


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

7 JUL -2 1977

SENATE

RECEIVED BY: 

Senate Bill No. 568

INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

EXPLANATORY NOTE

Article 2, Section 5 of the Constitution provides that, "The promotion of the general welfare is essential for the enjoyment by all people of the blessings of democracy."

Towards this end, the government is mandated to pursue economic policies and programs that shall truly uplift the living conditions of the people, which can be done by according the public the opportunity to participate in critical decision making processes, on one hand, and making them the centerpiece of any development initiatives, on the other. Unfortunately, the government fails to do these.

Considering the country's presently dwindling and crippling economy, exacerbated by huge budget deficits, it is surprising that the current government remains lax in going after erring businessmen and corporations, which rob the national coffers of trillions of pesos through their tax evasion schemes, while being strict in enforcing income tax payment from the average working people.

Such a malady makes life more difficult to the average citizen, who is forced to doubly work hard to make both ends meet. With a meager income, 75% of which is allocated for food provisions, he can hardly meet the demands of daily living, as he is even compelled to remit a considerable amount of money to the treasury in the form of income tax.

The proposed measure seeks to pursue equitable tax burden distributions and provide tax relief to the disadvantaged sector, who suffers most amidst our economic turmoil. Specifically, it seeks to reduce the income tax rates of individual taxpayers and grant income tax payment exemption to certain minimum wage earners.


The immediate passage of this bill is earnestly sought.


JINGGOY EJERCITO ESTRADA
Senator

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7 JUL -2 P6.4

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AN ACT
AMENDING SECTIONS 24, 31, 34, 35 AND 110 OF THE NATIONAL
INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER
PURPOSES

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

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

"SEC. 24. *Income Tax Rates.* -

(A) *Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines.* -

"(1) An income tax is hereby imposed:

"(a) x x x.

"(b) x x x.

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

"(2) *SCHEDULE OF TAX ON TAXABLE INCOME OF INDIVIDUALS.* - The tax shall be computed in accordance with [and at the rates established in] the following schedule:

["Not over P10,000.....	5%]
["Over P10,000 but not over P30,000.....	P500+10% of excess over P10,000]
["Over P30,000 but not over P70,000.....	P2,500+15% of excess over P30,000]
["Over P70,000 but not over P140,000.....	P8,500+20% of

	excess over P70,000]
["Over P140,000 but not over P250,000.....	P22,500+25% of excess over P140,000]
["Over P250,000 but not over P500,000.....	P50,000+30% of excess over P250,000]
["Over P500,000	P125,000+34% of excess over P500,000 in 1998]
"NOT OVER P144,000	0%
"OVER P144,000	35% OF THE EXCESS OVER P144,000.

“Provided, That THE ABOVE SCHEDULE SHALL TAKE EFFECT ON JANUARY 01, 2007: PROVIDED, FURTHER, THAT effective January 1, 2009 [1999], the [top marginal] rate OF THIRTY-FIVE PERCENT (35%) shall be REDUCED TO thirty[-three] percent (30[33]%). [and effective January 1, 2000, the said rate shall be thirty-two percent (32%).]

“For married individuals, the husband and Wife, subject to the provision of Section 51(D) hereof, shall compute separately their individual income tax based on their respective total taxable income: *Provided, That if any income cannot be definitely attributed to or identified as income exclusively earned or realized by either of the spouses, the same shall be divided equally between the spouses for the purpose of determining their respective taxable income.*

“x x x.”

SEC 2. Section 31 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 31. Taxable Income Defined. - The term “taxable income” means the pertinent items of gross income specified in this Code, less the deductions [and/or personal and additional exemptions, if any,] authorized for such types of income by this Code or other special laws.”

SEC 3. Section 34(L) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 34. Deductions from Gross Income. - Except for taxpayers earning compensation income arising from personal services rendered under an employer-employee relationship where no deductions shall be allowed under this Section other than under Subsection (M) hereof, in computing taxable income subject to income tax under Sections 24(A); 25(A); 26; 27(A), (B) and (C); and 28(A)(I), there shall be allowed the following deductions from gross income:

“(A) x x x

“x x x.

“(L) *Optional Standard Deduction.* - In lieu of the deductions allowed under the preceding Subsections, an individual subject to tax under Section 24, other than a nonresident alien, may elect a standard deduction in an amount not exceeding **FORTY** [ten] percent (40[10]%) of his gross income **AS DEFINED IN SECTION 32 OF THE CODE**. Unless the taxpayer signifies in his return his intention to elect the optional standard deduction, he shall be considered as having availed himself of the deductions allowed in the preceding Subsections. Such election when made in the return shall be irrevocable in the taxable year for which the return is made: *Provided*, That an individual who is entitled to and claimed for the optional standard deduction shall not be required to submit with his tax return such financial statements otherwise required under this Code: *Provided, further*, That except when the Commissioner otherwise permits, the said individual shall keep such records pertaining to his gross income **AS DEFINED IN SECTION 32 OF THE CODE** during the taxable year, as may be required by the rules and regulations promulgated by the Secretary of Finance, upon recommendation of the Commissioner.”

“A CORPORATION SUBJECT TO TAX UNDER SECTIONS 27(A) AND 28(A)(1) OF THE CODE MAY ALSO AVAIL ITSELF OF THE OPTIONAL STANDARD DEDUCTION PROVIDED IN THE PRECEDING PARAGRAPH.”

“(M) *Premium Payments on Health and/or Hospitalization Insurance of an Individual Taxpayer.* - x x x.

“x x x.”

SEC 4. Section 35 of the National Internal Revenue Code of 1997, as amended, is hereby deleted.

[“SEC. 35. *Allowance of Personal Exemption for Individual Taxpayer.*”]

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

[“For single individual or married individual judicially decreed as legally separated with no qualified dependents P20,000]

[“For head of family P25,000]

[“For each married individual P32,000]

[“x x x]

[(B) Additional Exemption for Dependents. - There shall be allowed an additional exemption of Eight thousand pesos (P8,000) for each dependent not exceeding four.]

["x x x.]

[(C) Change of Status. - x x x.]

[x x x.]

[(D) Personal Exemption Allowable to Nonresident Alien Individual. - xxx.]

SEC 5. The succeeding sections of the National Internal Revenue Code are hereby renumbered accordingly.

SEC 6. Section 110(B) of the National Internal Revenue Code of 1997, as amended, is hereby further amended as follows:

"SEC. 110. Tax Credits.

"(A) Creditable Input Tax. - x x x.

"(B) Excess Output or Input Tax. - If at the end of any taxable quarter the output tax exceeds the input tax, the excess shall be paid by the VAT-registered person. If the input tax exceeds the output tax, the excess shall be carried over to the succeeding quarter or quarters.[: Provided, That the input tax inclusive of input VAT carried over from the pervious quarter that may be credited in every quarter shall not exceed seventy percent (70%) of the output VAT: Provided, however, That] A[a]ny input tax attributable to zero-rated sales by a VAT-registered person may at his option be refunded or credited against other internal revenue taxes, subject to the provisions of Section 112."

"x x x. "

SEC 7. *Implementing Rules and Regulations.* -The Secretary of Finance shall, upon recommendation of the Commissioner of Internal Revenue, promulgate within thirty (30) days from the date of approval of this Act, the rules and regulations necessary for the implementation of this Act.

SEC 8. *Separability Clause.* - If any provision of this Act is declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall continue to be in full force and effect.

SEC 9. *Repealing Clause.* - Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, iule or regulation contrary to, or inconsistent with any provision of this Act is hereby repealed or modified accordingly.

SEC 10. *Effectivity Clause.* -This Act shall take effect on January 01, 2008.

Approved,