

IN TAX Special Issue
October 9, 2008



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An update on Revenue Regulation (RR) No. 10-08

The BIR has released Revenue Regulation (RR) No. 10-08 which implements Republic Act (RA) 9504, an act amending certain provisions of the National Internal Revenue Code (NIRC) granting additional tax relief to taxpayers.

The salient features of RR 10-08 are as follows:

- **Exemption of Minimum Wage Earners (MWEs) from income tax**
 - MWEs, who are being paid the Statutory Minimum Wage (SMW) as fixed by the Regional Tripartite Wage and Productivity Board (RTWPB), are exempt from tax on their compensation income, holiday pay, overtime pay, night shift differential pay and hazard pay, and consequently, shall not be subject to withholding tax.
 - However, MWEs receiving/earning additional compensation such as commissions, honoraria, fringe benefits in excess of the allowable statutory amount of Php30,000.00, taxable allowances and other taxable income other than the SMW, holiday pay, overtime pay, hazard pay and night shift differential pay shall not enjoy the privilege of being a MWE and that his/her entire earnings are not exempt from income tax and withholding tax.

- **Increased Personal and Additional Exemptions for Individual Taxpayers**
 - Effective 1 January 2009, the personal and additional exemptions for individual taxpayers will be as follows:

Personal Exemption for individuals regardless of status	Php50,000.00
Additional Exemption for each qualified dependent child (maximum of 4)	Php25,000.00

The information contained herein is updated until the date of publication. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future.

If you have any comments, questions and suggestions you may contact us at 885-7000 loc. 339 or write us an email on manila@kpmg.com. We would be glad to hear from you.

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- **Documentary Requirements**

- For employees with no TIN reflecting the claimed exemption – Application for Registration (BIR Form 1902) together with required attachments
- For employees with change in status and number of qualified dependent children – Certificate of Update of Exemption and of Employer’s and Employee’s Information (BIR Form 2305) together with required attachments
- For employers – Alphabetical List of employees, including MWEs submitted under BIR Form No. 1604-CF
- Required Attachments, whichever is applicable:
 - Marriage Contract
 - Birth Certificate of each qualified dependent child(ren), certified by the Local Civil Registry Office/National Statistics Office/equivalent document issued by a government office previously requiring certified copy showing the name of parent/s and the name of the qualified dependent child with birth date
 - Certificate of employment of the husband if he is working abroad
 - Sworn Declaration and Waiver of Right to Claim Exemptions of Qualified Dependent Child(ren) by the Husband in case the wife is claiming the additional exemptions of the children
 - Medical certificate of qualified dependent child, if physically/mentally incapacitated
 - Court decision of legal adoption of children
 - Death Certificate
 - Other documentary evidence, where the above documents are not available.

- **Effect of Non-Submission of Documentary Requirements**

- For employees with no TIN who fail to file BIR Form 1902 together with the required attachments – ZERO exemption for said employees
- For employees with change in status and additional exemptions who fail to file BIR Form 2305 together with the attachments – taxes will be withheld based on the reported personal and additional exemptions existing prior to change in status

- **Transitory Provisions**

- The withholding tax from 6 July to 31 December 2008 must be computed using the Transitional Withholding Tax Table.



- For CY2008, the personal and additional exemptions for individual taxpayers shall be as follows:

	For the period 1 January to 5 July 2008	For the period July to 31 December 2008	Total
Single	Php10,000.00	Php25,000.00	Php35,000.00
Head of the Family	Php12,500.00	Php25,000.00	Php37,500.00
Married	Php16,000.00	Php25,000.00	Php41,000.00
For each qualified dependent child	Php 4,000.00	Php12,500.00	Php16,500.00

- Documentary Requirements
 - For employees with no TIN reflecting the claimed exemption – BIR Form 1902 together with required attachments
 - For employees with change in status and number of qualified dependent children – BIR Form 2305 together with required attachments
 - For employees with no change of status or number of qualified dependents – it is incumbent upon the employer to reflect in their records the new amount of personal and additional exemptions of such employees.
- Deadline for Submission of Documentary Requirements
 - Employees must submit to their employers the accomplished BIR Forms 1902/2305 in triplicate together with the applicable attachments **not later than 31 October 2008**.
 - Employers must transmit both the original and duplicate copies of BIR Forms 1902/2305 **on or before 28 November 2008** to the RDO where the employee is registered.
- MWEs whose compensation earned from 1 January to 5 July 2008 were not subjected to withholding tax but are, after considering the relevant exemptions, still subject to income tax, shall be required to file an income tax return covering the period 1 January to 5 July 2008, on or before 15 April 2009.

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