

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

SENATE
OFFICE OF THE SECRETARY

7 JUN 30 P2:10

SENATE

S. B. No. 125

RECEIVED BY: 

Introduced by Senator **JUAN PONCE ENRILE**

EXPLANATORY NOTE

In the face of the economic downtrend being experienced by the country today, our attention is drawn to the plight of the great majority of our taxpaying public who are now struggling to make both ends meet and "stretch the peso."

Indeed, our working people find themselves in a "no win" situation in this economic war of survival. They are told that their wages could not be augmented because the economy has slowed down and business is bad. But, with a stagnant level of earnings, they are now expected to cope with rising fuel prices, rising costs of commodities, higher water and electricity bills and an unbridled rise in the cost of providing education for their children. The value of the peso continues to deteriorate. And, as if these were not enough, a dramatic increase in government imposed fees and additional taxes ominously looms in the horizon.

The oil price increases could not be arrested, with the deregulation of the oil industry leaving the Government helpless and finding itself pleading with the oil companies. The currency deterioration is expected to continue as a necessary consequence of our poor economic conditions. As to the rising cost of almost everything under the sun, our people can only beg for mercy and appeal to the social conscience of big businessmen, monopolies and cartels.


How is Juan dela Cruz expected to hurdle all these?

It is the author's humble belief that Congress is not only mandated but duty bound to exercise its lawmaking powers to cushion the impact of these financial blows that are hitting the public hard.

This proposed measure seeks to increase the current levels of personal and additional exemptions for individual income tax under the National Internal Revenue Code (Republic Act No. 8424, as amended).

It is submitted that this bill will help balance the drastic erosion in the purchasing power of our people's hard-earned money brought about by the inordinate rise in the cost of living. It is further submitted that the portion of our taxpayer's income which will be freed through these increased levels of exemption will enable families to spend more on their food, sustenance and other basic needs. Hence, while providing a much-needed tax break for our income earners, this same measure will likewise put the tax-free portion of individual income to good use by increasing consumption and thereby triggering economic activity and dynamism.

As urgently as the people are demanding for relief from their present financial difficulties, the immediate passage of this bill is earnestly sought.



JUAN PONCE ENRILE
Senator

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AN ACT
INCREASING THE ALLOWABLE PERSONAL AND ADDITIONAL
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:

1 **SECTION 1.** Section 35 (A) and (B) of the National Internal Revenue Code of
2 1997, as amended, is hereby amended to read as follows:

3

4 “SEC. 35. Allowance of Personal Exemption for Individual
5 Taxpayers.-

6

7 (A) *In General.* - For purposes of determining the tax
8 provided in Section 24 (A) of this Title, there shall
9 be allowed a basic personal exemption as follows:

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For single individual or
11 married individual
12 judicially decreed as
13 legally separated with
14 qualified dependents [P20,000.00] **P48,000.00**

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For head of the family [P25,000.00] **P54,000.00**

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For each married individual [P32,000.00] **P64,000.00**

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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 one or 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, regardless 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 depended 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, additional exemptions may be claimed only by the spouse who has

1 custody of the child or children: *Provided*, That the total
2 amount of additional exemptions that may be claimed by
3 both shall not exceed the maximum additional exemptions
4 herein allowed.

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6 For purposes of this Subsections, a “dependent”
7 means a legitimate, illegitimate or legally adopted child
8 chiefly dependent upon and living with the taxpayer if such
9 dependent is not more than twenty one (21) years of age,
10 unmarried and not gainfully employed or if such
11 dependent, regardless of age, is incapable of self support
12 because of mental physical defect.”

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15 **SECTION 2. *Separability Clause.*** - If any provision of this Act is declared
16 invalid or unconstitutional, other provisions hereof which are not affected thereby shall
17 continue to be in full force and effect.

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19 **SECTION. 3. *Repealing Clause.*** - All provisions of law, orders, decrees,
20 executive orders, including rules and regulations or parts thereof which are contrary to or
21 inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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

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27 *Approved,*

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29 *JGR/cklmaralit/tere/1197JPEniramend/Ddiskk*