2026 Philippine Tax Updates

Part I: Transfer Tax

A) Estate Tax

- **Flat rate: 6 %** on the *net estate* (replaces the former 5 %–20 % graduated brackets).

> *Net estate* = gross estate minus allowable deductions.

- **Enhanced deductions**
  - **Family home exemption:** increased **10 ×** from **₱1 M** to **₱10 M** (FMV limit).
  - **Standard deduction:** raised to **₱5 M** for citizen or resident decedents.
  - **Filing deadline:** extended from **6 months** to **1 year** after death.
- **Allowable deductions (regular tax)**
  - *Family home* – FMV not exceeding **₱10 M**.
  - *Standard deduction* – fixed **₱5 M**.
  - *Transfer for public use* – amount given to government entities.
  - *Claims against the estate* – valid debts or obligations contracted in good faith.
- **2026 General Estate Tax Principles**

Item	Detail
Flat rate	**> 6 %** on net estate
Filing timeline	Returns due within **1 year** of death
Gross estate	All real & personal property, tangible or intangible, at death
Valuation basis	**Fair Market Value** (Commissioner) vs. **Zonal Value**

B) Donor's Tax

- **Uniform flat rate: 6 %** on total gifts **exceeding ₱250 000** annually.

- Applies **regardless of donor-donee relationship**.
- Simplifies calculations for inter-vivos transfers and encourages formal documentation.

C) Capital Gains Tax (CGT)

- **Non-traded shares**
  - **Old rates:** 5% on the first **₱100k**, 10% on excess.
  - **New rate: 15% flat** on the entire sale amount.
- **Statutory compliance (6% standard)**

> Tax = **6%** × **higher of** *(Gross Selling Price, Fair Market Value)*.

- **Valuation Hierarchy**

Valuation Component	Description	Regulatory Source
Gross Selling Price	Total consideration in the notarized Deed of Sale.	Notarized Instrument
BIR Zonal Value	Prescribed values for specific districts & property types.	BIR Zonal Schedules
Assessor's FMV	Value shown in the current Tax Declaration.	LGU Assessor Office

RMC No. 33-2026 (BIR) – Implementing Clarifications

- **Proof of Settlement:** No strict deadline for submitting an Extra-Judicial Settlement (EJS) for amnesty; required for E-CAR issuance.
- **Undeclared assets:** Treated as regular estate tax at the time of death.
- **Installment rules:** Payments can be spread over **2 years**; default on any installment results in **total forfeiture of amnesty**.

Amnesty vs. Regular Estate Tax Comparison

Criteria	Estate Tax Amnesty (2025-2026)	Regular Estate Tax (TRAIN Law)
Tax Rate	6% of **Gross Estate**	6% of **Net Estate**

Standard Deduction	N/A (limited)	**₱5 M**
Penalties & Interest	Waived if fully compliant	Standard 25 % surcharge + 12 % interest
Installment Period	Max **2 years**	Up to **2 years** (with interest)

Compliance Roadmap of Heirs

1. **Inventory** – Gather titles, tax declarations, and valuation proof.
2. **Settlement** – Execute Extra-Judicial Settlement (EJS) *or* obtain a Court Order.
3. **E-Filing** – Submit **BIR Form 1801** via **eBIRForms** or **eFPSSystem**.
4. **E-CAR** – File documents with the RDO to obtain the **Certificate Authorizing Registration**.

2026 Digital Tax Ecosystem

- **ORUS Portal** – Mandatory online registration & profile updating for estate TINs.
- **E-CAR Verification** – New E-CARs embed encrypted QR codes, enabling faster verification by Register of Deeds and banks.

RMC No. 10-2026 – Cash Donations

- Focuses on **purely cash transfers**; clarifies tax treatment and filing obligations for donations consisting exclusively of currency.

Part II: Business (Consumption)

A) Value-Added Tax (VAT)

- **Higher threshold:** VAT-exempt threshold raised from **₱1.9 M** to **₱3 M** for annual gross sales/receipts.
- **Repealed exemptions:** Non-essential exemptions removed to broaden the tax base.
- **Retained exemptions:** Senior citizens, PWDs, raw agricultural products, and education.

- **Revenue Regulations No. 1-2024**
  - VAT-exempt residential sales threshold set at **₱3.6 M** (CPI-adjusted, reviewed every **3 years**).
  - Sales above this amount are subject to the standard **12%** VAT.

B) Documentary Stamp Tax (DST)

- **Average rate increase:** Approximately **100%** to adjust for inflation.
- **Key rates**
  - **Bank checks: ₱3.00** (up from ₱1.50).
  - **Original issue of shares: ₱2.00** per **₱200** share capital.
  - **Sale of real property: ₱15.00** per **₱1,000** of selling price.

C) Self-Employed Tax Options

- **Simplified 8% tax** for self-employed individuals & professionals with gross sales **below the ₱3 M VAT threshold**.

> **Tax Due** = **8% × (Gross Sales – ₱250 k)**

- This option replaces both **Personal Income Tax** and **Percentage Tax**.

D) Withholding Tax on Real Estate

- Applies to transactions classified as **Ordinary Assets** (properties used in business or held for sale).
- **Revenue Regulation No. 5-2025** rates

Seller's Engagement	Selling Price ≤ ₱500 k	₱500 001 – ₂ M	> ₱2 M
Habitually engaged	**1.5%**	**3.0%**	**5.0%**
Not habitually engaged	**6.0%** (matches CGT)	—	—