



TAX COMPLIANCE GUIDE FOR FREELANCERS AND BUSINESS OWNER

MODULE 2

LESSON 1:


FILING QUARTERLY AND ANNUAL INCOME TAX USING BIR FORM 1701Q AND 1701





Module 2. BIR Forms Explained





Lesson 1. Filing Quarterly and
Annual Income Tax Using BIR Form
1701Q and 1701



1. What is BIR Form 1701 and 1701Q?

BIR Form 1701Q (Quarterly Income Tax Return)

BIR Form 1701Q is the **quarterly income tax return** for self-employed individuals, professionals, and freelancers. You'll use this form to declare your income every quarter and pay the corresponding taxes.

When to file: April 15, August 15, and November 15 of each year.

Who needs to file: All freelancers, self-employed individuals, and professionals who are not under purely compensation income.



2. Filing Out BIR Form 1701Q (Quarterly Income Tax Return)

Step-by-Step Guide to Filing Out BIR Form 1701Q

1. Personal Information

TIN and RDO Code: Enter your **Taxpayer Identification Number (TIN)** and your **RDO Code (Regional District Office)**.

Taxpayer's Name and Address: Fill in your name and residential address.

2. Line 13 – Taxpayer Classification

Check the appropriate box for **self-employed** or **professional**.



Step-by-Step Guide to Filling Out BIR Form 1701Q

3. Line 24 – Gross Sales/Receipts

Input the total income earned during the quarter. This figure should include all income earned from freelance work.

Example:

If you earned ₱100,000 during the quarter from multiple clients, enter **₱100,000**.



Step-by-Step Guide to Filling Out BIR Form 1701Q

4. Line 26 – Less: Allowable Deductions

This is where you deduct your **business expenses**. You can either use **Itemized Deductions** or the **Optional Standard Deduction (OSD)**, which is a flat deduction of 40% of your gross sales/receipts.

Example:

If you choose the OSD method, and your gross receipts for the quarter were ₱100,000, the allowable deduction will be:

$$₱100,000 \times 40\% = ₱40,000.$$



Step-by-Step Guide to Filling Out BIR Form 1701Q

5. Line 28 – Net Taxable Income

Subtract the deductions from your gross income to get your **net taxable income**.

Example:

If your gross income is ₱100,000 and your deductions (OSD) are ₱40,000, your net taxable income is:

$$₱100,000 - ₱40,000 = ₱60,000.$$



Step-by-Step Guide to Filling Out BIR Form 1701Q

6. Line 35 – Tax Due

Using the **income tax table**, calculate the tax due on your net taxable income. For quarterly filings, the rates are prorated.

Example:

For a net taxable income of ₱60,000, you will refer to the tax rate brackets for self-employed individuals, which would be 15%.



3. Filling Out BIR Form 1701 (Annual Income Tax Return)

Step-by-Step Guide to Filling Out BIR Form 1701

1. Personal Information

Fill in your **TIN**, **RDO Code**, and basic information such as your name and address.

2. Line 37 – Total Sales/Receipts

Enter the total amount of income you earned for the entire year. This should be the sum of your quarterly gross receipts.

Example:

Filing Quarterly and Annual Income Tax Using BIR Form 1701Q and 1701
If you earned ₱300,000 for the entire year, enter ₱300,000.



Step-by-Step Guide to Filling Out BIR Form 1701Q

3. Line 38 – Less: Allowable Deductions

Similar to your quarterly filings, you'll deduct either the **Itemized Deductions** or the **Optional Standard Deduction**.

Example:

If you opt for the OSD at 40%, and your gross receipts for the year were ₱300,000, your allowable deduction would be:

$$₱300,000 \times 40\% = ₱120,000.$$



Step-by-Step Guide to Filling Out BIR Form 1701Q

4. Line 40 – Net Taxable Income

Subtract your deductions from the total income to calculate the net taxable income.

Example:

If your gross income is ₱300,000 and your deductions (OSD) are ₱120,000, your net taxable income is:

$$₱300,000 - ₱120,000 = ₱180,000.$$



Step-by-Step Guide to Filling Out BIR Form 1701Q

5. Line 50 – Tax Due

Using the income **tax table**, calculate the final tax liability based on your total income for the year.

Example:

If your net taxable income is ₱180,000, you will refer to the tax rate table to determine the tax due. Since this falls under the 0% tax bracket (as it is below ₱250,000), no additional tax is due.



Step-by-Step Guide to Filling Out BIR Form 1701Q

6. Line 55 – Total Payments

Add up all the taxes you paid in your quarterly filings and enter the total in this line. This will be deducted from your annual tax due.

7. Line 58 – Total Amount Payable or Refundable

If you have overpaid based on your quarterly filings, this section will indicate whether you are due for a refund or if you still owe additional taxes.



Key Takeaways

1

BIR Form 1701Q is used for quarterly income tax filings, while **BIR Form 1701** is for your annual tax return.

2

You can reduce your taxable income by using **allowable deductions**—either itemized or the Optional Standard Deduction (OSD).

3

The **income tax rate** depends on your net taxable income and follows a progressive system.



Learning Activity

Take a few moments to gather your gross income from the last quarter.

- **Identify** whether you should use the **OSD** or **Itemized Deductions** based on your expenses.
- **Calculate** your net taxable income and determine the tax due for the quarter.



What's Next?

In the next lesson, we'll cover Filing Quarterly Percentage Tax Using BIR Form 2551Q. You'll learn how to properly complete this form, the filing deadlines, and common mistakes to avoid. Stay tuned for Lesson 2 of Module 2!



