		SENATE OFFICE OF THE SECRETARY
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S. B. NO	126	
Introduced by SENAT	OR JUAN PON	CE 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 wreaked 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.

Senator

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Introduced by SENATOR JUAN PONCE ENRILE

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:

1	SECTION 1. Chapter III Section 24 (A) (1) (c) of the National Internal		
2	Revenue Code of 1997, as amended is hereby further amended to read as follows:		
3	·		
4	"CHAPTER III - TAX ON INDIVIDUALS		
5			
6	6 SECTION 24. Income Tax Rates. –		
7			
8	(A) Rates of Income Tax on Individual Citizen and Individual Resident		
9	Alien of the Philippines		
10	(1) An Income Tax is hereby imposed:		
11	(a) On the taxable income defined in Section 31 of this		
12	Code, other than income subject to tax under		
13	Subsections (B), (C) and (D) of this Section,		
14	derived for each taxable year from all sources		
15	within and without the Philippines by every		
16	individual citizen of the Philippines residing		
17	therein;		

1	(b) On the taxable income defined in Section 31 of this
2	Code, other than income subject to tax under
3	Subsections (B), (C) and (D) of this Section,
4	derived for each taxable year from all sources
5	within the Philippines by an individual citizen of the
6	Philippines who is residing outside of the
7	Philippines including overseas contract workers
8	referred to in Subsection (C) of Section 23 hereof;
9	and
10	(c) On the taxable income derived in Section 31 of this
11	Code, other than income subject to tax under
12	Subsections (B), (C) and (D) of this Section,
13	derived for each taxable year from all sources
14	within the Philippines by an individual alien who is
15	resident of the Philippines.
16	
17	The tax shall be computed in accordance with and the rates
18	established in the following schedule:
19	
20	Not over P10,000 [5%] 2.5%
21	Over P10,000 but not over P30,000 P[500] 250 + [10%]
22	5% of the excess over
23	P10,000
24	Over P30,000 but not over P70,000 P[2,500] 1,250 +
25	[15%] 7.5% of the
26	excess over P30,000
27	Over P70,000 but not over P140,000 P[8,500] 4,250 +
28	[20%] 10% of the
29	excess over P70,000

1	Over P140,000 but not over P250,000 P[22,500] 11,250 +
2	{25%] 12.5% of the
3	excess over P140,000
4	Over P250,000 but not over P500,000 P[50,000] 25,000
5	+[30%] 15% of the
6	excess over P250,000
7	Over P500,000 BUT NOT OVER P1,000,000 P[125,000]
8	62,500 + [34%]
9	17.5% of the excess
10	over P500,000 [in
11	1998]
12	OVER P1,000,000 BUT NOT OVER P2,000,000 P150,000 +
13	20% OF THE
14	EXCESS OVER
15	P1,000,000
16	OVER P2,000,000 BUT NOT OVER P4,000,000
17	P350,000 +
18	22.5% OF THE
19	EXCESS OVER
20	P2,000,000
21	OVER P4,000,000 BUT NOT OVER P8,000,000 P800,000
22	+ 25% OF THE
23	EXCESS OVER
24	P4,000,000
25	
26	OVER P8,000,000 BUT NOT OVER P10,000,000 P1,800,00
27	+ 27.5% OF THE
	EXCESS OVER
28	

1	OVER P10,000,000 BUT NOT OVER P12,000,000	
2	P2,350,000 + 30%	
3	OF THE EXCESS	
4	OVER P10,000,000	
5	OVER P12,000,000 P2,950,000 + 32%	
6	OF THE EXCESS	
7	OVER P12,000,000	
8		
9	[Provided, That effective January 1, 1999, the top marginal rate shall be	
10	thirty-three (33%) and effective January 1, 2000, the said rate shall be thirty-two	
11	percent (32%).]	
12		
13	For married individuals, the husband and wife, subject to the provision of	
14	Section 51 (D) hereof, shall compute separately their individual income tax based	
15	on their respective total taxable income: Provided, That if any income cannot be	
16	definitely attributed to or identified as income exclusively earned or realized by	
17	either of the spouses, the same shall be divided equally between the spouses for	
18	the purpose of determining their respective taxable income."	
19		
20	SECTION 2. Separability Clause If any provisions of this Act	
21	is declared invalid or unconstitutional, other provisions hereof which are not	
22	affected thereby shall continue to be in full force and effect.	
23		
24	SECTION 3. Repealing Clause All provisions of laws, orders, decrees,	
25	including rules and regulations inconsistent herewith are hereby repealed or modified	
26	accordingly.	
27		

1	SECTION 4. Effectivity Clause	This Act shall take effect fifteen (15)
2	days following its publication in the Official	Gazette or at least two (2) national
3	newspaper of national circulation.	
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5	Approved,	
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