


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



Senate
Office of the Secretary

'16 AUG 23 P6:10

SENATE

RECEIVED BY: 

S. B. No. 1062

Introduced by Senator JOEL VILLANUEVA

**AN ACT
RESTRUCTURING THE INCOME TAX IMPOSED ON INDIVIDUALS
AMENDING SECTION 24(A)(2) OF THE NATIONAL INTERNAL
REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER
PURPOSES**

EXPLANATORY NOTE

The failure to adjust the personal income tax structure since 1997 led to rising tax burden among Filipinos. As nominal income increased over the past two decades, taxpayers are pushed into higher tax brackets in the absence of regular adjustment since 1997. Given income levels with the same purchasing value in 1997 and 2015, today's taxpayers are placed in higher income brackets and are thus, paying a larger portion of their incomes to the government compared to their 1997 counterparts

The rising tax burden is especially true for wage earners captured by the tax withholding system. From 1997 to 2014, the annual income taxes from self-employed and professionals amounted to an average of 0.11% of gross domestic product while the collections from wage-earners was fifteen-folds higher at an average of 1.67%.

Since 1986, Filipino wage and salary earners have paid a greater share in taxes compared to their self-employed and professionals (SEP) counterparts. Data shows that the proportion of taxes from wage earners has been increasing over the past three decades. In 1986, wage earners accounted for 55% of total PIT collections; the share rose to 76% in 1997, and increased further to 82% in 2014.

Problems in both tax policy and tax administration also partly explain the disparity in collections between wage earners and SEPs. The complexity in tax

structure and the weak facilitation from the tax authority have both led to low compliance among SEPs who file and pay under a voluntary system. In addition, loopholes in our personal income tax policy have enabled SEPs to avoid paying higher taxes.

Regionally, Philippines has one of the highest top marginal tax rates among members of the ASEAN at 32%. In addition, the country also imposes a higher tax rate at a lower taxable income. For example, at a taxable income of PHP500,000, an effective tax rate of 25% is imposed in the Philippines. In contrast, among the six largest ASEAN economies, the same income is taxed at a lower effective tax rate ranging from zero in Singapore to 20% in Vietnam.

Considering the foregoing, the immediate passage of this bill is earnestly sought.


SENATOR JOEL VILLANUEVA

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

1 **SEC. 1. Thresholds.** Section 24(A)(2) of the National Internal Revenue Code
2 of 1997, as amended, is hereby further amended to read as follows:
3

4 "(A) x x x
5

6 "(2) Rates of Tax on Taxable Income of Individuals –
7

8 "EFFECTIVE ON JANUARY 1, 2017, the tax shall be computed in accordance with
9 and at the rates established in the following schedule:
10

11 "NOT OVER P22,200.....5%
12

13 "OVER P22,200 BUT
14 NOT OVER P66,600.....P1,110 + 10% OF THE EXCESS OF P22,200
15

16 "OVER P66,600 BUT
17 NOT OVER P155,400.....P5,550 + 15% OF THE EXCESS OF P66,600
18

19 "OVER P155,400 BUT
20 NOT OVER P310,800.....P18,870 + 20% OF THE EXCESS OF P155,400
21

22 "OVER P310,800 BUT

1 NOT OVER P555,000.....P49,950 + 25% OF THE EXCESS OF P310,800
2
3 "OVER P555,000 BUT
4 NOT OVER P1,110,000.....P111,000 + 30% OF THE EXCESS OF P555,000
5
6 "OVER P1,110,000.....P277,500 + 32% OF THE EXCESS OF P1,110,000
7
8 "EFFECTIVE ON JANUARY 1, 2018, THE TAX SHALL BE COMPUTED IN
9 ACCORDANCE WITH AND AT THE RATES ESTABLISHED IN THE FOLLOWING
10 SCHEDULE:

11
12 "NOT OVER P100,000.....0%
13
14 "OVER P100,000 BUT
15 NOT OVER P200,000.....5%
16
17 "OVER P200,000 BUT
18 NOT OVER P310,800.....P10,000 + 10% OF THE EXCESS OF P200,000
19
20 "OVER P310,800 BUT
21 NOT OVER P555,000.....P21,080 + 15% OF THE EXCESS OF P310,800
22
23 "OVER P555,000 BUT
24 NOT OVER P886,000.....P57,710 + 20% OF THE EXCESS OF P555,000
25
26 "OVER P886,000 BUT
27 NOT OVER P1,200,000.....P123,910 + 25% OF THE EXCESS OF P886,000
28
29 "OVER P1,200,000.....P202,410 + 30% OF THE EXCESS OF P1,200,000
30

31 "EFFECTIVE ON JANUARY 1, 2019, THE TAX SHALL BE COMPUTED IN
32 ACCORDANCE WITH AND AT THE RATES ESTABLISHED IN THE FOLLOWING
33 SCHEDULE:

34
35 "NOT OVER P200,000.....0%
36
37 "OVER P200,000 BUT
38 NOT OVER P436,000.....5%
39
40 "OVER P436,000 BUT
41 NOT OVER P632,000.....P21,800 + 10% OF THE EXCESS OF P436,000
42
43 "OVER P632,000 BUT
44 NOT OVER P886,000.....P41,400 + 15% OF THE EXCESS OF P632,000
45
46 "OVER P886,000 BUT
47 NOT OVER P1,200,000.....P79,500 + 20% OF THE EXCESS OF P886,000
48
49 "OVER P1,200,000 BUT
50 NOT OVER P2,450,000.....P142,300 + 25% OF THE EXCESS OF P1,200,000

1
2 "OVER P2,450,000.....P454,800 + 30% OF THE EXCESS OF P2,450,000

3
4 "x x x

5
6 "x x x

7
8 "*PROVIDED, FINALLY*, THAT NO LATER THAN SIX (6) YEARS AFTER THE
9 EFFECTIVITY OF THIS ACT AND EVERY SIX (6) YEARS THEREAFTER, THE
10 NET TAXABLE INCOME LEVELS AND NOMINAL TAX RATES HEREIN STATED
11 SHALL BE ADJUSTED TO ITS PRESENT VALUE USING THE CONSUMER PRICE
12 INDEX, AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY (PSA)."
13

14 **SEC. 2. Implementing Rules and Regulations.** The Department of Finance, in
15 consultation with relevant stakeholders shall issue, within sixty (60) days after the
16 effectivity of this Act, the rules and regulations for the effective implementation of this
17 Act.
18

19 **SEC. 3. Separability Clause.** If any provision of this Act or any part thereof shall
20 be declared unconstitutional or invalid, the other provisions, as far as they are
21 separable, shall remain in force and effect.
22

23 **SEC. 4. Repealing Clause.** All laws, decrees, orders, rules and regulations or
24 parts thereof which are inconsistent with the provisions of this Act are hereby
25 repealed, amended or modified accordingly.
26

27 **SEC. 5. Effectivity.** This Act shall take effect fifteen (15) days after its
28 publication in the Official Gazette or in at least two (2) newspapers of general
29 circulation.
30

31
32 Approved,