

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

OFFICE OF THE SECRETARY

8 APR 29 2007

SENATE
S.B. No. 2217

RECEIVED BY: *JR*

Introduced by **HON. RAMON BONG REVILLA, JR.**

EXPLANATORY NOTE

Based on the National Statistics Office, October 2006-2007 Labor Force Survey, there are almost 36.7 million employed individuals in the country as of 2007, compared to the 32.9 million in 2006. Almost 48.9% belongs to the service sector, while 15.1% and 36% account for agriculture and industry (mining, manufacturing, etc) sectors, respectively.

Consequently, a big bulk of our workforce are wage and salary workers constituting 51.1%. With an increase in fuel prices, rising costs of commodities, higher water and electricity bills and unbridled rise in the cost of providing education, the so-called backbone of our economy are greatly affected. The hardest hit had been the minimum wage-earners and even less affluent sections of the middle class, who in recent years have experienced minimal improvements in their income. As one said – one's net take home pay can no longer take an employee home.

Hence, this proposed measure seeks to mitigate the economic difficulties that they are facing. An increased level of personal exemptions and exempting the minimum wage-earners from payment of tax will enable families to spend more on food and other basic needs.

Hence, passage of this bill is earnestly sought.


RAMON BONG REVILLA, JR.

| | |
|--|---|
| Over P30,000 but not over P70,000..... | P2,500+15% of the excess over P30,000 |
| Over P70,000 but not over P140,000..... | P8,500+20% of the excess over P70,000 |
| Over P140,000 but not over P250,000..... | P22,500+25% of the excess over P140,000 |
| Over P250,000 but not over P500,000..... | P50,000+30% of the excess over P250,000 |
| Over P500,000 | P125,000+34% of the excess over P500,000 in 1998. |

Provided, That effective January 1, 1999, the top marginal rate shall be thirty-three percent (33%) and effective January 1, 2000, the said rate shall be thirty-two percent (32%): **PROVIDED, FURTHER, THAT INDIVIDUALS WITH PURE COMPENSATION INCOME THAT DOES NOT EXCEED THE ANNUAL STATUTORY MINIMUM COMPENSATION ARE EXEMPT FROM PAYMENT OF INCOME TAX.**

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.

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

"SEC. 35. Allowance of Personal Exemption for Individual Taxpayers. -

(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 | [P20,000.00] P40,000.00 |
| For head of the family | [P25,000.00] P54,000.00 |
| For each married individual | [P32,000.00] P64,000.00 |

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

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

SECTION 3. Section 51(A)(2)(b) of the National Internal Revenue Code of 1997, as amended, is hereby amended to read as follows:

SEC. 51. Individual Returns.-

(A) Requirements.-

(2) *The following individuals shall not be required to file an income tax return:*

(a) An individual whose gross income does not exceed his total personal and additional exemptions for dependents under Section 35: *Provided*, That a citizen of the Philippines and any alien individual engaged in business or practice of profession within the Philippine shall file an income tax return, regardless of the amount of gross income;

(b) An individual with respect to pure compensation income, as defined in Section 32 (A)(1), derived from sources within the Philippines, the income tax on which has been correctly withheld under the provisions of Section 79 of this Code: *Provided*, That an individual deriving compensation concurrently from two or more employers at any time during the taxable year shall file an income tax return: *Provided, further*, That an individual whose compensation income derived from sources within the Philippines exceeds **THE STATUTORY MINIMUM WAGE, OR Sixty Thousand pesos (P60,000), WHICHEVER IS HIGHER**, shall also file an income tax return;

(c) xxx

(d) xxx

SECTION 4. *Separability Clause* – If for any reason any section or provision of this Act is declared unconstitutional, other provisions hereof which are not effected thereby shall continue to be in full force and effect.

SECTION 5. *Repealing Clause*. – Any laws, decrees, or rules and regulations which are inconsistent with or contrary to the provisions of this Act are hereby amended or repealed.

SECTION 6. *Effectivity Clause*. – This Act shall take effect upon its publication in at least two (2) national newspapers of general circulation.

Approved,