

**[ BIR REVENUE MEMORANDUM ORDER NO. 4-  
2004, January 30, 2004 ]**

**DEFINING GUIDELINES RELATING TO REGISTRATION OF  
AGRICULTURAL SUPPLIER AS MARGINAL INCOME EARNERS AND  
THEIR EXEMPTION FROM THE 1% CREDITABLE WITHHOLDING  
TAX ON PAYMENTS MADE BY HOTELS, RESTAURANTS, RESORTS,  
CATERERS, FOOD PROCESSORS, CANNERIES, SUPERMARKETS,  
LIVESTOCK, POULTRY, FISH AND MARINE PRODUCT DEALERS,  
HARDWARES, FACTORIES, FURNITURE SHOPS AND ALL OTHER  
ESTABLISHMENT**

**I. Objective**

This Order seeks to set uniform rules and guidelines for the registration of agricultural suppliers qualified as marginal income earners pursuant to Revenue Regulations (RR) No. 11-2000 as well as to prescribe uniform policies and procedures to guide income payors in complying with RR 17-2003 as amended by RR No. 30-2003 and RR No. 1-2004 respecting the 1% creditable withholding tax on income payments to agricultural suppliers.

**II. Policies and Guidelines**

1. Registration by Agricultural Suppliers who are Marginal Income Earners
  - a. In accordance with the provision of RR No. 11-2000, a marginal income earner refers to an individual not deriving compensation as an employee under an employer-employee relationship but who is self-employed and deriving gross sales/receipts not exceeding P100,000 during any 12-month period, referred to as calendar year. Under this definition, the activities of such agricultural suppliers qualified as marginal income earner is considered principally for subsistence or livelihood.
  - b. Agricultural suppliers who are marginal income earners but not yet registered with the Bureau of Internal Revenue (BIR) as such, shall so register with the Revenue District Officer (RDO) having jurisdiction over the place where they are resident of or are doing their income producing activities.
  - c. Agricultural suppliers who are marginal income earners and have previously registered as such with the BIR, shall update their

registration with RDO having jurisdiction over the place where they are resident of or are doing their income producing activities. If they are previously registered with an RDO (previous RDO) different from where they are currently updating their registration (current RDO), they should surrender their Certificate of Registration to the current RDO. The current RDO shall notify the previous RDO of the fact of update of registration, transmitting the copy of the old Certificate of Registration for its proper cancellation.

d. Documentary requirements for registration:

1. Application for Registration as Self-Employed (BIR Form 1901), if registering for the first time; Application for Registration Information Update (BIR Form 1905), if updating registration; and
2. Declaration of Identity and Source of Income (format attached as Annex "A"\* )

e. RDOs should immediately process and evaluate documents of the taxpayer-registrant and if found to be marginal income earner as defined herein, issue Certificate of Registration clearly and specifically indicating therein that taxpayer-registrant is a "MARGINAL INCOME EARNER"

2. Conditions for Exemption from 1% Creditable Withholding Tax

- a. As a general rule, buyers of agricultural products from agricultural suppliers shall withhold 1% creditable withholding tax from income payment to agricultural suppliers in accordance with the provisions of RR No. 17-2003 as amended by RR No. 30-2003 and RR No. 1-2004.
- b. However, buyers of agricultural products from agricultural suppliers who are registered as marginal income earners shall not withhold 1% creditable withholding tax from their income payments provided such agricultural suppliers present a copy of their Certificate of Registration showing that they are registered as marginal income earner.
- c. All buyers shall report all information regarding income payments made to agricultural suppliers who are marginal income earners following strictly the format under Part III Schedule 3 of BIR Form 1604-E. The reporting and inclusion of the information regarding income payments made to agricultural suppliers who are marginal income earners shall be required as compliance to Section 34(A)(1) (b) of the NIRC before the same can be deducted by the payor for income tax purposes.