

THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

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SENATE
S.B. No. 879

RECEIVED BY: *[Signature]*

Introduced by Senator JINGGOY EJERCITO ESTRADA

EXPLANATORY NOTE


In view of the present economic instability that our country is currently experiencing, it is indeed significant that we improve the fairness of the personal income tax system. Granting increased allowable personal and additional exemption to taxpayers would be a great help to them, considering the present changing needs and problems of the economy.

It is without doubt that the revenue earnings the government collects from the taxpayers are the tools, which enable the government to continue its functions for the good of its people and in order to do so, revenue erosion should be avoided as much as possible. However, in response to the changing needs and uncertainties of the economy, increased personal and additional allowable exemption must be enforced to correct the inflationary effects on income.

It should be noted that the government employs the bulk of our taxpayers whose salaries barely support their everyday expenses. The same situation applies to those employed in the private sector whose minimum wage is much lower, which is sometimes below the remuneration stipulated in the Labor Code of the Philippines.

This bill seeks to correct this oversight by explicitly providing taxpayers an increased allowable personal and additional exemption.


In view of the foregoing, early passage of this bill is earnestly requested.


JINGGOY EJERCITO ESTRADA
Senator

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AN ACT
EXEMPTING THE ALLOWABLE PERSONAL EXEMPTIONS OF INDIVIDUAL
TAXPAYERS, AMENDING FOR THE PURPOSE SECTION 35(A) AND (B) OF THE
NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

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

SECTION 1. Section 35 (A) and (B) of the National Internal Revenue Code of
1997, as amended, is hereby amended to read as follows;

“SECTION 35. Personal exemption on income tax of individual taxpayers.

“(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 qualified dependents	[P20,000]	P48,000
“For head of the family	[P25,000]	P54,000
“For each married individual	[P32,000]	P64,000

“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 and sisters, or with 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 when such children, brothers or sisters 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 (P8,000.00)] SIXTEEN THOUSAND PESOS (P16,000.00) for each dependent not exceeding four (4).

“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, only the spouse who has custody of the child or children may claim additional exemptions: 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 2. *Separability Clause.* – If any provision 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 3. *Repealing Clause.* – All provisions of law, orders, decrees, including rules and regulations inconsistent herewith are hereby repealed or modified accordingly.

SECTION 4. *Effectivity.* – This Act shall take effect fifteen (15) days following its publication in the Official Gazette or at least two (2) national newspapers of general circulation.

Approved,