

**[ BIR REVENUE REGULATIONS NO. 7-2010, July 20, 2010 ]**

**IMPLEMENTING THE TAX PRIVILEGES PROVISIONS OF REPUBLIC ACT NO. 9994, OTHERWISE KNOWN AS THE "EXPANDED SENIOR CITIZENS ACT OF 2010", AND PRESCRIBING THE GUIDELINES FOR THE AVAILMENT THEREOF**

**SECTION 1. Scope.** – Pursuant to Section 244 of the National Internal Revenue Code of 1997, as amended (Tax Code), in relation to Section 2 of Republic Act No. 9994 (Act), otherwise known as the "Expanded Senior Citizens Act of 2010" (hereinafter referred to as the "Act") and Section 2, Article 4, Rule II of the Implementing Rules and Regulations of the Act, these Regulations are hereby promulgated to prescribe the guidelines for:

1. The availment of the income tax exemption of Senior Citizens;
2. The value-added tax exemption privileges granted to VAT-registered taxpayers selling goods and services identified in the Act to Senior Citizens;
3. The tax privileges granted to establishments giving discount on their sale of goods and services to Senior Citizens;
4. The tax implication of taking care and supporting senior citizens by their benefactors; and
5. The tax privileges granted to private entities who engage Senior Citizens as their employees.

**SEC. 2. Definitions.** – For purposes of these Regulations, the following terms and phrases shall be defined as follows:

- a. Senior Citizen or Elderly – refers to any Filipino citizen who is a resident of the Philippines, and who is sixty (60) years old or above. It may apply to senior citizens with "dual citizenship" status provided they prove their Filipino citizenship and have at least six (6) months residency in the Philippines.
- b. Resident Citizen – a Filipino Citizen with permanent/legal residence in the Philippines, and shall include one, who, having migrated to a foreign country, has returned to the Philippines with a definite intention to reside therein, and whose immigrant visa has been surrendered to the foreign government.
- c. Benefactor – refers to any person whether related or not to the senior citizen who provides care or who gives any form of assistance to him/her, and on whom the senior citizen is dependent on for primary care and material support, as certified by the City or Municipal Social Welfare and Development Officer (C/MSWDO).

d. Dependent – a Senior Citizen, who may or may not be related to his/her Benefactor and who is living with and dependent upon his/her Benefactor for his/her chief support.

e. Minimum Wage Earner – a worker in the private sector who is paid the statutory minimum wage, or an employee in the public sector with compensation income of not more than the statutory minimum wage in the non-agricultural sector where he/she is assigned.

f. OSCA – the Office of the Senior Citizens Affairs of cities and municipalities, which is headed by a Senior Citizen who shall serve for a term of three (3) years.

i. NEDA – the National Economic and Development Authority.

j. NSCB – the National Statistical Coordinating Board.

k. Annual Taxable Income of a Resident Senior Citizen – the compensation, business and other income received by a Resident Senior Citizen during each taxable year from all sources as defined in Section 31 of the Tax Code.

l. Sales Discount – the actual discount, or that discount, which in no case shall be lower than twenty (20%) per cent of the gross selling price of the goods sold or services rendered to Senior Citizens by certain establishments enumerated under the Act and in these Regulations, *Provided*, that, for purchase of water and electricity from public utilities, the sales discount shall be a minimum of five (5%) per cent.

m. Establishment – any entity, public or private, duly licensed and/or franchised by the national government agencies or the local government units.

**SEC. 3. Income Tax of Senior Citizens.** – Generally, qualified Senior Citizens deriving returnable income during the taxable year, whether from compensation or otherwise, are required to file their income tax returns and pay the tax as they file the return.

However, if the returnable income of a Senior Citizen is in the nature of compensation income but he qualifies as a minimum wage earner under RA No. 9504, he shall be exempt from income tax on the said compensation income subject to the rules provided under Revenue Regulations No. 10-2008 applicable to minimum wage earners.

Likewise, if the aggregate amount of gross income earned by the Senior Citizen during the taxable year does not exceed the amount of his personal exemptions (basic and additional), he shall be exempt from income tax and shall not be required to file an income tax return.

The exemption of Senior Citizens from income tax granted in the Act will not extend to all types of income earned during the taxable year. Hence, he can still be liable for other taxes such as:

1. The **20% final withholding tax on interest income** from any currency bank deposit, yield and other monetary benefit from deposit

substitutes, trust fund and similar arrangements; royalties (except on books, as well as other literary works and musical compositions, which shall be imposed a final withholding tax of 10%); prizes (except prizes amounting to P10,000 or less which shall be subject to income tax at the rates prescribed under Sec. 24(A) of the Tax Code, and other winnings (except Philippine Charity Sweepstakes and Lotto winnings) (Sec. 24(B)(1), Tax Code);

2. The **7.5% final withholding tax on interest income** from a depository bank under the expanded foreign currency deposit system (Sec. 24(B)(1), Tax Code);

3. If the Senior Citizen will pre-terminate his 5-year long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts and other investments evidenced by certificates in such form prescribed by the Bangko Sentral ng Pilipinas before the fifth year, he shall be subject to the **final withholding tax** imposed on the entire income depending on the holding period of the deposit or investment. If held for a period of:

- Four years to less than five years – 5%
- Three years to less than four years – 12%; and
- Less than three years – 20%

4. The **10% final withholding tax** –

a. On cash and/or property dividends actually or constructively received from a domestic corporation or from a joint stock company, insurance or mutual fund company and a regional operating headquarters of a multinational company; or

b. On the share of an individual in the distributable net income after tax of a partnership (except a general professional partnership) of which he is a partner; or

c. On the share of an individual in the net income after tax of an association, a joint account, or a joint venture or consortium taxable as a corporation of which he is a member or a co-venturer (Sec. 24(B)(2), Tax Code).

5. **Capital gains tax** from sales of shares of stock not traded in the stock exchange (Sec. 24(C), Tax Code); and

6. The **6% final withholding tax** on presumed capital gains from sale of real property, classified as capital asset, except capital gains presumed to have been realized from the sale or disposition of principal residence (Sec. 24(D), Tax Code).

**SEC. 4. Grant of Discounts to Senior Citizens.** - All establishments, supplying any of the following goods and services, as specified in the Act to Senior Citizens, for their exclusive use and enjoyment or availment, shall give a discount of twenty (20%) per cent. The granting of discount herein mentioned shall apply to the sale of the following goods and services:

a. Medicines, including influenza and pneumococcal vaccines, and such other essential medical supplies, accessories and equipment to be determined by the Department of Health (DOH).

a.1 On all drug stores, hospital pharmacies, medical and optical clinics and similar establishments dispensing medicines, the discount for sales of drugs/ medicines shall be subject to the Guidelines to be issued by the Bureau of Food and Drugs, Department of Health (BFAD-DOH), in coordination with the Philippine Health Insurance Corporation (PHILHEALTH). For this purpose, the term "medicines" shall refer to both prescription and non-prescription medicines, and articles approved by the BFAD-DOH, which are intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease in man; but do not include food and devices or their components, parts, or accessories.

b. On the professional fees of attending physician/s in all private hospitals, medical facilities, outpatient clinics and home health care services, where the discount shall be based on the compensation for services charged from the Senior Citizen.

c. On professional fees of licensed professional health workers providing home health care services as endorsed by private hospitals or employed through home health care employment agencies, where the discount shall be based on the fees charged from the Senior Citizen.

d. On medical and dental services, diagnostic and laboratory fees in all private hospitals, medical facilities, outpatient clinics, and home health care services, in accordance with the rules and regulations to be issued by the DOH, in coordination with the Philippine Health Insurance Corporation (PhilHealth).

d.1 "Medical services" refers to hospital services, professional services of physicians and other health care professionals and diagnostic and laboratory tests that are necessary for the diagnosis or treatment of an illness or injury.

d.2 "Dental services" refers to oral examination, cleaning, permanent and temporary filling extractions and gum treatments, restoration, replacement or repositioning of teeth, or alteration of the alveolar or periodontium process of the maxilla and the mandible that are necessary for the diagnosis or treatment of an illness or injury.

d.3 "Home health care service" refers to health or supportive care provided to the Senior Citizen patient at home by licensed health care professionals to include but not limited to, physicians, nurses, midwives, physical therapists and caregivers.

e. In actual fare for land transportation travel in public utility buses (PUBs), public utility jeepneys (PUJs), taxis, Asian utility vehicles (AUVs), shuttle services and public railways, including Light Rail Transit (LRT), Mass Rail Transit (MRT), and Philippine National Railways (PNR).

f. On actual transportation fare for domestic air transport services and sea shipping vessels and the like, based on the actual fare and advanced booking.

g. On the utilization of services in hotels and similar lodging establishments, restaurants and recreation centers.

g.1 For hotels and similar lodging establishments, the discount shall be for room accommodation and other amenities offered by the establishment, such as, but not limited to, massage parlor, sauna bath, food, drinks and other services offered.

g.2 For this purpose, the term "hotel/hostel" shall refer to the building, edifice or premises or a completely independent part thereof, which is used for the regular reception, accommodation or lodging of travelers and tourists, and the provision of services incidental thereto, for a fee.

g.3 "Lodging establishment" shall refer to a building, edifice, structure, apartment or house including tourist inn, apartelle, motorist hotel and pension house engaged in catering, leasing or providing facilities to transients, tourists or travelers. The following are considered as lodging establishments:

g.3.1 Tourist Inn – a lodging establishment catering to transients, which does not meet the minimum requirement of an economy hotel.

g.3.2 Apartelle – a building or edifice containing several independent and furnished or semi-furnished apartments, regularly leased to tourists and travelers for dwelling on a more or less long-term basis and offering basic services to its tenants, similar to hotels.

g.3.3 Motorist Hotel – any structure with several separate units, primarily located along the highway, with individual or common parking space, at which motorists may obtain lodging and in some instance, meals.

g.3.4 Pension House – a private, or family-operated tourist boarding house, tourist guest house or tourist lodging house, regularly catering to tourist, and/ or traveler, containing several independent table rooms, providing common facilities, such as toilets, bathrooms/showers, living and dining rooms and/or kitchen and where a combination of board and lodging may be provided.

g.4 The term lodging establishment shall also include lodging houses, which shall mean such establishments are regularly engaged in the hotel business, but which, nevertheless, are