REGULATIONS PRESCRIBING THE REGISTRATION AND THE MANNER OF FILING OF INCOME TAX RETURNS AND PAYMENT OF INCOME TAX, IF ANY, OF MARGINAL INCOME EARNERS WITH GROSS SALES/RECEIPTS N...

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SECTION 1. Scope - Pursuant to Section 244 of the National internal Revenue Code of 1997 and in relation to Revenue Memorandum Circular No. 4-98 dated January 21, 1998, these Regulations are hereby promulgated to establish the policy and the guidelines in the registration of marginal income earners and the filing of their income tax returns and payment of the tax, if any.

SEC. 2 Policy - It is the declared policy of the State to free the people from poverty through policies that promote full employment, rising standard of living and an improved quality of life. Towards this end, the gross sales/receipts of marginal income earners, as herein defined, shall be subject to the special tax treatment as prescribed by these Regulations. For this purpose, marginal income earners shall be given the opportunity to register with the Bureau of Internal Revenue, with no charge and without complying with the usual documentary requirements, and in the process afford them the chance to be included within the mainstream of registered taxpayers.

SEC. 3. Marginal Income Earners - "Marginal income earners" shall refer to individuals not otherwise deriving compensation as an employee under an employer-employee relationship but who are self-employed and deriving gross sales/receipts not exceeding P100,000.00 during any 12-month period. Under this qualification, the activities of such marginal income earners are considered principally for subsistence or livelihood. As such, they are exempt from the 10% Value Added Tax (VAT) and any percentage tax imposed under the National Internal Revenue Code of 1997 since they are not considered engaged in trade or business with a view to profit for which these business taxes are imposed. Moreover, they are not required to pay any registration fee although they are required to register as taxpayers for being a possible income tax and withholding tax filers.

SEC. 4. Tax Compliance Requirements - "Marginal income earners", who are possible income tax filers and recipients or payors of income payments subject to withholding tax and registered with the Bureau of Internal Revenue, shall be entitled to the following privileges and minimum tax compliance requirements:

A. Compliance to Registration and Bookkeeping Rules -

(1) Exemption from the payment of registration fee as prescribed under Sec. 236(B) of the Tax Code upon registration with the Bureau of Internal Revenue after submission of minimal basic documentary requirements.

(2) Issuance of Taxpayer Identification Number (TIN) with TIN card.

(3) Exemption from compliance with the issuance of registered receipts or sales/ commercial invoices prescribed under Section 237 of the Tax Code of 1997.

(4) Exemption from the requirement of maintenance of books of accounts.

(5) Exemption from attaching Financial Statements or Account Information Form to the filed Income Tax Return.

B. Tax Return of Marginal Income Earners -

"Marginal income earners" are required to file the Annual Income Tax Return (Form No. 1700) reflecting income from whatever source. They may or may not be liable to any income tax depending upon the existence of net taxable income. Provided, however, that the Commissioner of Internal Revenue or his duly authorized representative shall not be precluded from ascertaining the veracity of taxpayer's claim that he is a marginal income earner and, if warranted, shall assess the proper and correct taxes pursuant to Section 6 of the Tax Code of 1997.

SEC. 5. Repealing Clause - All rules and regulations or any part thereof inconsistent with the provisions of these Regulations are hereby amended or repealed accordingly.

SEC. 6. Effectivity - These Regulations shall take effect fifteen (15) days after publication in the Official Gazette or in any newspaper of general publication.

Adopted: 12 Dec. 2000

(SGD.) JOSET. PARDO
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RECOMMENDING APPROVAL:

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