

SIXTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )



'14 MAY 15 P2:16

SENATE  
S.B. No. 2227

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

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**An Act Exempting Marginal Income Earners from Income Tax, Value Added Tax and Percentage Tax Amending for that Purpose the Pertinent Provisions of Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended, and for Other Purposes**

**EXPLANATORY NOTE**

In a country where 2.96 million Filipinos are unemployed, the poor turn to various forms of self-employment to be able to make ends meet. The farmers and fisherfolk in the rural areas, and the tricycle drivers, vendors and small sari-sari storeowners in the cities, think of innovative ways everyday just to earn decent income for their families. More than anything else, these micro-entrepreneurs, or Marginal Income Earners (MIEs), need the right opportunity to grow their small businesses into a more sustainable source of living. Charging taxes does not help them in any way; rather, it becomes a burden to a sector that is situated below the poverty line.

This bill seeks to amend the National Internal Revenue Code of 1997 so as to exempt from taxes the MIEs, whose gross sales from their small engagements in business would just be enough to sustain the needs of their families. Such a measure provides a less repressive and more enabling environment for MIEs to thrive and be given a chance to succeed. It further continues our campaign in achieving growth that includes everyone, even and especially the poor and marginalized.

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

Senator Paolo Benigno "Bam" A. Aquino IV

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

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

4           "SEC. 22. Definition—when used in this Title:

5           "(A) xxx.

6           "xxx

7           "(HH) x xx.

8           "(II) THE TERM 'MARGINAL INCOME EARNER' OR "MIE" SHALL REFER TO A WORKER  
9 NEITHER IN THE PRIVATE SECTOR NOR AN EMPLOYEE IN THE PUBLIC SECTOR WHO EARNS  
10 AS MUCH INCOME AS MINIMUM WAGE EARNERS. THEY ARE SELF-EMPLOYED INDIVIDUALS  
11 DERIVING GROSS SALES/RECEIPTS NOT EXCEEDING ONE HUNDRED FIFTY THOUSAND PESOS  
12 (P150,000.00) DURING ANY 12-MONTH PERIOD. THE ACTIVITIES OF SUCH MARGINAL  
13 INCOME EARNERS ARE CONSIDERED PRINCIPALLY FOR SUBSISTENCE OR LIVELIHOOD."

14           "(JJ) THE TERM "INCOME CAP" SHALL REFER TO THE THRESHOLD AMOUNT OF ONE  
15 HUNDRED FIFTY THOUSAND PESOS (P150,000.00).

16           **SECTION 2. Cap Adjustment.** – The BIR Commissioner shall accordingly adjust the increase of the  
17 income cap on the gross sales or receipts of the marginal income earners in relation to the minimum  
18 wage income earner's yearly salary rates every 3 years.

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

21           "SEC. 24. *Income Tax Rates.*-

22           "(A) *Rates of Income Tax on Individual Citizen and Individual Resident Alien of the*  
23 *Philippines.*-

24           "(1) xxx:

25           "xxx

26           "(2) Rates of Tax on Taxable Income Individuals- The tax shall be computed in accordance  
27 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% if 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 P250,000 but not over P500,000	.....P50,000+30% of the excess over P250,000
"Over P500,000	..... P125,000+32% of the excess over P500,000

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

7  
8 "Provided, That minimum wage earners as defined in Section 22 (HH) of this Code shall  
9 be exempt from the payment of income tax on their taxable income: *Provided, further*, That  
10 the holiday pay, overtime pay, night shift differential pay and hazard pay received by such  
11 minimum wage earners shall likewise be exempt from income tax.

12 "PROVIDED, FURTHER, THAT MARGINAL INCOME EARNERS, AS DEFINED, SHALL BE EXEMPT  
13 FROM THE PAYMENT OF INCOME TAX ON THEIR TAXABLE INCOME. **PROVIDED**, THEY SHALL  
14 LIKEWISE BE EXEMPT FROM THE 12% VALUE ADDED TAX (VAT) AND ANY PERCENTAGE TAX  
15 IMPOSED UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997 AS THEY ARE NOT  
16 CONSIDERED ENGAGED IN THE TRADE OR BUSINESS WITH A VIEW TO PROFIT FOR WHICH  
17 THESE BUSINESS TAXES ARE IMPOSED.

18 "xxx."

19 **SECTION 4.** – Section 51 (A)(2) of Republic Act No, 8424, as amended, otherwise known as the  
20 National Internal revenue Code of 1997, is hereby further amended to read as follows:

21 "SEC. 51. *Individual Return.* -

22 "(A) *Requirements.* -

23 "(1) Except as provided in paragraph (2) of this Subsection, the following individuals are  
24 required to file an income tax return:

25 "(a) xxx;

26 "xxx.

27 "(2) The following individuals shall not be required to file an income tax return:

28 "(a) xxx;

29 "(b) xxx;

30 "(c) xxx;

31 "(d) xxx; and

32 "(e) A MARGINAL INCOME EARNER AS DEFINED IN SECTION 22(II) OF THIS CODE OR AN  
33 INDIVIDUAL WHO IS EXEMPT FROM INCOME TAX PURSUANT TO THE PROVISIONS OF THIS  
34 CODE AND OTHER LAWS, GENERAL OR SPECIAL.

1           **SECTION 5. *Separability Clause.*** - If any provision of this Act is declared invalid or  
2 unconstitutional, other provisions hereof which are not affected thereby shall continue to be in full  
3 force and effect.

4           **SECTION 6. *Repealing Clause*** — Any law, presidential decree or issuance, executive order, letter  
5 of instruction, administrative order, rule or regulation contrary to or inconsistent with any provision of  
6 this Act as hereby amended or modified accordingly.

7           **SECTION 7. *Effectivity Clause.*** - This Act shall take fifteen (15) days following its publication in  
8 the *official Gazette* or in at least two (2) newspapers of general circulation.

9           Approved,