

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
FIRST REGULAR SESSION)

'04 JUN 30 P12:37

RECEIVED BY: 

SENATE

S. B. NO. 74

Introduced by SENATOR LUISA "LOI" P. EJERCITO ESTRADA

EXPLANATORY NOTE

The Constitution, Article 2, Section 5 expressly provides that "the promotion of the general welfare is essential for the enjoyment by all people of the blessings of democracy."

Towards this end, the government is mandated to pursue economic policies and programs that shall truly ameliorate the living conditions of the people, which can be done by according the public the opportunity to participate in critical decision-making processes, on one hand, and making them the centerpiece of any development initiatives, on the other.

Unfortunately, the government fails to do these.

In the area of revenue generation, for instance, the government rarely represents the public in programs development and even worse, passes the burden of revenue collection to the hapless average citizens.

Considering the country's presently dwindling and crippling economy, exacerbated by huge budget deficits, it is surprising that the current government remains lax in going after erring businessmen and corporations, which rob the national coffers of trillions of pesos through their tax evasion schemes, while being strict in enforcing income tax payment from the average working people.

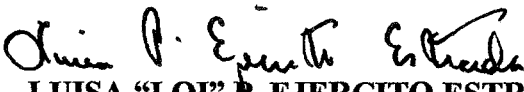
Such a malady makes life more difficult to the average Juan Dela Cruz, who is forced to doubly work hard to make both ends meet. With a meager income, 75% of which is allocated for food provisions, he can hardly meet the demands of daily living, as he is even compelled to remit a considerable amount of money to the treasury in the form of income tax.

The proposed measure seeks to pursue equitable tax burden distributions and provide tax relief to the disadvantaged sector, who suffers most amidst our economic turmoil. Specifically, it seeks to reduce the income tax rates of individual taxpayers and grant income tax payment exemption to certain minimum wage earners.

Indeed, justice requires that those who have less be prioritized in legislative administrative concerns, while those who have more be made to share with the government in carrying the burdens, necessitated by existing economic predicaments.

If the country is to chart its course towards growth and development, the government should accord the public opportunity to cope with current financial difficulties and run after economic saboteurs, disguised as legitimate business individuals and entities.

Hence, the immediate passage of this bill is earnestly sought.


LUISA "LOI" P. EJERCITO ESTRADA
Senator

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**AN ACT
REDUCING THE INCOME TAX RATES OF INDIVIDUAL TAXPAYERS, AND
GRANTING TAX PAYMENT EXEMPTION TO CERTAIN MINIMUM WAGE
EARNERS**

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Short Title. – This Act shall be known as the “Tax Payment Exemption Act.”

SECTION 2. Declaration of Policy. – It is hereby declared to be the policy of the State to protect and promote the interest of Filipino taxpayers, through sponsorship of programs and enactment of measures that shall truly ameliorate their living conditions, and afford them the capability to meet the demands of daily living.

SECTION 3. Rate Schedule. – Chapter III, Section 24 (A) (1) (c) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“CHAPTER III – TAX ON INDIVIDUALS

SECTION 24. Income Tax Rates. –

(A) Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines. –

- (1) An Income Tax is hereby imposed:
- (a) On the taxable income defined in Section 31 of this Code, other than income subject to tax under Subsections (B), (C) and (D) of this Section, derived for each taxable year from all sources within and without the Philippines by every individual citizen of the Philippines residing therein;
 - (b) On the taxable income defined in Section 31 of this Code, other than income subject to tax under Subsections (B), (C) and (D) of this Section, derived for each taxable year from all sources within the Philippines by an individual citizen of the Philippines who is residing outside of the Philippines [including overseas contract workers referred to in Subsection (C) of Section 23 hereof]; and
 - (c) On the taxable income derived in Section 31 of this Code, other than income subject to tax under Subsections (B), (C) and (D) of this Section, derived for each taxable year from all sources within the Philippines by an individual alien who is resident of the Philippines.

The tax shall be computed in accordance with and the rates established in the following schedule:

Not over P10,000	-----	[5%] Exempted
Over P10,000 but not over P30,000	-----	[10%] 5% of the excess over P10,000

Over P30,000 but not over P70,000 ----- [P2,500] 1,250 + [15%]
7.5% of the excess over
P30,000

Over P70,000 but not over P140,000 ----- [P8,500] 4,250 + [20%] 10%
of the excess over P70,000

Over P140,000 but not over P250,000 ----- [P22,500] 11,250 + {25%]
12.5% of the excess over
P140,000

Over P250,000 but not over P500,000 ----- [P50,000] 25,000 +[30%]
15% of the excess over
P250,000

Over P500,000 **BUT NOT OVER P1,000,000** ---- [P125,000] 62,500 +
[34%] 17% of the excess
over P500,000 [in 1998]

OVER P1,000,000 BUT NOT OVER P2,000,000 --- P125,000 + 20%
OF THE EXCESS OVER
P1,000,000

OVER P2,000,000 ----- P250,000 + 32% OF THE
EXCESS OVER P2,000,000

[Provided, That effective January 1, 1999, the top marginal rate shall be thirty-three (33%) and effective January 1, 2000, the said rate shall be thirty-two percent (32%).]

For married individuals, the husband and wife, subject to the provision of Section 51 (D) hereof, shall compute separately their individual income tax based on their respective total taxable income: Provided, That if any income cannot be definitely attributed to or identified as income exclusively earned or realized by either of the

spouses, the same shall be divided equally between the spouses for the purpose of determining their respective taxable income.”

SECTION 4. **Exemption.** - Section 35 (A) and (B) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

“SECTION 35. Allowance of Personal Exemption for Individual Taxpayer.-

(A) In General. – For purposes of determining the tax provided in Section 24(A) of this Title, there shall be allowed a basic personal exemption as follows:

For single individual or married individual judicially decreed as legally separated with no qualified dependents	-----	[P20,000] P50,000
For head of family	-----	[P25,000] P55,000
For each married individual	-----	[P32,000] P60,000

In the case of married individuals where only one of the spouses is deriving gross income, only such spouse shall be allowed the personal exemption.

For purposes of this paragraph, the term “head of the family” means an unmarried or legally separated man or woman with one or both parents, or with one or more brothers or sisters, or with one or more legitimate, recognized natural or legally adopted children living with and dependent upon him for their chief support, where such brothers or sisters or children are not more than twenty-one (21) years of age, unmarried and not gainfully employed or where such children, brothers or sisters, regardless of age are incapable of self-support because of mental or physical defect.

(B) Additional Exemption for Dependents. - There shall be allowed an additional exemption of [Eight Thousand Pesos (P8,000)] **FIFTEEN THOUSAND PESOS (P15,000)** for each dependent not exceeding four (4) ; **PROVIDED, HOWEVER, THAT ON THE THIRD (3RD) YEAR OF IMPLEMENTATION OF THIS ACT, THE ADDITIONAL EXEMPTION HEREIN PROVIDED SHALL BE ALLOWED FOR EACH DEPENDENT NOT EXCEEDING THREE (3); AND ON THE FOURTH (4TH) YEAR OF IMPLEMENTATION, ADDITIONAL EXEMPTION SHALL BE ALLOWED FOR EACH DEPENDENT NOT EXCEEDING TWO (2).**

The additional exemption for dependents shall be claimed by only one of the spouses in the case of married individuals.

In the case of legally separated spouses, additional exemptions may be claimed only by the spouse who has custody of the child or children: Provided, That the total amount of additional exemptions that may be claimed by both shall not exceed the maximum additional exemptions herein allowed.

For purposes of this Subsection, a "dependent" means a legitimate, illegitimate or legally adopted child chiefly dependent upon and living with the taxpayer if such dependent is not more than twenty-one (21) years of age, unmarried and not gainfully employed or if such dependent, regardless of age, is incapable of self-support because of mental or physical defect.

SECTION 5. Separability Clause. - If any provisions of this Act is declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall continue to be in full force and effect.

SECTION 6. **Repealing Clause.** - All provisions of laws, orders, decrees, including rules and regulations inconsistent herewith are hereby repealed or modified accordingly.

SECTION 7. **Effectivity Clause.** - This Act shall take effect fifteen (15) days following its publication in the Official Gazette or at least two (2) national newspaper of national circulation.

Approved,