

Tax - Payroll Guide - Free shares / RSU

Philippines	
Tax points	<p>Grant: No income tax. No social security.</p> <p>Vesting: Income tax and social security.</p> <p>Transfer to participant: No income tax. No social security.</p> <p>Sale by participant: Income tax on increase in value since vesting. No social security.</p>
Income tax (maximum rate)	35% (2025). Any change in tax rates usually takes effect from 1 January.
Income tax rates	Tax rates are progressive. The maximum tax rate applies to annual taxable income over PHP8,000,000.
Employer income tax withholding	Employer withholding applies if there is a recharge or the local subsidiary records the plan as an expense.
Employer social security withholding	Employer withholding applies if there is a recharge or the local subsidiary records the plan as an expense.
Employee social security	<p>Employee social security (max rate):</p> <ul style="list-style-type: none"> • Social Security System (SSS): 5% of the monthly salary credit; • Philippine Health Insurance Corporation (PHIC): 5% of the monthly basic salary (equally shared by the employee and employer) (PhilHealth Circular No. 2020-0050); • Home Development Mutual Fund (HDMF): 2% of the monthly fund salary. <p>Employee social security (cap): monthly caps are:</p> <ul style="list-style-type: none"> • SSS: PHP1,750 (2025) for those with maximum monthly salary credit of PHP34,750 or more; • PHIC: PHP5,000 (equally shared by the employee and employer) (PhilHealth Circular No. 2020-0005); <p>HDMF: PHP200 (maximum fund salary increased to PHP10,000 per HDMF) (Circular No. 460 effective February 2024).</p>
Employer social security	<p>Employer social security (max rate):</p> <ul style="list-style-type: none"> • Social Security System (SSS): 10% of the employee's monthly salary credit; (Social Security Commission Resolution No. 560-s.2024 dated 15 November 2024; effective 1 January 2025; Circular No, 2024-006);

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	<ul style="list-style-type: none"> • Philippine Health Insurance Corporation (PHIC): 5% of the monthly basic salary (equally shared by the employee and employer) (PhilHealth Circular No. 2020-0050); • Home Development Mutual Fund (HDMF): 2% of the monthly fund salary. <p>Employer social security (cap): monthly caps per employee are:</p> <ul style="list-style-type: none"> • SSS: PHP3,530 (2025) for those with maximum monthly salary credit of PHP34,750 or more; • PHIC: PHP5,000 (PhilHealth Circular No. 2020-0005); <p>HDMF: PHP200 (maximum fund salary increased to PHP10,000 per HDMF; Circular No. 460 effective February 2024).</p>
Tax reporting - Individual	<p>Yes, unless all tax liabilities have been withheld or paid by the employer. If the cost of an equity plan has not been recharged to the local employer, there is no withholding and the individual will be required to declare the income from the plan in the annual income tax return.</p> <p>There is no specific filing in relation to equity related incentives.</p> <p>Report name: Annual Income Tax Return. Capital gains and dividends are reported on the same return. The return can be filed online. The tax return can be downloaded from the website here.</p> <p>Tax period: 1 January to 31 December.</p> <p>Reporting deadline: the report must be filed by 15 April in the year following the taxable period.</p> <p>Payment of tax: any unpaid tax (including tax on dividends and capital gains) is generally due at the time of filing.</p>
Tax reporting - Employing company	<p>Yes, the employer must report the employees' incentive related income if the payment has been made through the local employer or there has been a recharge. The grant/award of a share incentive is reported separately.</p> <p>Report name: if the employer has withheld income tax, the following reports must be filed by the employer:</p> <ul style="list-style-type: none"> • Monthly Remittance Return of Income Taxes Withheld: BIR Form 1601-C; • Annual Information Return of Income Taxes Withheld on Compensation: BIR Form 1604-C; and • Certificate of Compensation Payment/Tax Withheld: BIR Form 2316.

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	<p>The local employer must report the grant/award of a share incentive to the Revenue District Office where it is registered within 30 days from the grant/award and on or before the 10th day of the month following the month of exercise/vest. There is no specific form.</p> <p>The returns can be filed online. The BIR returns can be downloaded from the website here.</p> <p>Reporting deadline:</p> <ul style="list-style-type: none"> • Monthly Remittance Returns for income tax withholding are generally filed within 10 days of the following month; • the Annual Information Return must be submitted to the Bureau of Internal Revenue (BIR) by 31 January for the previous year; • each employee must be provided with a Certificate of Compensation Payment/Tax Withheld by 31 January for the previous year; • duplicates of the employees' Certificate of Compensation must be submitted to the BIR by 28 February; and • the filing date for reporting the grant/award of a share incentive is stated above. <p>Payment of tax: withheld income tax is paid at the same time that the monthly report is filed</p>
Malus and clawback - Tax points	<p>The existence of a malus or clawback clause does not affect the moment of tax for the individual.</p>