

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS

First Regular Session

House Bill No. 2985

Introduced by Representative Renato "Ka Rene" B. Magtubo

EXPLANATORY NOTE

The Constitution declares that: "The State affirms labor as a primary social economic force and shall protect the rights of the workers and promise their welfare" (Sec. 18, Art. II). Foremost of these rights is the right to a living wage (Sec. 3(2), Art. XIII). Living wage is the minimum wage with a real value equal to the cost of living of an average working class family. That proviso ensures the right of workers to sell their labor at that value or even more, but never below that value.

Unfortunately, close to eighteen years after the right of labor to a living wage had been enshrined in the highest law of the land, Congress has yet to enact an enabling law to guarantee worker's enjoyment of such right.

It was Congressman James Jacob who in the 11th Congress first filed a bill providing for a living wage. Nothing came out of it. Thus, Honorable Congresswoman Krisel Lagman-Luistro of the 12th Congress refilled in year 2001 the same bill, when the minimum wage was estimated as only half of the living wage, which at that time was approximated by the Department of Labor and Employment (DOLE) at five hundred nine pesos (Php 509). Lagman-Luistro's bill has remained a bill and as she decided not to vie for a Congress seat, the living wage had risen to 550 pesos.

With the cost-price spiral after the May 2004 national elections, current estimates (September 2004) peg the cost of living for a family of six (6) at **six hundred pesos (600)** a day. Multiplied by 30 days, the cost of living translates to 18,000 pesos a month. This cost of living per day further translates to two hundred and nineteen thousand (219,000), with 365 days per year.

Compare these values with the mandated two hundred peso-a-day (250) minimum wage plus the fifty pesos daily cost-of-living allowance (P50), or a gross figure of three hundred pesos (P300) a day, which is not even being complied with by majority of companies. This daily wage can add up to only seven thousand eight hundred (**P 7,800 pesos a month** or ninety-three thousand and six hundred pesos (**P 93,600**) a year, which figure is hardly half of the gross cost-of-living for one year. In other words, we have a picture of a toiling beast for the Filipino worker.

And even if two heads in a family work, their gross incomes for a year can only add up to one hundred eighty-seven thousand and two hundred pesos (P 187,200), which is not enough to cover the annual cost-of-living for a family of six. Even if both heads of a family are granted with 13th month salaries, the aggregate would total to only two hundred two thousand and eight hundred pesos (**P 202,800**), still short of the cost-of-living per year P 219,000.

The absence of an enabling law that guarantees the right to a living wage combine with a predictable inflation resulting to the dismal shortfall of the real value of workers' take home pay. This, however, is not yet the complete dilemma. The value-added tax on various products further erodes the buying capacity of the workers. The required deduction and withholding of tax upon wages completes the tragedy workers increasingly find themselves in.

Currently, by virtue of Republic Act No. 8424, those earning no more than minimum wage and receiving the 50-peso COLA or the equivalent aforementioned 93,600 pesos-a-year or less, are already exempted from income taxes. But that amount is way below the prescribed living wage. And given the pressure of globalization to keep the minimum wage low, there is hardly any sign in the horizon for a respite for Filipino workers.

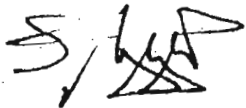
This bill seeks to exempt all workers, whose total annual compensation does not exceed **two hundred and nineteen thousand pesos (P 219,000)** from **income taxes**, thus amending for the purpose Chapter III, Section 24, Subsection "A", (1), Paragraph "(c) of R.A. No.8424 otherwise known as "Tax Reform Act of 1997", and logically, from the required **withholding of tax upon all income less than P219,000** thus amending for that purpose Chapter XIII, Section 79, Subsection "A" of the same Act.

The bill, moreover, seeks to exempt from the filing of income tax returns those with income of two hundred and sixteen thousand pesos or below, amending for the purpose Section 51, (A) (2) (b) of Republic Act No. 8424.

This proposal will definitely cost the government foregone revenues annually, but where this concern comes into a balance against ensuring workers' welfare, premium should undoubtedly be placed on the latter. Opportunity loss in revenues can be more than made up for by more efficiency in terms of cost of forms, man-hours and personnel which can be turned to better account in the tax collection from so-called large taxpayers who account for more than half of Bureau of Internal Revenue's aggregate intake. Much of the annual tax leakage of P 250 billion is tractable to inefficiencies in the tax collection effort from among the large taxpayers.

The consequent higher consumer spending could not but trigger a corresponding increase in the demand for goods and services, which is so necessary in picking up the economy from where it has been for long -- at rock bottom.

In view of the foregoing, approval of this bill is earnestly sought.



RENATO "Ka Rene" B. MAGTUBO
Party List Representative
Partido ng Manggagawa

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AN ACT
AMENDING REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS "TAX REFORM
ACT OF 1997"

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. This Act shall be known as the **"Tax Exemption Act for Those Earning Not More Than The Prescribed Cost-of- Living"**

SECTION 2 Chapter III, Section 24, Subsection "A", (1), Paragraph "(c) of R.A. No. 8424 is hereby amended to read as follows:

SEC. 24. *Income Tax Rates.* -

xxx xxx

"(c) On the taxable income defined in Section 31 of this Code, other than income subject to tax under Subsections (B), (C) and (D) of this Section, derived for each taxable year from all sources within the Philippines by an individual alien who is a resident of the Philippines.

"The tax shall be computed in accordance with and at the rates established in the following schedule:

["Not over P10,000.....	5%
"Over P10,000 but not over P30,000.....	P500+10% of the excess over P10,000
"Over P30,000 but not over P70,000.....	P2,500+15% of the excess over P30,000
"Over P70,000 but not over P140,000.....	P8,500+20% of the excess over P70,000
"Over P140,000 but not over P250,000...	P22,500+25% of the excess over P140,000
"Over 250,000 but not over P500,000.....	P50,000+30% of the excess over P500,000 in 1998]

"NOT OVER P219,000.....	0%
"OVER P 219,000 but not over P250,000.....	P22,500+25% of the excess over P219,000
"Over 250,000 but not over P500,000.....	P50,000+30% of the excess over P500,000 in 1998

"For married individuals, the husband and wife, subject to the provision of Section 51(D) hereof, shall compute separately their individual income tax based on their respective total taxable income: *Provided*, That if any income cannot be definitely attributed to or identified as income exclusively earned or realized by either of the spouses, the same shall be divided equally between the spouses for the purpose of determining their respective taxable income.

SEC. 2. Chapter IX, Section 51, Subsection (A), Paragraph (2), Subparagraph (a) of the same Decree is hereby further amended to read as follows:

"SEC. 51, *Individual Return*. –

"(A) XXX

"(1) XXX

"(2) An individual [with respect to] **EARNING** pure compensation income, as defined in Section 32(A)(1), [derived] from sources within the Philippines, **FROM ONE EMPLOYER**, the income tax on which has been correctly withheld under the provisions of Section 79 of this Code **AS EVIDENCED BY THE EMPLOYER'S CERTIFICATE OF COMPENSATION PAYMENT**: *Provided*, That an individual deriving compensation concurrently from two or more employers at any time during the taxable year shall file an income tax return [: *Provided, further*, That an individual whose pure compensation income derived from sources within the Philippines exceeds [Sixty thousand pesos(P60,000)] **TWO HUNDRED AND NINETEEN THOUSAND PESOS (P 219,000)** shall also file an income tax return];"

SEC. 3. Chapter XIII, Section 79, Subsection "A" of the same Act is hereby amended to read as follows:

SEC. 79. *Income Tax Collected at Source*. –

"(A) *Requirement of Withholding*. Every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with the rules and regulations to be prescribed by the Secretary of Finance, upon the recommendation of the Commissioner: *Provided, however*, That no withholding of a tax shall be required where the total compensation income of an individual does not exceed [the statutory minimum wage, or Five thousand pesos (P5,000.00) per month, whichever is higher] **TWO HUNDRED AND NINETEEN THOUSAND PESOS (P219,000) PER YEAR.**"

SEC. 3. *Repealing Clause*. – All laws, decrees and executive orders inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 4. *Effectivity*. – This Act shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in at least two (2) national newspapers of general circulation.

Adopted,