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13th CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

'04 JUL -6 AM 53

SENATE

RECEIVED BY: 

S. BILL No. 1342

Introduced by Senator Ralph G. Recto

Explanatory Note

The filing of income tax returns by fixed income earners or pure compensation income earners who have been issued certificates of withholding tax by employers is superfluous. The certificate of withholding tax issued by the employer already serves as proof of both income and tax payment, in lieu of income tax returns.

It is estimated that the cost of the Income Tax Return (ITR) form is Two Pesos and Seventy Centavos (P2.70) per set. Hence, if we had 4.5 million registered compensation earners for CY 2003, this means, the Government would have generated a saving of approximately P12.15 Million on the ITR forms alone. The Government will also save on expenses for the safekeeping of said documents and the manpower to undertake the record management.

This bill, which expands the coverage of the individual income taxpayers who are no longer required to file an ITR, will simplify the country's tax collection and administration system particularly for fixed income earners. It will also improve BIR's processing of ITRs as the Bureau will now have the opportunity to redirect its efforts to the other types of taxpayers perceived to be more problematic, such as business income earners and corporate taxpayers.

In view thereof, immediate approval of this bill is earnestly sought.


RALPH G. RECTO

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AN ACT
PROVIDING FOR THE EXEMPTION OF FIXED INCOME EARNERS FROM
THE FILING OF INCOME TAX RETURNS, AMENDING FOR THE PURPOSE
SEC. 51, (A) (2) (b) OF REPUBLIC ACT NO 8424, OTHERWISE KNOWN AS
THE "TAX REFORM ACT OF 1997"

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

1 SECTION 1. Section 51, (A) (2) (b) of Republic Act No. 8424, otherwise known as
2 the Tax Reform Act of 1997 is hereby amended to read as follows:

3 "SEC. 51. Individual Return. --

4 "(A) Requirements. --

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

7 "(a) Every Filipino citizen residing in the Philippines;

8 "(b) Every Filipino citizen residing outside the Philippines, on his income
9 from sources within the Philippines;

10 "(c) Every alien residing in the Philippines, on income derived from sources
11 within the Philippines; and

12 "(d) Every nonresident alien engaged in trade or business or in the exercise
13 of profession in the Philippines.

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

16 "(a) An individual whose gross income does not exceed his total personal
17 and additional exemptions for dependents under Section 35: *Provided, That* a citizen
18 of the Philippines and any alien individual engaged in business or practice of

1 profession within the Philippines shall file an income tax return, regardless of the
2 amount of gross income;

3 “(b) An individual [with respect to] **RECEIVING** pure compensation
4 income, as defined in Section 32(A)(1), derived from sources within the Philippines,
5 the income tax on which has been correctly withheld **BY HIS EMPLOYER AS**
6 **EVIDENCED BY THE EMPLOYER’S CERTIFICATE OF**
7 **COMPENSATION PAYMENT TAX WITHHELD** under the provisions of
8 Section 79 of this Code: *Provided*, That an individual deriving compensation
9 concurrently from two or more employers at any time during the taxable year shall
10 file an income tax return: [*Provided*, further, That an individual whose pure
11 compensation income derived from sources within the Philippines exceeds Sixty
12 thousand pesos (P60,000.00) shall also file an income tax return];

13 SEC. 2. *Repealing Clause* – All laws, decrees, executive orders, issuances, rules and
14 regulations inconsistent with this Act are hereby repealed or modified accordingly.

15 SEC. 3. *Effectivity* – This Act shall take effect upon approval.

16 *Approved,*