13TH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES First Regular Session

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SENATE

S. BILL NO. 1917

Introduced by Senator Ralph G. Recto

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 P 250,000 shall be subject to 25% income tax equivalent to P50,000.00. Hence, an average family of six could only spend P200,000.00 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.

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1917 S. BILL NO.

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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.

"The tax shall be computed in accordance with and at the rates established in 1 2 the following schedule: 3 "Over P10,000 but not over P30,000 ₽350 + 7% [P500+10%] of 4 the excess over P10,000 5 "Over P30,000 but not over P70,000 P1,750 + 10.5% [P2,500 +15%] 6 of the 7 excess over P30,000 8 "Over P70,000 but not over P140,000 **₽5,950** + 14% [P8,500+20%] 9 of the excess over P70.000 10 "Over P140,000 but not over P250,000 , **₽15,750 + 17.5**% [P22,500 + 11 25%] of the excess over 12 P140,000 13 "Over P250,000 but not over P500,000 **₽35,000** [P50,000] +30% of 14 the excess over P250,000 15 "Over P500,000 ₽110,000 + 32% [P125,000 + 16 34%] of the excess over 17 P500,000 [in 1998] 18 19 ["Provided, That effective January 1, 1999, the top marginal rate shall be 20 thirty-three (335) and effective January 1, 2000, the said rates shall be thirty-two 21 (32%).] 22 23 "For married individuals, the husband and wife, subject to the provision of 24 Section 51 (D) hereof, shall compute separately their individual income tax based on 25 their respective total taxable income: Provided, That if any income cannot be definitely 26 attributed to or identified as income exclusively earned or realized by either of the 27 spouses, the same shall be divided equally between the spouses for the purpose of 28 determining their respective taxable income." 29 30 SEC. 2. The Secretary of Finance, upon recommendation of the Commissioner of 31 Internal Revenue, shall promulgate the necessary rules and regulations for the effective 32 implementation of the provisions of this Act. 33 34 SEC. 3. This Act shall take effect upon its approval. 35 36 Approved, 37