

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

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RECEIVED BY: 

SENATE

S. B. NO. 1198

Introduced by **SENATOR JUAN PONCE ENRILE**

EXPLANATORY NOTE

The weakened Philippine economy has arisen partly from the debilitating effects and turbulence of the financial upheavals in the Asian Region, which has weakened havoc on many economies; partly from the impact of global liberalized trade on our unprepared domestic economy; and partly because of supervening internal factors such as the Mindanao conflict for example. Filipinos also continue to struggle in the wake of the peso depreciation due to the erosion of the exchange rate, higher inflation linked with the increase in oil prices, and the stagnant growth of the country's economy.

Amidst the present economic turmoil in the country, the government is provided with an unprecedented opportunity to help spur and revive our domestic economy and to reaffirm its commitment to provide for a better standard of living of its citizens.

This proposed measure seeks to replace the present income tax rate of individual taxpayers as provided for in the National Internal Revenue Code. It is submitted that this bill reflects the goals and policies of the country's tax system which seeks a more effective and equitable distribution of income tax burden and at the same time accords a greater tax relief to the disadvantages sector, and thus provide a more meaningful progressivity in taxation.

The said reduction in the income tax rates would strengthen the purchasing power of our people's hard-earned money in order to afford them the capability to meet the demands of daily living. In this light, not only do we hope to address the present financial difficulties of our taxpayers by increasing their disposable income, but also to improve the country's economy by augmenting the current rate of consumption with the end view of enhancing economic activity.

Given the urgent need to ameliorate the present plight of the Filipino taxpayers, the immediate passage of this bill is earnestly sought.


JUAN PONCE ENRILE
Senator

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**AN ACT
REDUCING THE INCOME TAX RATES OF INDIVIDUAL TAXPAYERS,
AMENDING FOR THE PURPOSE CHAPTER III, SECTION 24 (A) (1) (c) 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. 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:

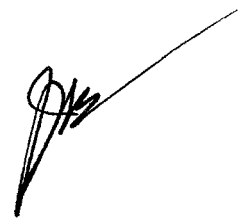
“CHAPTER III - TAX ON INDIVIDUALS

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%] 2.5%
Over P10,000 but not over P30,000	-----	P[500] 250 + [10%] 5% of the excess over P10,000
Over P30,000 but not over P70,000	-----	P[2,500] 1,250 + [15%] 7.5% of the excess over P30,000
Over P70,000 but not over P140,000	-----	P[8,500] 4,250 + [20%] 10% of the excess over P70,000

Over P140,000 but not over P250,000 ----- P[22,500] 11,250 +
{25%} 12.5% of the
excess over P140,000

Over P250,000 but not over P500,000 ----- P[50,000] 25,000
+[30%] 15% of the
excess over P250,000

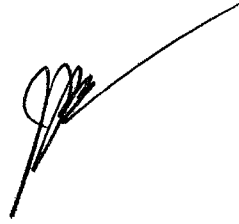
Over P500,000 BUT NOT OVER P1,000,000 ---- P[125,000]
62,500 + [34%]
17.5% of the excess
over P500,000 [in
1998]

**OVER P1,000,000 BUT NOT OVER P2,000,000 --- P150,000 +
20% OF THE
EXCESS OVER
P1,000,000**

**OVER P2,000,000 BUT NOT OVER P4,000,000
----- P350,000 +
22.5% OF THE
EXCESS OVER
P2,000,000**

**OVER P4,000,000 BUT NOT OVER P8,000,000 ---- P800,000
+ 25% OF THE
EXCESS OVER
P4,000,000**

**OVER P8,000,000 BUT NOT OVER P10,000,000 ---- P1,800,00
+ 27.5% OF THE
EXCESS OVER
P8,000,000**



OVER P10,000,000 BUT NOT OVER P12,000,000 ----

P2,350,000 + 30%

OF THE EXCESS

OVER P10,000,000

OVER P12,000,000 ----- P2,950,000 + 32%

OF THE EXCESS

OVER P12,000,000

[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 2. 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 3. Repealing Clause. - All provisions of laws, orders, decrees, including rules and regulations inconsistent herewith are hereby repealed or modified accordingly.

SECTION 4. 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,

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