

Republic of the Philippines
Bangsamoro Autonomous Region in Muslim Mindanao
BANGSAMORO TRANSITION AUTHORITY
Cotabato City

Bangsamoro Autonomous Region in Muslim Mindanao
Parliament
BILLS AND INDEX DIVISION

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Regular Session
BTA Bill No. 160

Name: ABDUL M. Y. D. D. D. Signature: [Signature]
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Introduce by:
MP MOHAMMAD KELIE U. ANTAO, AL HAJ;
MP MOHAGHER M. IQBAL AND
MP LANANG T. ALI, JR.

Co-authored by:
MP BASSIR D. UTTO; MP DON MUSTAPHA A. LOONG; MP EDDIE M. ALIH;
MP ABDULAZIZ M. AMENODIN; MP MICHAEL E. MIDTIMBANG;
MP DIAMILA D. RAMOS AND MP RAMON A. PIANG SR.

AN ACT
INTEGRATING THE ZAKAT AND THE INDIVIDUAL INCOME TAX RETURN OF THE
MUSLIM EMPLOYEES OF THE GOVERNMENT UNDER THE BANGSAMORO
AUTONOMOUS REGION IN MUSLIM MINDANAO (BARMM)

EXPLANATORY NOTE

It has been a practice in the Muslim World where majority are Muslims, and run by Muslim governments, to exempt their workers on the burden of double deduction from their salaries. This means, there is an incorporation of the zakat into the mandatory income tax return or vice versa. A Muslim employee paying taxes on personal income tax return, is no longer required to give the obligatory zakat.

In our country, the Philippines, specifically in the Bangsamoro Autonomous Region in Muslim Mindanao, we are experiencing different system of deduction. We pay the income tax return in full and we also give the obligatory zakat in full. We are doubly burdened on this responsibility notwithstanding, the purpose is only one, for public benefit. Our low-income earners in the government suffer so much born by this inequitable obligation to the state. Our scholars, government officials in the legislative branch and those with mathematics expertise must join hands to design an alternative remedy to these inequities.

Our Constitution does not provide a specific provision on this matter because "Taxation" is one of the three inherent (unwritten) powers of the state. Nevertheless, taxation has a particular dimension, such that it must be proportional, progressive, and regressive.

A citation of double deduction is illustrated in an employee receiving a salary of P100,000.00 monthly. Assuming that he is required to pay a monthly tax of P6,000.00 from his salary. He is also obliged to give zakat of P2,500.00, i.e. 2.5% of his monthly salary.

Thus, he has a total deduction of P8,500.00 for his tax and zakat combined from his salary. Double burden is apparent here.

Tax -----P	6,000.00
Zakat -----P	<u>2,500.00</u>
Total - - - - - P	8,500.00

Our legislators and those having capacity to design solution must act to propose a legislation giving remedy to this problem. A suggestive proposal is herein developed to fill this need.

In the same example, the employee has a computed tax of P6,000.00 from his P100,000.00 monthly salary. He is also obliged to give P2,500.00 as his zakat computed at 2.5% of his monthly salary. In this proposed bill, the zakat shall be taken from his tax.

Tax and Zakat----- P	<u>6,000.00</u>
Total - ----- P	6,000.00

The Finance officials of the office must collect the amount of P6,000.00 from the employee, in the second illustration above, but they must remit P2,500.00 as zakat of the employee to the Lujnatul Uliya (Office in charge of Zakat). The Finance officials must inform the concern employee not to pay anymore the zakat because it was already deducted from his salary and subsequently turned it over to the Lujnatul Uliya.

The Parliament must make arrangement or negotiate with the appropriate office to exempt the Muslim employees in the government from paying taxes corresponding to the amount of their monthly zakat. The appropriate office must exempt all Muslim employees in the government from paying zakat by incorporating their zakat into their taxes without increasing their usual and supposed amount of taxes. As a temporary remedy or pending approval of exemption to all Muslims from paying taxes equivalent to the amount of their zakat, the Bangsamoro Parliament must enact a law providing and or appropriating an amount as subsidy sufficient to cover the zakat of all Muslim employees in the government under the BARMM.

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BTA Bill No. 160

Bangsamoro Autonomous Region in Muslim Mindanao
Parliament
BILLS AND INDEX DIVISION

RECEIVED

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Introduce by:

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AN ACT

**INTEGRATING THE ZAKAT AND THE INDIVIDUAL INCOME TAX RETURN OF THE
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AUTONOMOUS REGION IN MUSLIM MINDANAO (BARMM)**

Be it enacted by the Bangsamoro Parliament assemble.

Section 1. Name of the Law – This law is named as the Integration of Zakat and the Individual Income Tax Return of Muslim employees in the government.

Section 2. Policy – It is the policy of the Autonomous Government to carry out Moral Governance in public service in line with the Constitution, the BOL and the general laws of the land;

Consistent therewith, it aims to merge the dual or more obligations of the citizenry to the state that are dedicated for public use and public purpose into one single obligation.

The zakat and the individual income tax return, both falling under the category of public use and public purpose are hereby jointly integrated to ease the payor from excessive burden.

Section 3. Justification – The individual income tax return is for public purpose and public use. The obligatory zakat is also for public purpose and public use. On reason of duplicity on these obligation to the state, it is hereby joined and integrated as one.

In erasing this duplicity of obligation, the dimension of taxation under Philippine law of “progressive, regressive and uniform” is being carried out.

Section 4. Definition of Terms –

- (1) **Zakat** – It is the obligatory zakat for every Muslim individual earning a salary from employment. Majority of the Sunni School of thoughts designated it as 2.5% of his/her net income.

- (2) **Individual Income Tax Return** – It is the taxes of an individual due from his/her taxable income earned during the year less all his exemptions under the law. The definition in the BIR shall also be given credit here.
- (3) **Taxation** – It is an imposition of compulsory levies on individuals or entities (in case of non-individual) by governments. Taxes are levied in almost every country of the world, primarily to raise revenue for government expenditures, although they serve other purpose as well.
- (4) **Proportional** – It imposes the same relative burden on all taxpayers i.e., where tax liability and income grow in equal proportion.
- (5) **Progressive** – It is characterized by a more than proportional rise in the tax liability relative to the increase in income.
- (6) **Regressive** – It is characterized by a less than proportional rise in the relative burden. In brief of Proportional, Progressive and Regressive, they point to only one summary that is less burden to the taxpayer.
- (7) **Lujnatul Uliya** – It is an office in-charge with the collection of zakat. It is run by our Muslim religious leaders. The Lujnatul Uliya is responsible in appropriating it for public purpose and use.
- (8) **Collector of Zakat** – It is an authorized representative of the Office of Lujnatul Uliya.
- (9) **Integration** – The zakat and individual income tax return are integrated or simultaneously collected. This system is, first, the tax payer's individual income tax is diminished by an amount equal to the amount of his/her zakat. In place of the diminished amount, the taxpayer has to pay the zakat to the Cashier of the same office and the latter must remit the amount to the Office of Lujnatul Uliya of the place or its authorized collector of zakat.
- (10) **Regular Employee** – He/she is an employee who is holding a permanent position. A holder of a contractual position is also a regular employee if the office or the BARMM authorities consider or acknowledge him/her as a regular employee.
- (11) **Permanent Employee** – He/she is an employee holding an itemized position and attested by the Civil Service Commission as permanent.
- (12) **Contractual Employee** – He/she is the employee whose appointment or employment is by virtue of a contract between him/her and the employer.

Section 5. Integration of Zakat and Individual Income Tax Return – Zakat and individual income tax return are hereby integrated. Every employee paying his/her zakat is exempt from paying individual income tax return corresponding to the amount of his/her zakat paid or collected. This system is, first, the tax payer's individual income tax is diminished by an amount equal to the amount of his/her zakat. In place of the diminished amount, the taxpayer has to pay the zakat to the Cashier of the same office and the latter must remit the amount to the Office of Lujnatul Uliya of the place or its authorized collector of zakat.

In other language, the Finance Officer has to collect the full income tax return of an individual. But he/she has to advise the taxpayer not to give zakat anymore because his/her zakat is already deducted from his salary. Then, the Finance Officer (cashier/s) must remit the zakat to the Lujnatul Uliya.

Section 6. Coverage – This Law covers only the regular employees and the semi-regular employees, whether permanent or contractual, in the government service under the BARMM. It also covers the holders of political and the appointive positions in the government under the BARMM.

Section 7. Percentage of Zakat – A zakat is computed as the 2.5% of the net (not the gross) income of every employee obliged to give zakat.

Section 8. Deduction, Collection and Remittance – The Finance Officer or Officers of the government offices must deduct from their respective employees the amount of income tax returns together with the amount of zakat due from their employees. The collected income tax returns of the employees must be remitted to the Bureau of Internal Revenue and the collected zakat must be remitted to the Office of Lujnatul Uliya of the place or its authorized collector of zakat.

Section 9. Settlement on the Issues – The representative of the Bangsamoro Parliament, the Dar-ul Ifta, and the representative of the National Government must seat together to discuss the issues toward this end. Representative of the National Government may be from the Intergovernmental group or any appropriate agency or office from the national government.

Section 10. Subsidy – Pending settlement of the issues and approval thereof by the National Government, an amount of Twenty-Five Million Pesos (P25,000,000.00) shall be annually appropriated in the Bangsamoro Parliament as subsidy to cover the amount of individual income tax returns, corresponding to the amount of zakat, not remitted to the Bureau of Internal Revenue. The equivalent amount from the subsidy will then be paid to the Bureau of Internal Revenue as replacement to the taxes.

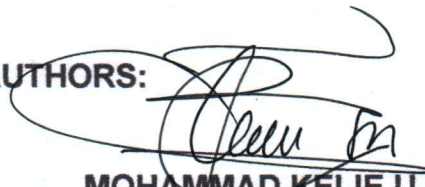
Section 11. Separability Clause – If for any reason, any part of this Act may be declared unconstitutional or contrary to the provisions of the Bangsamoro Organic Law, the rest of the provisions shall remain in force and in effect.

Section 12. Repealing Clause – All laws, decrees, executive orders or regulations or any part thereof which may be contrary or in consistent to this Act, except those mentioned in the preceding Section, are hereby repealed, amended, modified or altered accordingly.

Section 13. Effectivity – This Act shall take effect after fifteen (15) days from its publication in the newspaper of general circulation in the BARMM.

APPROVED, _____

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