

SENATE

S. BILL NO. 1917

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Introduced by Senator Ralph G. Recto

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Explanatory Note

The proposals to impose additional taxes - the lifeblood of government - mostly in the form of consumption taxes, will greatly affect the personal disposable income of the majority of Filipinos. As the 2000 Family Income and Expenditure Survey (FIES) shows that 13.25 million or 86% of the total number of Filipino families, mostly wage earners and salaried workers, have gross annual income of less than ₱250,000.00.

Under the current income tax regime, an individual earning compensation income has to set aside for payment of their income tax liability at least five percent (5%) to as high as thirty-two percent (32%) of their income, net of the allowable personal exemptions and mandatory social security payments.

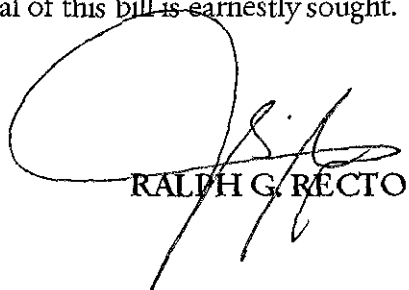
So that an individual with a net income of ₱ 250,000 shall be subject to 25% income tax equivalent to ₱50,000.00. Hence, an average family of six could only spend ₱200,000.00 annually for its total family expenditures on food, clothing, education, health, housing and transportation, among others.

In order to provide much needed relief to these income earners, this bill proposes to reduce the tax rates on their incomes by thirty percent (30%). This will result in an increase of their take-home pay by making available to them a higher disposable income which is otherwise withheld by government.

It also seeks to mitigate the effects of the government's proposals to impose additional taxes which will be borne by and large by the middle and lower classes.

While this proposal will likely cost the government foregone revenues annually, it will still be a win-win situation for the government in the long run. More money in taxpayer's pocket will boost consumer spending which in turn trigger demand for more goods and services and thereby stimulate activities in the industrial and service sectors.

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

  
RALPH G. RECTO

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AN ACT  
REDUCING RATES OF INCOME TAX ON INDIVIDUAL CITIZEN AND  
INDIVIDUAL RESIDENT ALIEN OF THE PHILIPPINES, AMENDING FOR  
THE PURPOSE SECTION 24(A)(1)(c) OF THE NATIONAL INTERNAL  
REVENUE CODE, 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. Chapter III, Section 24, Subsection (A), Paragraph (c) of Presidential  
2 Decree No. 1158, as amended by, among others, Presidential Decree No. 1994, Executive  
3 Order No. 273, and Republic Act No. 8424, other wise known as the National Internal  
4 Revenue Code, is hereby further amended to read as follows:

5  
6 "SEC. 24. *Income Tax Rates* –

7  
8 "(A) *Rates of Income Tax on Individual Citizen and Individual Resident Alien of the*  
9 *Philippines.* –

10  
11 "(1) An income tax is hereby imposed:

12  
13 "(a) On the taxable income defined in Section 31 of this Code, other than  
14 income subject to tax under Subsections (B), (C) and (D) of this Section, derived for  
15 each taxable year from all sources within and without the Philippines by every  
16 individual citizen of the Philippines residing therein;

17  
18 "(b) On the taxable income defined in Section 31 of this Code, other than  
19 income subject to tax under Subsections (B), (C) and (D) of this Section, derived for  
20 each taxable year from all sources within the Philippines by an individual citizen of  
21 the Philippines who is residing outside of the Philippines including overseas contract  
22 workers referred to in Subsection (C) of Section 23 hereof; and

23  
24 "(c) On the taxable income defined in Section 31 of this Code, other than  
25 income subject to tax under Subsections (B), (C) and (D) of this Section, derived for  
26 each taxable year from all sources within the Philippines by an individual alien who is  
27 a resident of the Philippines.

