

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Seventeenth Congress
First Regular Session

House Bill No. **261**



Introduced by Honorable Roy M. Loyola

EXPLANATORY NOTE

Well enshrined in our Constitution are policies that are geared towards alleviating the plight of our less fortunate brethren as well as promoting equality and uniformity of our laws, to wit:

"The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all"; (Section 9, Article II) and,

"The rule of taxation shall be uniform and equitable. The Congress shall evolve a progressive system of taxation." (Section 28(1), Article VI) (Emphasis supplied.)

Anchored on said Constitutional precepts, this bill seeks to ease the burden of marginalized income earners (MIEs) in our society. MIEs, as defined under Revenue Regulation (RR) No. 7-2012 and clarified under Revenue Memorandum Circular (RMC) No. 7-2014, are those individuals not deriving compensation as an employee under an employer-employee relationship and are self-employed and deriving gross sales or receipts not exceeding One hundred thousand pesos (P100,000.00) in any 12-month period. Included in this definition are sari-sari store owners, fisher folks, farmers, vendors and those similarly situated. Moreover, said RMC emphasized that licensed professionals, consultants, artists, sales agents, brokers and others similarly situated are not to be considered as MIEs.

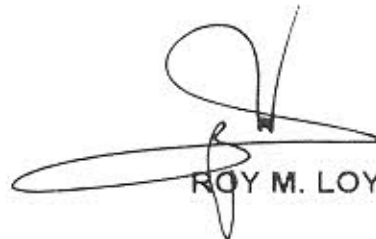
The Bureau of Internal Revenue (BIR) issued last 5 February 2014 said RMC No. 7-2014, which clarified the issues on the registration and tax compliance requirements of MIEs pursuant to RR No. 7-2012. These requirements under said RMC include (1) registration with the Bureau using BIR Form 1901, (2) exemption from payment of Annual Registration Fee, (3) registration of books of accounts, (4) issuance of registered principal receipts/sales invoices, (5) filing and payment of Annual Income Tax Return, and (6) exemption from payment of business taxes.

As the requirements of the above RMC seem to be onerous on the part of these MIEs, it is the intention of this bill to remove this burden from the shoulder of our marginal earners by providing for their exemption from the payment of income taxes, value-added taxes and percentage taxes. Additionally, this bill also seeks to amend the National Internal Revenue Code (NIRC) by exempting MIEs from the payment of the annual registration fee under Section 236 thereof, and by including MIEs in the list of individuals not required to file an income tax return as provided under Section 51 (A)(2).

In addition to the above proposed amendments, this bill also aims to raise the threshold of the total gross sales/receipts of MIEs or their "income cap" to one hundred fifty thousand pesos (P150,000.00) during any 12-month period. Said income cap shall likewise be indexed to the annual rate of inflation. This adjustment shall be made in order to make this proposed measure reflective of the changing times and responsive to the needs of the MIEs in the years to come.

With the passage of this bill, it is hoped that it could help the lives of our simple farmers, fisherfolk, small sari-sari or *carinderia* owners, and tricycle operators/drivers by protecting them from fiscal policies that are too burdensome for them to bear.

Hence, early approval of this bill is earnestly prayed.



ROY M. LOYOLA

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**AN ACT EXEMPTING MARGINAL INCOME EARNERS
FROM INCOME TAX, VALUE ADDED TAX AND OTHER PERCENTAGE
TAXES, AMENDING FOR THE PURPOSE SECTIONS 22, 24, 51, 109 (1)
AND 236 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS
AMENDED, AND FOR OTHER PURPOSES**

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

1 **SECTION 1.** Section 22 of Republic Act No. 8424, as amended,
2 otherwise known as the National Internal Revenue Code of 1997, is
3 hereby further amended by adding the following definition after
4 Subsection (HH) to read as follows:

5 "SEC. 22. Definitions. - When used in this Title:

6 "(A) x xx"

7 "(HH) x xx

8 "(II) "THE TERM 'MARGINAL INCOME EARNER' SHALL
9 REFER TO AN INDIVIDUAL WHO IS NOT DERIVING
10 COMPENSATION AS AN EMPLOYEE UNDER AN
11 EMPLOYER-EMPLOYEE RELATIONSHIP EITHER IN THE

1 PRIVATE OR PUBLIC SECTOR BUT ONE WHO IS
2 SELF-EMPLOYED ENGAGED IN ACTIVITIES PRINCIPALLY
3 FOR SUBSISTENCE OR LIVELIHOOD DERIVING GROSS
4 SALES/RECEIPTS NOT EXCEEDING ONE HUNDRED FIFTY
5 THOUSAND PESOS (P150,000.00) DURING ANY 12-MONTH
6 PERIOD."

7 "(JJ) THE TERM 'INCOME CAP' SHALL REFER TO THE
8 THRESHOLD AMOUNT OF ONE HUNDRED FIFTY
9 THOUSAND PESOS (P150,000.00).

10 **SECTION 2.** The income cap on the gross sales or receipts of
11 the marginal income earners defined under this Act shall be increased
12 by three percent (3%) every year thereafter effective January 2016
13 through revenue regulations issued by the Secretary of Finance.

14 **SECTION 3.** Section 24 (A) of Republic Act No. 8424, as
15 amended, otherwise known as the National Internal Revenue Code of
16 1997, is hereby further amended to read as follows:

17 "Section 24. Income Tax Rates. –

18 "(A) Rates of Income Tax on Individual Citizen and Individual
19 Resident

20 Alien of the Philippines. -

21 "(1) xxx"

22 "(2) x xx"

23 "x xx"

24 "Provided, That minimum wage earners as defined in Section 22
25 (HH) of this Code shall be exempt from the payment of income
26 tax on their taxable income; *Provided, further,* That the holiday
27 pay, overtime pay, night shift differential pay and hazard pay

1 received by such minimum wage earners shall likewise be
2 exempt from income tax.

3 **"IN THE CASE OF MARGINAL INCOME EARNERS AS**
4 **DEFINED UNDER SECTION 22 (II) OF THIS CODE, ALL**
5 **INCOME DERIVED FROM THEIR PRINCIPAL SOURCE OF**
6 **LIVELIHOOD SHALL ALSO BE EXEMPT FROM INCOME**
7 **TAX."**

8 **Sec. 4.** Section 109 (1) of Republic Act No. 8424, as amended,
9 otherwise known as the National Internal Revenue Code of 1997, is
10 hereby further amended to read as follows:

11 "Section 109. Exempt Transactions.- (1) Subject to the
12 provisions of Subsection (2) hereof, the following transactions
13 shall be exempt from the value-added tax:

14 "(A) x xx

15 "x xx

16 "(W) Sale or lease of goods or properties or the performance of
17 services other than the transactions mentioned in the preceding
18 paragraphs, the gross annual sales and/or receipts do not
19 exceed the amount of One million five hundred thousand pesos
20 (P1,500,000): *Provided*, That not later than January 31, 2009 and
21 every three (3) years thereafter, the amount herein stated shall
22 be adjusted to its present value using the Consumer Price
23 Index, as published by the National Statistics Office (NSO);

24 **"(X) SALE OR LEASE OF GOODS AND SALE OF SERVICES**
25 **BY MARGINAL INCOME EARNERS WHOSE GROSS SALES**
26 **OR RECEIPTS DERIVED FROM THEIR PRINCIPAL SOURCE**
27 **OF LIVELIHOOD DO NOT EXCEED ONE HUNDRED FIFTY**
28 **THOUSAND PESOS (P150,000.00): PROVIDED, THAT NOT**
29 **LATER THAN JANUARY 1, 2016 AND EVERY YEAR**
30 **THEREAFTER, THE AMOUNT HEREIN STATED SHALL BE**
31 **ADJUSTED BY 3% THROUGH REVENUE REGULATIONS TO**
32 **BE ISSUED BY THE SECRETARY OF FINANCE."**

1 **Sec. 5.** Section 51 (A)(2)(d) of Republic Act No. 8424, as
2 amended, otherwise known as the National Internal Revenue Code of
3 1997, is hereby further amended to read as follows:

4 "Sec. 51. Individual Return. –

5 "(A) Requirements. –

6 "(1) xxx

7 "(a) xxx

8 "xxx.

9 "(2) xxx

10 "(a) xxx

11 "xxx

12 "(d) A minimum wage earner as defined in Section 22(HH) **AS**
13 **WELL AS A MARGINAL INCOME EARNER DEFINED UNDER**
14 **SECTION 22(II)** of this Code, or [an] **ANY OTHER** individual who
15 is exempt from income tax pursuant to the provisions of this
16 Code and other laws, general or special."

17 **Sec. 6.** Section 116 of Republic Act No. 8424, as
18 amended, otherwise known as the National Internal Revenue
19 Code of 1997, is hereby further amended to read as follows:

20 "Sec. 116. Tax on Persons Exempt from Value-added Tax
21 (VAT). – Any person whose sales or receipts are exempt under
22 Section 109(V) of this Code from the payment of value-added
23 tax and who is not a VAT-registered person shall pay a tax
24 equivalent to three percent (3%) of his gross quarterly sales or
25 receipts: *Provided, That* **MARGINAL INCOME EARNERS AND**
26 cooperatives shall be exempt from the three percent (3%) gross
27 receipts tax herein imposed."

1 **SECTION. 7.** Section 236 (B) of Republic Act No. 8424,
2 as amended, otherwise known as the National Internal
3 Revenue Code of 1997, is hereby further amended to read as
 follows:

4 "Section 236. Registration Requirements. –

5 "(A) x xx

6 "**(B) Annual Registration Fee.** - An annual registration fee in the
7 amount of Five hundred pesos (P500) for every separate or
8 distinct establishment of place of business, including facility
9 types where sales transactions occur, shall be paid upon
10 registration and every year thereafter on or before the last day of
11 January; *Provided, however,* That cooperatives, individuals
12 earning purely compensation income whether locally or abroad,
13 **MARGINAL INCOME EARNERS**, and overseas workers are not
14 liable to the registration fee herein imposed."

15 "xxx"

16 **SECTION 8. IMPLEMENTING RULES AND REGULATIONS. –**

17 The Secretary of Finance, shall upon the recommendation of the
18 Commissioner of Internal Revenue, promulgate not later than thirty (30)
19 days upon the effectivity of this Act the necessary rules and regulations
20 for its proper and effective implementation.

21 **SECTION 9. REPELAING CLAUSE -** All laws, Acts,
22 Presidential Decrees, Executive Orders, issuances, presidential
23 proclamations, rules and regulations or parts thereof which are contrary
24 to and inconsistent with any provision of this Act are hereby repealed,
25 amended or modified accordingly.

26 **SECTION 10. EFFECTIVITY.** - This Act shall take effect fifteen
27 (15) days after its complete publication either in the Official Gazette, or
28 in at least two (2) newspapers of general circulation.

Approved,