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SENATE  
P.S. Resolution No. **563**

RECEIVED BY: *ji*

Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

**RESOLUTION**

**DIRECTING THE APPROPRIATE SENATE COMMITTEES TO CONDUCT AN INVESTIGATION, IN AID OF LEGISLATION, ON THE ISSUANCE OF BIR REVENUE MEMORANDUM CIRCULAR (RMC) NO. 7-2014 TO CLARIFY ISSUES ON THE TAXATION AND COMPLIANCE REQUIREMENTS OF MARGINAL INCOME EARNERS PURSUANT TO REVENUE REGULATION 7-2012 AND REVENUE REGULATION 11-2000**

**Whereas**, the Bureau of Internal Revenue (BIR) issued on 05 February 2014 Revenue Memorandum Circular (RMC) No. 7-2014 to clarify the issues related to the registration and tax compliance of Marginal Income Earners (MIEs) pursuant to Revenue Regulation (RR) No. 7-2012 and RR No. 11-2000. According to BIR, the issuance of the circular is part of the BIR's campaign to plug leakages from tax evasion and to boost state coffers;

**Whereas**, under RMC No. 7-2014, a Marginal Income Earner (MIE) is an individual not deriving compensation as an employee under an employer-employee relationship and who is self-employed and deriving gross sales or receipts not exceeding One Hundred Thousand Pesos (Php 100,000.00) in any twelve-month period. Moreover, the activities of such MIEs should be principally for subsistence or livelihood.

**Whereas**, under RMC No. 7-2014, the BIR clarified that MIEs include agricultural growers/producers (farmers/fishermen) selling directly to ultimate consumers, small sari-sari stores, small carinderias or "turo-turos," and drivers/operators of a single unit tricycle. It categorically excludes licensed professionals, consultants, artists, sales agents, brokers and others similarly situated, including all others whose income have been subjected to withholding tax;

**Whereas**, under RMC No. 7-2014, MIEs are exempted from payment of the Annual Registration Fee (ARF) and from payment of business taxes such as Value Added Tax or any Percentage Tax. However, the BIR still holds MIEs liable for payment of Income Tax.

**Whereas**, under RMC No. 7-2014, the BIR additionally subjects MIEs to a range of registration and compliance requirements, including the registration of the MIEs with the BIR, registration of Book of Accounts, issuance of registered principal receipts/sales invoices, and the filing and payment of their Annual Income Tax Return similar to other self-employed individuals.

**Whereas**, the registration and compliance requirements as provided by RMC No. 7-2014 seem to be unreasonable and excessively burdensome considering the level of income that MIEs are earning as well as their capacity to comply with these complicated requirements. These requirements were not part of RR No. 11-2000,

the original circular defining MIEs. Under RR No. 11-2000, MIEs shall be given the opportunity to register with the BIR, with no charge and without complying with the usual documentary requirements, such as maintenance of books of accounts and issuance of registered receipts/invoices.

**Whereas**, the cap of One Hundred Thousand Pesos (Php 100,000.00) per year on gross sales or receipts for individuals to be considered as MIEs, as stated in RMC No. 7-2014, seems unreasonably low and tends to exclude many individuals who are conducting activities principally for subsistence and livelihood. One Hundred Thousand Pesos (Php 100,000.00) per year of gross sales or receipts is equivalent to Eight Thousand Three Hundred Thirty Three Pesos and Thirty Three Centavos (Php 8,333.33) per month or Two Hundred Seventy Three Pesos and Ninety Seven Centavos (Php 273.97) in gross sales or receipts per day.

**Whereas**, the cap of One Hundred Thousand Pesos (Php 100,000.00) per year on gross sales or receipts implies that MIEs should be earning not more than Twenty Thousand Pesos (Php 20,000.00) per year or not more than Fifty Four Pesos and Seventy Nine Centavos (Php 54.79) per day, assuming a twenty percent (20%) profit margin and not yet deducting their operating costs. In effect, MIEs would only include individuals situated way below the poverty line, those who earn less than Ninety Pesos (Php 90.00) per day. Estimated earnings of those currently considered as MIEs would also be way below the income of individuals considered as Minimum Wage Earners (MWEs), which is between One Hundred Forty Thousand and One Hundred Seventy Thousand Pesos (Php 140,000 to P170,000+) per year.

**Whereas**, the cap on gross sales or receipts of MIEs of One Hundred Thousand (Php 100,000) provided by RMC No. 7-2014 has been carried over from RR No. 11-2000, the original circular defining MIEs. Under the said revenue regulation issued in year 2000, *"MIE shall refer to those individuals whose business do not realize gross sales or receipts exceeding One Hundred Thousand Pesos (Php 100,000.00) in any twelve-month period."* Over a decade later, an upward adjustment of this cap is in order due to a variety of factors, notably inflation.

**Whereas**, granting income tax exemption to the Minimum Wage Earners (MWE) while subjecting the Minimum Income Earners (MIE) to income tax is contrary to the equal protection clause under the Constitution, there being no substantial distinction between them in terms of earning capacity. Both of these classifications of workers belong to the same class, a class with barely enough money to satisfy even their most basic and immediate needs.

**Whereas**, imposing income tax on agricultural growers/producers (farmers/fishermen) selling directly to ultimate consumers, small sari-sari stores, small carinderias or "turo-turos", drivers/operators of a single unit tricycle and such is tantamount to confiscating what little income they are able to make on a daily basis. Such provision seems counter-productive and contrary to the nation's thrust towards a better economy that will benefit the majority of our people.

**Whereas**, there is a need to revisit the provisions of the circulars issued by the BIR and other pertinent laws in order to afford equal protection and benefits to Marginal Income Earners. Further, the government should look into more effective tax measures and simpler compliance requirements to encourage micro entrepreneurs to conduct/engage in business. Through the initiatives of the tax authority, the country will be able to provide better productivity incentives, promote a more just and equitable distribution of the tax burden, and ultimately, better address the government's inclusive growth agenda.

**NOW, THEREFORE, BE IT RESOLVED**, as it is hereby resolved to direct the appropriate Senate Committees to conduct an investigation, in aid of legislation, on the issuance of BIR RMC No. 7-2014 to clarify issues on the taxation and compliance requirements of Marginal Income Earners pursuant to RR 7-2012 and RR 11-2000.

Adopted,

*Ben Aquino*