SENATE

S. No. **716**

Introduced by Senator Ralph G. Recto

Explanatory Note

The steady increase in the prices of consumer goods and services in the country over the years hinders most Filipinos in meeting the demands of daily living. In fact, the rate of inflation of all commodity groups as measured by the Consumer Price Index from 1998 to May 2013 has almost doubled at 96%, that is, a basket of goods worth P100 in 1998 already costs P196 in 2013. This rise in commodity prices has undoubtedly weakened the purchasing power of our people's hard-earned money.

Income-earning individuals not only have to deal with the weakening effects of inflation but also with the huge deductions in their salaries, one of which is due to income tax.

This bill seeks to amend Section 24 of the National Internal Revenue Code of 1997, as amended, by adjusting the levels of net taxable income and nominal tax rates for purposes of computing the individual income tax, based on current 2013 prices.
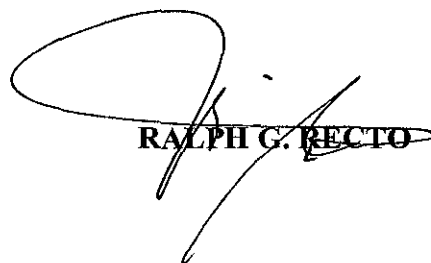
The adjustments come fifteen years after the amendments were last introduced in 1997 and saw the Consumer Price Index moving upward in steady fashion. Sans a CPI-adjusted tax levels and rates, the increases in income enjoyed by salaried individuals to keep them in step with inflation every year push these taxpayers into higher tax brackets, leading them to paying more taxes than they should have.

This "bracket creep" is a result of income taxes growing faster than income does despite the fact that Congress has not legislated laws increasing income taxes, and despite the fact that Congress has even enacted a law in favor of minimum wage earners.

This bill also proposes to automatically index the net taxable income levels and nominal tax rates to inflation every six years without need for legislative action. This would perpetuate equity in the tax system and help ensure that the tax system treats people the same way from year to year.

It is high time that we enable disposable income to be at par with the increasing commodity prices. These proposals would not only address financial difficulties and provide for a better standard of living to our citizens but will also stimulate economic activity through increased spending and consumption.

In view of the foregoing, immediate approval of this bill is earnestly sought.

RALPH G. RECTO

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Introduced by Senator Ralph G. Recto

AN ACT
ADJUSTING THE LEVELS OF NET TAXABLE INCOME AND NOMINAL TAX RATES FOR PURPOSES OF COMPUTING THE INDIVIDUAL INCOME TAX, AMENDING SECTION 24(A)(2) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

1   **SECTION 1.** Section 24(A)(2) of the National Internal Revenue Code of 1997, as

2   amended, is hereby further amended to read as follows:

3   "Sec. 24. *Income Tax Rates.* –

4   "(A) x x x

5   "(2) *Rates of Tax on Taxable Income of Individuals.* – The tax shall be computed

6   in accordance with and at the rates established in the following schedule:

7   "Not over [P10,000] **P20,000**   ... 5%

8   "Over [P10,000] **P20,000** but   ... [P500] **P1,000** + 10% of the

9   not over [P30,000] **P60,000**   excess over [P10,000] **P20,000**

10   "Over [P30,000] **P60,000** but   ... [P2,500] **P5,000** + 15% of the

11   not over [P70,000] **P140,000**   excess over [P30,000] **P60,000**

12   "Over [P70,000] **P140,000** but   ... [P8,500] **P17,000** + 20% of the

13   not over [P140,000] **P280,000**   excess over [P70,000] **P140,000**

14   "Over [P140,000] **P280,000** but   ... [P22,500] **P45,000** + 25% of the

15   not over [P250,000] **P500,000**   excess over [P140,000] **P280,000**

16   "Over [P250,000] **P500,000** but   ... [P50,000] **P100,000** + 30% of the

17   not over [P500,000] **P1,000,000**   excess over [P250,000] **P500,000**

18   "Over [P500,000] **P1,000,000**   ... [P125,000] **P250,000** + 32% of the

19   excess over [P500,000] **P1,000,000**"

20   "x x x

21   "x x x

22   "*PROVIDED, FINALLY,* THAT NOT LATER THAN SIX (6) YEARS AFTER

23   THE EFFECTIVITY OF THIS ACT AND EVERY SIX (6) YEARS

24   THEREAFTER, THE NET TAXABLE INCOME LEVELS AND NOMINAL

1 TAX RATES HEREIN STATED SHALL BE ADJUSTED TO ITS PRESENT

2 VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY

3 THE NATIONAL STATISTICS OFFICE (NSO)."

4 **SEC. 2.** *Implementing Rules and Regulations.* - The Secretary of Finance shall promulgate

5 the necessary rules and regulations for the effective implementation of the provisions of this Act.

6 **SEC. 3.** *Separability Clause.* - If any provision of this Act is declared unconstitutional or

7 invalid, other parts or provisions hereof not affected thereby shall continue to be in full force and

8 effect.

9 **SEC. 4.** *Repealing Clause.* - All laws, orders, issuances, circulars, rules and regulations or

10 parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or

11 modified accordingly.

12 **SEC. 5.** *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the

13 *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,