



HOUSE OF REPRESENTATIVES

H. No. 3971

BY REPRESENTATIVES BIAZON, ANGARA, SYJUCO, LIM, VILLAFUERTE, ROMUALDEZ, ARROYO (D.), DEL ROSARIO, BICHARA, ROMULO, SINGSON (E.), ARROYO (I.), RODRIGUEZ, TEODORO, CASIÑO, OCAMPO, BELTRAN, MAZA, ILAGAN, JAVIER, ALVAREZ (A.), TIENG, VELARDE, COSCOLUELLA, DEL MAR, SUSANO, ALMARIO, PABLO, CUA (G.), ABANTE, CODILLA, CHATTO, CHIPECO, LAZATIN, HATAMAN AND ROXAS, PER COMMITTEE REPORT NO. 451

AN ACT GRANTING TAX RELIEF FOR INDIVIDUAL TAXPAYERS BY REPEALING SECTION 34(L) AND AMENDING SECTIONS 22, 24, 34, 35 AND 79 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:

1 SECTION 1. Section 22 of the National Internal Revenue Code
2 (NIRC) of 1997, as amended, is hereby further amended by adding the
3 following definitions after Subsection (FF) to read as follows:

4 "SEC. 22. *Definitions.* – When used in this Title:

5 "x x x

6 "(FF) x x x

1 “(GG) THE TERM ‘SELF-EMPLOYED’ SHALL MEAN PERSONS
2 ENGAGED IN TRADE OR BUSINESS AND WHO DERIVED THEIR
3 PERSONAL INCOME FROM SUCH TRADE OR BUSINESS. THIS
4 INCLUDES SINGLE PROPRIETORSHIPS SUCH AS, BUT NOT LIMITED
5 TO, MANUFACTURERS, TRADERS, MARKET VENDORS, FARMERS
6 AND OWNERS OF EATERIES AND SERVICE SHOPS.

7 “(HH) THE TERM ‘PROFESSIONALS’ SHALL MEAN PERSONS
8 WHO DERIVE THEIR INCOME FROM THE PRACTICE OF THEIR
9 PROFESSION. THIS INCLUDES LAWYERS AND OTHER PERSONS
10 WHO ARE REGISTERED WITH THE PROFESSIONAL REGULATION
11 COMMISSION SUCH AS DOCTORS, DENTISTS, CERTIFIED PUBLIC
12 ACCOUNTANTS, ARCHITECTS AND OTHERS SIMILARLY SITUATED.
13 THE TERM ‘PROFESSIONALS’ SHALL ALSO REFER TO THOSE WHO
14 PURSUE AN ART OR SPORTS AND MAKE THEIR LIVING
15 THEREFROM SUCH AS ATHLETES AND OTHERS SIMILARLY
16 SITUATED.

17 “(II) THE TERM ‘MINIMUM WAGE EARNER’ SHALL REFER TO
18 A WORKER PAID AT THE STATUTORY MINIMUM WAGE RATE
19 FIXED BY THE REGIONAL TRIPARTITE WAGE AND
20 PRODUCTIVITY BOARD, AS DEFINED BY THE BUREAU OF LABOR
21 AND EMPLOYMENT STATISTICS (BLES) OF THE DEPARTMENT
22 OF LABOR AND EMPLOYMENT.”

23 SEC. 2. Section 24 of the NIRC of 1997, as amended, is hereby
24 further amended to read as follows:

25 “SEC. 24. *Income Tax Rates.* –

26 “(A) *Rates of Income Tax on Individual Citizen and Individual*
27 *Resident Alien of the Philippines.* –

28 “(1) x x x

29 “x x x

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

6 “(2) *RATES OF TAX ON TAXABLE INCOME OF INDIVIDUALS.* –

7 The tax shall be computed in accordance with and at the rates
8 established in the following schedule:

9	“Not over P10,000.....	5%
10	“Over P10,000 but not over P30,000.....	P500+10% of the
11		excess over P10,000
12	“Over P30,000 but not over P70,000.....	P2,500+15% of the
13		excess over P30,000
14	“Over P70,000 but not over P140,000.....	P8,500+20% of the
15		excess over P70,000
16	“Over P140,000 but not over P250,000.....	P22,500+25% of the
17		excess over P140,000
18	“Over P250,000 but not over P500,000.....	P50,000+30% of the
19		excess over P250,000
20	“Over P500,000.....	P125,000+[34%] 32%
21		of the excess over
22		P500,000 [in 1998.]

23 [“*Provided*, That effective January 1, 1999, the top marginal
24 rate shall be thirty-three percent (33%) and effective January 1,
25 2000, the said rate shall be thirty-two percent (32%).]

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

1 the spouses for the purpose of determining their respective taxable
2 income.

3 *“PROVIDED, THAT COMPENSATION INCOME EARNERS*
4 *EMPLOYED IN THE PRIVATE SECTOR WHO ARE RECEIVING THE*
5 *STATUTORY MINIMUM WAGE RATE AND THOSE IN THE PUBLIC*
6 *SECTOR WHO ARE OCCUPYING POSITIONS WITH EQUIVALENT*
7 *SALARY LEVEL SHALL BE EXEMPT FROM THE PAYMENT OF*
8 *INCOME TAX ON THEIR TAXABLE INCOME.*

9 *“(3) SIMPLIFIED NET INCOME TAX FOR THE SELF-*
10 *EMPLOYED ENGAGED IN TRADE/BUSINESS AND FOR*
11 *PROFESSIONALS ENGAGED IN THE PRACTICE OF PROFESSION. –*
12 *AN INCOME TAX FOLLOWING THE PRESCRIBED RATE FOR*
13 *INDIVIDUALS UNDER THE PRECEDING PARAGRAPH IS HEREBY*
14 *IMPOSED UPON THE TAXABLE INCOME DERIVED DURING EACH*
15 *TAXABLE YEAR FROM ALL SOURCES WITHIN AND WITHOUT THE*
16 *PHILIPPINES BY AN INDIVIDUAL RESIDENT CITIZEN AND FROM*
17 *ALL SOURCES WITHIN THE PHILIPPINES BY AN INDIVIDUAL*
18 *NONRESIDENT CITIZEN AND INDIVIDUAL RESIDENT ALIEN*
19 *ENGAGED IN TRADE, BUSINESS OR PRACTICE OF PROFESSION.*

20 “x x x.”

21 SEC. 3. Section 34 of the NIRC of 1997, as amended, is hereby
22 further amended to read as follows:

23 *“SEC. 34. Deductions from Gross Income. – Except for*
24 *taxpayers earning compensation income arising from personal*
25 *services rendered under an employer-employee relationship where*
26 *no deductions shall be allowed under this Section other than under*
27 *Subsection (M) hereof, in computing taxable income subject to*
28 *income tax under Sections [24(A);] [25(A);] [26;] 27(A), (B) and*
29 *(C);] and 28(A)(1), there shall be allowed [the following] AS*

1 deductions from gross income[.] THE ITEMS SPECIFIED IN
2 PARAGRAPHS (A) TO (J) OF THIS SECTION: *PROVIDED,*
3 *HOWEVER,* THAT IN COMPUTING TAXABLE INCOME SUBJECT TO
4 TAX UNDER SECTION 24(A)(3) IN THE CASE OF INDIVIDUALS
5 ENGAGED IN TRADE, BUSINESS OR PRACTICE OF PROFESSION,
6 ONLY THE FOLLOWING DEDUCTIONS SHALL BE ALLOWED:

7 “(A) A REASONABLE ALLOWANCE FOR SALARIES OF
8 OFFICIALS AND RANK-AND-FILE EMPLOYEES OCCUPYING
9 ADMINISTRATIVE AND SELLING POSITIONS;

10 “(B) A REASONABLE ALLOWANCE FOR SUPPLIES,
11 TELECOMMUNICATIONS, ELECTRICITY, FUEL, LIGHT AND
12 WATER;

13 “(C) A REASONABLE ALLOWANCE FOR RENTALS AND/OR
14 PAYMENTS WHICH ARE REQUIRED AS CONDITION FOR THE
15 CONTINUED USE OR POSSESSION, FOR PURPOSES OF THEIR
16 TRADE, BUSINESS OR PROFESSION, OF PROPERTY TO WHICH THE
17 TAXPAYER HAS NOT TAKEN OR IS NOT TAKING TITLE OR IN
18 WHICH HE HAS NO EQUITY OTHER THAN THAT OF A LESSEE,
19 USER OR POSSESSOR;

20 “(D) INTEREST PAID OR ACCRUED WITHIN A TAXABLE
21 YEAR ON LOANS CONTRACTED FROM ACCREDITED FINANCIAL
22 INSTITUTIONS WHICH MUST BE PROVEN TO HAVE BEEN
23 INCURRED IN CONNECTION WITH THE CONDUCT OF A
24 TAXPAYER’S TRADE, BUSINESS OR PROFESSION.

25 “(E) TAXES PAID OR INCURRED WITHIN THE TAXABLE YEAR
26 IN CONNECTION WITH THE TAXPAYER’S TRADE, BUSINESS OR
27 PROFESSION EXCEPT:

28 “(1) THE INCOME TAX PROVIDED FOR UNDER THIS TITLE;

1 “(2) INCOME TAXES IMPOSED BY AUTHORITY OF ANY
2 FOREIGN COUNTRY;

3 “(3) ESTATE AND DONOR'S TAXES; AND

4 “(4) TAXES ASSESSED AGAINST LOCAL BENEFITS OF A KIND
5 TENDING TO INCREASE THE VALUE OF THE PROPERTY ASSESSED.

6 “(F) A REASONABLE ALLOWANCE FOR DEPRECIATION FOR
7 THE EXHAUSTION, WEAR AND TEAR OF PROPERTY USED IN THE
8 TAXPAYER'S TRADE, BUSINESS OR PROFESSION;

9 “(G) CONTRIBUTION MADE TO THE GOVERNMENT AND
10 ACCREDITED RELIEF ORGANIZATIONS FOR THE REHABILITATION
11 OF CALAMITY STRICKEN AREAS DECLARED BY THE PRESIDENT;
12 OR

13 “(H) AN OPTIONAL STANDARD DEDUCTION EQUIVALENT TO
14 FORTY PERCENT (40%) OF HIS GROSS SALES OR RECEIPTS, AS
15 APPLICABLE. UNLESS THE TAXPAYER SIGNIFIES IN HIS RETURN
16 HIS INTENTION TO ELECT THE OPTIONAL STANDARD DEDUCTION,
17 HE SHALL BE CONSIDERED AS HAVING AVAILED HIMSELF OF THE
18 DEDUCTIONS PRESCRIBED UNDER THIS SECTION. SUCH
19 ELECTION WHEN MADE IN THE RETURN SHALL BE IRREVOCABLE
20 FOR THE TAXABLE YEAR FOR WHICH THE RETURN IS MADE:
21 *PROVIDED, FURTHER, THAT AN INDIVIDUAL WHO IS ENTITLED TO*
22 *AND CLAIMED FOR THE OPTIONAL STANDARD DEDUCTION SHALL*
23 *NOT BE REQUIRED TO SUBMIT WITH HIS TAX RETURN SUCH*
24 *FINANCIAL STATEMENTS OTHERWISE REQUIRED UNDER THIS*
25 *CODE: PROVIDED, FINALLY, THAT EXCEPT WHEN THE*
26 *COMMISSIONER OTHERWISE PERMITS, THE SAID INDIVIDUAL*
27 *SHALL KEEP SUCH RECORDS PERTAINING TO HIS GROSS*
28 *SALES/RECEIPTS DURING THE TAXABLE YEAR, AS MAY BE*
29 *REQUIRED BY THE RULES AND REGULATIONS PROMULGATED BY*

1 THE SECRETARY OF FINANCE, UPON THE RECOMMENDATION OF
2 THE COMMISSIONER.

3 "x x x."

4 SEC. 4. Subsection (L) of Section 34 of the NIRC of 1997, as
5 amended, is hereby repealed.

6 SEC. 5. Section 35 of the NIRC of 1997, as amended, is hereby
7 further amended to read as follows:

8 "SEC. 35. *Allowance of Personal Exemption for Individual*
9 *Taxpayer.* --

10 "(A) *In General.* -- For purposes of determining the tax
11 provided in Section 24(A) of this Title, there shall be allowed a
12 basic personal exemption [as follows:] AMOUNTING TO FIFTY
13 THOUSAND PESOS (P50,000) FOR EACH WORKING MARRIED OR
14 SINGLE INDIVIDUAL OR HEAD OF FAMILY.

15 ["For single individual or married
16 individual judicially decreed as
17 legally separated with no
18 qualified dependents..... P20,000]

19 ["For head of family..... P25,000]

20 ["For each married individual..... P32,000]

21 "x x x

22 "(B) *Additional Exemption for Dependents.* -- There shall be
23 allowed an additional exemption of [Eight thousand pesos
24 (P8,000)] TWENTY-FIVE THOUSAND PESOS (P25,000) for each
25 dependent not exceeding four (4)[.]: *PROVIDED*, A FOURTH CHILD
26 BORN AFTER DECEMBER 31, 2010 AND A THIRD CHILD BORN

1 AFTER DECEMBER 31, 2012 SHALL NOT BE CLAIMED AS
2 DEPENDENTS.

3 "x x x."

4 SEC. 6. Section 79 of the NIRC of 1997, as amended, is hereby
5 further amended to read as follows:

6 "SEC. 79. *Income Tax Collected at Source.* –

7 "(A) *Requirement of Withholding.* – Every employer making
8 payment of wages shall deduct and withhold upon such wages a tax
9 determined in accordance with the rules and regulations to be
10 prescribed by the Secretary of Finance, upon recommendation of
11 the Commissioner: *Provided, however,* That no withholding of a
12 tax shall be required where the [total] GROSS ANNUAL
13 compensation income of an individual does not exceed the
14 statutory minimum wage OR ITS EQUIVALENT IN THE PUBLIC
15 SECTOR], or Five thousand pesos (P5,000.00) per month,
16 whichever is higher] OR THE TOTAL PERSONAL AND ADDITIONAL
17 EXEMPTIONS.

18 "x x x."

19 SEC. 7. *Separability Clause.* – If any provision of this Act is
20 declared invalid or unconstitutional, other provisions hereof which are not
21 affected thereby shall continue to be in full force and effect.

22 SEC. 8. *Repealing Clause.* – Any law, presidential decree or
23 issuance, executive order, letter of instruction, administrative order, rule or
24 regulation contrary to or inconsistent with any provision of this Act is
25 hereby repealed or modified accordingly.

1 SEC. 9. *Effectivity Clause.* – This Act shall take effect fifteen (15)
2 days after its publication in the *Official Gazette* or in at least two (2)
3 national newspapers of general circulation, whichever date comes earlier.

Approved,

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