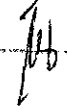


FOURTEENTH CONGRESS OF THE )  
 REPUBLIC OF THE PHILIPPINES )  
 First Regular Session )

8 APR 21 2012

SENATE

RECEIVED BY: S. No. 2177


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Introduced by Senator JUAN MIGUEL F. ZUBIRI

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### EXPLANATORY NOTE

The State aspires to balance its revenues and expenditures so that it may deliver basic services and provide for further economic, political and social development. It relies on various taxes, fees and charges, sales of assets and other resources to sustain the country's needs. Therefore, the State naturally is protective of its existing revenues such as the income taxes collected from fixed income earners including those earning the minimum wage.

The Department of Labor and Employment estimates that there are 10,954,925 purely compensation earners. Of these, 3,007,583 are earning wages higher than the minimum; 5,192,908 are paid lower than the minimum; and 2,754,434 are receiving the minimum wage.

This sector of society needs relief. For example, the National Wages and Productivity Commission reported that minimum wage earners receiving the minimum wage of P 362.00 in Metro Manila actually receives a real wage worth only P241.66 (based on March 2008 Consumer Price Index, year 2000=100). Price hikes of basic commodities and services have since eroded their purchasing power.

Assuming a family of six composed of a married couple with four qualified dependent children and supported by one working parent earning the minimum wage, this family still have to shell out from P2,000 to more than P10,000 as income tax.

This bill proposes to ease their burden by amending Section 24(A) and Sec. 51(A) 2(b) of the National Internal Revenue Code of 1997, as amended, thereby, exempting individuals with pure compensation income that does not exceed the annual statutory minimum compensation from the payment of income tax.

According to the latest figures of the Department of Finance, the State collects P950.72 Million from minimum wage earners. This will not entirely become a loss to government. This is just a drop in the bucket or about 0.1% of BIR's tax collection target of P874 B for 2008. By exempting minimum wage earners from the payment of income tax, we are handing them cash which would be spent for basic family needs, thereby boosting consumption in the local economy creating a multiplier effect, and from which government will recapture its share through other forms of taxation.

In view of the foregoing, immediate enactment of this bill is earnestly requested.




JUAN MIGUEL F. ZUBIRI

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S. No. **2177**

Introduced by Senator JUAN MIGUEL F. ZUBIRI

**AN ACT  
EXEMPTING MINIMUM WAGE EARNERS FROM PAYMENT OF INCOME TAX  
AMENDING FOR THE PURPOSE RELEVANT PROVISIONS OF THE NATIONAL  
INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER  
PURPOSES**

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

1           **SECTION 1.** Section 24(A) of the National Internal Revenue Code of 1997, as  
2 amended, is hereby further amended to read as follows:

3  
4           "SEC. 24. Income Tax Rates. -

5                   (A) Rates of Income Tax on Individual Citizen and Individual Resident  
6                   Alien of the Philippines. -

7                   "(1) An income tax is hereby imposed:

8                   "(a) x x x.

9                   "(b) x x x.

10                   "(c) On the taxable income defined in Section 31 of this Code, other than  
11 income subject to tax under Subsections (B), (C), and (D) of this Section,  
12 derived for each taxable year from all sources within the Philippines by an  
13 individual alien who is a resident of the Philippines.

14                   "The tax shall be computed in accordance with and at the rates  
15 established in the following schedule:

16		
17	"Not over P10,000 .....	5%
18	"Over P10,000 but not over P30,000	P500+10% of excess over P10,000
19	"Over P30,000 but not over P70,000	P2,500+15% of excess over P30,000
20	"Over P70,000 but not over P140,000	P8,500+20% of excess over P70,000
21	"Over P140,000 but not over P250,000	P22,500+25% of excess over P140,000
22	"Over P250,000 but not over P500,000	P50,000+30% of excess over P250,000

1 "Over P500,000 P125,000+34% of the excess over  
2 P500,000 in 1998.

3 Provided, That effective January 1, 1999, the top marginal rate  
4 shall be thirty-three percent (33%) and effective January 1, 2000, the said  
5 rate shall be thirty-two percent (32%): PROVIDED, FURTHER, THAT  
6 INDIVIDUALS WITH PURE COMPENSATION INCOME THAT DOES  
7 NOT EXCEED THE ANNUAL STATUTORY MINIMUM COMPENSATION  
8 ARE EXEMPT FROM PAYMENT OF INCOME TAX."

9 "For married individuals, the husband and wife, subject to the  
10 provision of Section 51(D) hereof, shall compute separately their individual  
11 income tax based on their respective total taxable income: *Provided*, That  
12 if any income cannot be definitely attributed to or identified as income  
13 exclusively earned or realized by either of the spouses, the same shall be  
14 divided equally between the spouses for the purpose of determining their  
15 respective taxable income.

16 "x x x."

17  
18 **SEC. 2.** Section 51(A)(2)(b) of the National Internal Revenue Code of 1997, as  
19 amended, is hereby further amended to read as follows:

20  
21 "SEC. 51. Individual Return. -

22 "(A) Requirements. -

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

25 "(a) x x x;

26 "(b) x x x;

27 "(c) x x x; and

28 "(d) x x x.

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

31 "(a) x x x;

32 "(b) An individual with respect to pure compensation income, as defined in  
33 Section 32(A)(1), derived from sources within the Philippines, the income tax on  
34 which has been correctly withheld under the provisions of Section 79 of this  
35 Code: *Provided*, That an individual deriving compensation concurrently from two  
36 or more employers at any time during the taxable year shall file an income tax  
37 return: *Provided, further*, That an individual whose pure compensation income  
38 derived from sources within the Philippines DOES NOT exceed[s] Sixty thousand

1 pesos (P60,000)] THE STATUTORY MINIMUM COMPENSATION shall NOT  
2 [also] file an income tax return;

3 "(c) x x x; and

4 "(d) x x x.

5 "(3) x x x.

6 "x x x. "  
7

8 **SEC. 3. *Implementing Rules and Regulations.*** - The Secretary of Finance shall,  
9 upon recommendation of the Commissioner of Internal Revenue, promulgate within  
10 thirty (30) days from the date of approval of this Act, the rules and regulations  
11 necessary for the implementation of this Act.  
12

13 **SEC. 4. *Separability Clause.*** - If any provision of this Act is declared invalid or  
14 unconstitutional, other provisions hereof which are not affected thereby shall continue to  
15 be in full force and effect.  
16

17 **SEC. 5. *Repealing Clause.*** - Any law, presidential decree or issuance, executive  
18 order, letter of instruction, administrative order, rule or regulation contrary to, or  
19 inconsistent with any provision of this Act is hereby repealed or modified accordingly.  
20

21 **SEC. 6. *Effectivity Clause.*** - This Act shall take effect upon approval.  
22

23 Approved,