



TAX MANAGEMENT ASSOCIATION OF THE PHILIPPINES, INC.



FOR PRESS RELEASE:

*For more information, please call
Atty. Laura Victoria Yuson-Layug
President, Tax Management Association of the Phils. (TMAP)
Tel. No. 635-9841 or 0928-5061156*

JOINT STATEMENT ON THE IMPLEMENTATION OF THE TAX RELIEF PACKAGE LAW September 1, 2008

On June 17, 2008, the President signed into law Republic Act No. 9504 (RA 9504), otherwise known as the "*Tax Relief Package Law*," which exempts minimum wage earners from income tax and increases the tax exemptions allowable to individuals. This social legislation was heralded by both the Legislative and Executive branches of government as their immediate response to the ordinary workers' clamor for increase in wages in the midst of rising food and fuel costs and double-digit inflation.

More than two months after RA 9504 was signed, workers have yet to feel the benefit of said law.

The implementing regulations have not been issued by the Department of Finance (DOF) and the Bureau of Internal Revenue (BIR); and more importantly, the current draft of the regulations seeks to implement RA 9504 in a manner that would effectively defer and even curtail the full enjoyment of the benefits accorded under the law

WE strongly believe that the proposed implementing regulations negate the tax relief granted under RA 9504 for the following reasons:

- Minimum wage earners (MWEs) earning additional compensation in excess of the statutory tax-exempt amount of P30,000 (such as performance incentives or similar bonuses) and other taxable business income shall lose their tax-exempt privilege as an MWE. *Thus, the MWE's entire earnings, and not just the excess, are proposed to be subject to income tax and withholding tax, thereby, discouraging workers' productivity.*
- Income tax exemption of MWEs and the increase in tax exemptions for individuals shall only apply beginning July 2008. Reduced tax exemptions for 2008 will be as follows:

	Full Exemption Rate under RA 9504 (A)	Prescribed 2008 Exemption Rate under the draft IRR (B)	Difference in Exemption Rate (A-B)
Single	50,000	35,000	15,000
Head of the Family	50,000	37,500	12,500
Married	50,000	41,000	9,000
Per Dependent	25,000	16,500	8,500



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The reduced tax exemption under the proposed regulations is contrary to the ruling of the Supreme Court (SC) in *Umali v. Estanislao*, 209 SCRA 446 (1992). Following this ruling, the increase in tax exemptions brought about by RA 9504, which became effective on July 6, 2008, should be fully made available to individual taxpayers when the income tax return covering income for 2008 is filed on or before April 15, 2009. *Thus, in reducing the amount of exemptions, the draft regulations effectively deprives individuals the full benefit of the law contrary to the intent of Congress and in violation of existing jurisprudence.*

- Complying with additional administrative requirements and procedures prescribed under the draft regulations (such as the submission of quarterly alphalist of MWEs that is certified by the National Wages and Productivity Commission (NWPC) prior to BIR-submission and the filing of Certificate of Update of Exemption for ALL employees, even if there is nothing to update and under pain of disallowance of tax exemptions) is unduly burdensome and an administrative nightmare for both employers and employees. *It is unnecessary, unreasonable and contrary to the characteristics of a sound tax system.*

WE, collectively appeal to the Government, particularly the DOF and the Office of the President, for the IMMEDIATE REVISION of the draft implementing regulations in consultation with ALL concerned stakeholders so that:

- The definition of an MWE under the law is NOT altered in a manner that is contrary to law and counter-productive.
- The tax exemption of MWEs and the increase in personal and additional exemptions are made available in FULL for the year 2008 to uphold the rule of law and provide immediate relief to ALL workers in these economically trying times.
- The prescribed administrative requirements be made reasonable, without imposing additional burden on employers and employees while, at the same time, discouraging employers from taking undue advantage of the law.

WE believe that it is only through the proper and complete implementation of RA 9504 that the Government will be able to IMMEDIATELY, DIRECTLY AND EQUITABLY PROVIDE THE MUCH-NEEDED ECONOMIC RELIEF TO ALL WORKERS AS IT HAD ORIGINALLY INTENDED.

Tax Management Association of the Philippines (TMAP)

Action for Economic Reforms (AER)

American Chamber of Commerce of the Philippines (AmCham)

Business Processing Association of the Philippines (BPAP)

Employers Confederation of the Philippines (ECOP)

Financial Executives Institutes of the Philippines (FINEX)

Management Association of the Philippines (MAP)

Makati Business Club (MBC)

Philippine Chamber of Commerce & Industry (PCCI)

Philippine Institute of Certified Public Accountants (PICPA)

Philippine Inter-island Shipping Association (PISA)

Philippine Liner Shipping Association (PLSA)

People Management Association of the Philippines (PMAP)

Public Services Labor Independent Confederation (PSLINK)