APPLICABILITY OF INCREASED BASIC PERSONAL AND ADDITIONAL EXEMPTIONS ALLOWABLE TO INDIVIDUAL TAXPAYERS FOR INCOME TAX PURPOSES UNDER REPUBLIC ACT NO. 7167

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On December 26, 1991 and January 3, 1992, Revenue Regulations No. 1-92 and Revenue Memorandum Circular No. 1-92 were respectively issued by this Office clarifying that the increased basic personal and additional exemptions under the amendatory provisions of Republic Act No. 7167 shall apply to earnings/income of individual taxpayers starting taxable year 1992 (and not 1991) which shall be declared for income tax purposes in their income tax returns to be filed on or before April 15, 1983. Likewise, Revenue Regulations No. 1-92 shall take effect on compensation income earned or received from January 1, 1992.

However, in a decision in the consolidated cases of Reynaldo V. Umali vs. Hon. Jesus P. Estanislao, Secretary of Finance, and Hon. Jose U. Ong, Commissioner of Internal Revenue, G.R. No. 104037 and Rene B. Gorospe, et al. vs. Commissioner of Internal Revenue G.R. No. 104069, promulgated May 29, 1992, the Supreme Court held that —

> "WHEREFORE, Sections 1, 3 and 5 of Revenue Regulations No. 1-92 which provide that the regulations shall take effect on compensation income earned or received from 1 January 1991
>
> "Since this decision is promulgated after 15 April 1992, the individual taxpayers entitled to the increased exemptions on compensation income earned during calendar year 1991 who may have filed their income tax returns on or before 15 April 1992 (later extended to 24 April 1992) without the benefit of such increased exemptions, are entitled to the corresponding tax refunds and/or credits, and respondents are ordered to effect such refunds and/or credits. No costs."

The BIR is filing a Motion for Reconsideration of the aforementioned decision.

Accordingly, pending resolution of our Motion for Reconsideration, the basic personal and additional exemptions allowable to individual taxpayer for income tax purposes under Section 29(L) of the National Internal Revenue Code before its amendment by R.A. No. 7167 shall still apply for purposes of the withholding of income tax on wages as well as in the computation of the second installment payable on or before July 15, 1992 of individual income tax for taxable year 1991.

It is desired that this Circular be given as wide a publicity as possible.

Adopted: 4 June 1992

(SGD.) JOSE U. ONG
Commissioner of Internal Revenue

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