert (this is why we have accountants), but the essentials actually aren't all that taxing. From state taxes to pensions and gas tax, here's what you need to know about taxes.

Tax Brackets and Deductions There are seven federal tax brackets, varying from filing season to filing season depending on current tax rates. The higher your income, the higher the tax rate you will be expected to pay. Employees on a payroll system can generally expect their employer's HR department to sort this out for them. They will base this on the information on each employee's W-4 form. If too much of your salary is deducted in taxes, you will be due for a refund later on. Sometimes these refunds can be pretty sizeable, depending on how long you've been paying too much of your salary for—although obviously you will have had to make do with less in the meantime. However, if too little is deducted, you'll probably have to make up the difference as a lump sum later on.

Filing and Hiring a Professional Filing your tax return on time—that is, by the April deadline—is crucial for avoiding penalties of up to 5% per month. So even if you know you'll be unable to pay your tax bill, you should still file your return on time. Again, if you're an employee on a payroll system, then your employer should do this for you. Instead of ignoring the filing deadline, you may ask for an extension. And if you're going to have trouble paying, you could ask about a payment plan with the IRS. If you're a self-employed business owner with enough paperwork and deadlines as it is, you might want to think about hiring a professional accountant.

State by State Tax Comparison Besides federal taxes on income, US citizens are also expected to pay various state taxes—on property, sales, vehicles and yes, income again. At least one or two of these are just as inescapable as any other kind of tax, so don't bother scouring a state tax chart to find out what states have no state tax whatsoever. That said, a comparison of taxes by state can reveal, if not the best tax states, then at least which ones are better than others in specific areas of taxation. State tax in Florida, for example, does not include any state income tax. The same is true of various other states, including Alaska, Wyoming, South Dakota and Nevada. Of course, you'll still have to pay federal income tax. Tax on Pensions by State Similarly, when people reach a certain age, they may want to know what states don't tax pensions. If this sounds like you, you might be interested in comparing taxes by state for retirees. As with income tax, there actually are some pension tax-free states for retirees, while some others may provide credit for a portion. A tax credit is a dollar-for-dollar reduction in your tax bill. New York is one example of a state offering a total exemption or partial credit for pension tax. Others include Alabama, Colorado, Georgia, Iowa and Wisconsin. Retirees may also want to consider state estate taxes before choosing to relocate for favorable pension tax rates. While the federal exclusion amount (the size of an estate exempt from federal taxation) was \$11,180,000 in 2018, for instance, some states levied taxes on far less. The NY state tax department levies taxes on estates over \$2,062,500, for example.

Vehicle Taxes by State Another important state tax to be aware of is gas tax. This can vary widely from the average, which is why the price of gas can be so different depending on where you are in the country. A comparison of gas tax by state (in October 2018) reveals some of the most favorable to be Wyoming's (24 cents per gallon), North Dakota, Delaware (both 23 cents per gallon), Louisiana (20 cents per gallon), Arizona and Mississippi (both 19 cents per gallon). Alaska, which charges no income or sales tax, is known for having the lowest gas tax of any US state. As of October 2018, gas tax in Alaska was 15 cents per gallon.

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