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SENATE  
S.B. No. 1942

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Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

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**EXPLANATORY NOTE**

As the Philippines pushes for inclusive growth, it is imperative that Government create the necessary mechanisms to enable the vast majority of Filipinos to feel the fruits of this growth. At present, efforts are underway to promote ease of business; generate jobs; support the growth of micro, small, and medium enterprises (MSMEs); and address rising unemployment and underemployment.

In spite of all these, however, ordinary Filipinos are still feeling the pinch of high taxes and rising prices. The Consumer Price Index shows that a basket of goods worth Php100 in 1998 is already worth Php196 in 2013, almost doubling in a space of 15 years. While the private sector has a role in responding to the needs of its employees, many enterprises also struggle with ensuring fair and equal pay for their workers while keeping their own businesses afloat.

Thus, the government has to play the delicate balancing act between the growing demands of its labor force and the limitations of the private sector. One solution is to review and reform the current tax system in a way that reflects current prices, and enables a more equitable distribution of wealth for its citizens.

The Tax Reform Act, therefore, seeks to amend Section 24 of the National Internal Revenue Code of 1997, as amended, by adjusting the levels of net taxable income and simplifying the nominal tax rates for the purposes of computing the individual income tax, based on current 2013 prices. The Tax Reform Act effectively lowers the taxes on the Filipino working class—which comprises around 22 million of the Philippine population—allowing them to enjoy a higher net income and increasing their purchasing power, without necessarily imposing a burden on the micro, small, and medium enterprises (MSMEs) that comprise a majority of employers in the Philippines. The collections from The Tax Reform Act also adjusts the tax level of the upper one percent (1%) of taxpayers, making sure that the government is able to collect a larger share of income from those who can afford to pay more. A more just tax system will also serve to encourage citizens to declare their true income and pay their taxes.

In effect, the Tax Reform Act serves as one of the important reforms to create a more equitable, just, and effective tax regime for Filipino taxpayers. It supports the government's push for inclusive growth while ensuring that government is still able to raise funds for social programs that directly benefit the poor. It is a systemic, win-win solution that offers the greatest benefit to the greatest number of Filipinos.

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

  
Senator Paolo Benigno "Bam" A. Aquino IV

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SENATE  
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RECORDS OF THE SENATE *ji*

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Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

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**AN ACT**  
**ADJUSTING THE LEVEL OF NET TAXABLE INCOME AND NOMINAL TAX RATES FOR PURPOSES**  
**OF PROMOTING THE INDIVIDUAL INCOME TAXAMENDING 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 House of Representatives of the Philippines in Congress assembled:*

1           **SECTION 1.** Section 24(A)(2) of the National Internal Revenue Code of 1997, asamended,  
2 is hereby further amended to reflect the following rates of tax on taxable income for individual  
3 wage and salary earners only:

4           "Sec. 24. Income Tax Rates. -

5           "(A) xxx

6           "(2) Rates of Tax on Taxable Income of Individuals. - The tax shall be computed in  
7 accordance with and at the rates established in the following schedule:

8	[Not over P10,000]	...	[5%]
9	[Over P10,000 but not over P30,000]	...	[P500 + 10% of the excess over P10,000]
10	[Over P30,000 but not over P70,000]	...	[P2,500 + 15% of the excess over P30,000]
11	NOT OVER P60,000	...	EXEMPT
12	Over [P70,000] P60,000 but not over	...	[P8,500] P 5,000 + [20%] 15% of the excess
13	P140,000		over [P70,000] P60,000
14	Over P140,000 but not over [P250,000]	...	[P22,500] P17,000 + [25%] 20% of the
15	P280,000		excess over P140,000
16	Over [P250,000] P280,000 but not over	...	[P50,000] P45,000 + [30%] 25% of the
17	P500,000		excess over [P250,000] P280,000

1	Over P500,000 BUT NOT OVER	...	[P125,000] P100,000 + [32%] 30% of the
2	P1,000,000		excess over P500,000
3	OVER P1,000,000 BUT NOT OVER	...	P250,000 + 32% OF THE EXCESS OVER
4	P12,000,000		P1,000,000
5	OVER P12,000,000	...	P4,000,000 + 35% OF THE EXCESS OVER
			P12,000,000

6 "xxx

7 "xxx

8 **"PROVIDED, FINALLY, THAT NOT LATER THAN SIX (6) YEARS AFTER THE EFFECTIVITY OF**  
9 **THIS ACT AND EVERY SIX (6) YEARS THEREAFTER, THE NET TAXABLE INCOME LEVELS AND**  
10 **NOMINAL TAX RATES HEREIN STATED SHALL BE ADJUSTED TO ITS PRESENT VALUE USING THE**  
11 **CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL STATISTICS OFFICE (NSO)."**

12 **SECTION 2. *Implementing Rules and Regulations.*** — The Department of Budget and  
13 Management (DBM) and the Bureau of Internal Revenue (BIR) shall promulgate not later than  
14 thirty (30) days upon the effectivity of this Act, the necessary rules and regulations for its  
15 effective implementation.

16 **SECTION 3. *Separability Clause.*** — If any provision of this Act is subsequently declared  
17 invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain  
18 in full force and effect.

19 **SECTION 4. *Repealing Clause.*** — All laws, acts, presidential decrees, executive orders,  
20 issuances, presidential proclamations, rules and regulations or parts thereof which are contrary  
21 to and inconsistent with any provision of this Act are hereby repealed, amended or modified  
22 accordingly.

23 **SECTION 5. *Effectivity.*** — This Act shall take effect fifteen (15) days after its complete  
24 publication either in the *Official Gazette* or in at least two (2) newspapers of general circulation.

25 Approved,