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Office of the Secretary

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

14 AUG 13 AIO :29

SENATE
S.B. No. 2353

RECEIVED BY: *J*

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

An Act Providing for Tax Exemption of Marginal Income Earners

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 fishermen in the rural areas, and the tricycle drivers and small sari-sari storeowners in the cities, think of innovative ways just to earn a 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 the MIEs from taxes. Their income from their small engagements are just enough to sustain the needs of their families. Such a measure provides a 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 AN INDIVIDUAL
9 CITIZEN ENGAGED IN AN ECONOMIC ACTIVITY EARNING LESS THAN OR AS MUCH AS
10 MINIMUM WAGE, AS DEFINED BY THE REGIONAL TRIPARTITE WAGE AND PRODUCTIVITY
11 BOARD (RTWPB). THE ACTIVITIES OF MARGINAL INCOME EARNERS ARE CONSIDERED
12 PRINCIPALLY FOR SUBSISTENCE OR LIVELIHOOD.

13 **SECTION 2.** – Section 24(A) of Republic Act No. 8424, as amended, otherwise known as the
14 National Internal Revenue Code of 1997, is hereby further amended to read as follows:

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

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

17 "(1) xxx:

18 "xxx

19 "(2) Rates of Tax on Taxable Income Individuals- The tax shall be computed in accordance
20 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 P500,000P50,000+30% of the excess over P250,000
"Over P500,000 P125,000+32% of the excess over P500,000

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

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

31 "*PROVIDED, FURTHER, THAT MARGINAL INCOME EARNERS, AS DEFINED, SHALL BE*
32 *EXEMPT FROM THE PAYMENT OF INCOME TAX ON THEIR TAXABLE INCOME. PROVIDED,*
33 *THEY SHALL LIKEWISE BE EXEMPT FROM THE 12% VALUE ADDED TAX (VAT) AND ANY*
34 *PERCENTAGE TAX IMPOSED UNDER THE NATIONAL INTERNAL REVENUE CODE OF 1997.*

35 "xxx."

36 **SECTION 3. – Section 51 (A)(2) of Republic Act No, 8424, as amended, otherwise known as the**
37 **National Internal revenue Code of 1997, is hereby further amended to read as follows:**

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

39 "(A) *Requirements.* -

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

42 "(a) xxx;

43 "xxx.

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

45 "(a) xxx;

46 "(b) xxx;

47 "(c) xxx;

48 "(d) xxx; and

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

52 **SECTION 4. *Separability Clause.*** - If any provision of this Act is declared invalid or
53 unconstitutional, other provisions hereof which are not affected thereby shall continue to be in full
54 force and effect.

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

58 **SECTION 6. *Effectivity Clause.*** - This Act shall take fifteen (15) days following its publication in
59 the *official Gazette* or in at least two (2) newspapers of general circulation.

60 Approved,