

SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Third Regular Session)



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SENATE
S.B. No. 3003

RECEIVED BY: W

Introduced by Senator Sonny Angara

AN ACT
AMENDING SECTION 24 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997,
AS AMENDED, AND FOR OTHER PURPOSES

Our Constitution mandates that the "rule of taxation shall be uniform and equitable,"¹ and that the "Congress shall evolve a progressive system of taxation"² wherein the tax rates imposed must be based on the person's ability to pay. Unfortunately, individual income tax rates and brackets in the country have remained unchanged since 1997 even when the consumer price index has more than doubled while inflation rate has steadily risen. Both factors have substantially decreased the purchasing power of ordinary Filipinos.

Given our outdated and inequitable tax system, middle-income earners are already at the top tax bracket and are paying the same tax rate as the billionaires in the country. This phenomenon is called "bracket creep" where taxpayers who are not considered high earning are already pushed into high brackets. This bracket creep would lead to "fiscal drag" where people will not have any purchasing power left to contribute to the economy due to excessive taxation.

If we leave our brackets without provisions for indexation or automatic adjustment, at some point, even our young graduates who have just entered the workforce will fall into this highest bracket. If the status quo remains, the middle class will continue to be pulled down into lower-income groups despite an increase in their salaries because they are pushed up into higher tax brackets.

¹ Art. VI, Sec. 28, 1987 Philippine Constitution

² *Id.*

This bill, which aims to update and amend our tax system, is also in line with the Philippines' commitment to the ASEAN Economic Community (AEC) Blueprint that would transform ASEAN into a single market and production base. While the ASEAN Blueprint does not mandate member countries to amend their income tax schedules, it is highly expected that human capital would flow to where it could earn best. When the AEC Declaration was signed in 2007, some member-states began to lower their corporate and individual income tax rates, with further reductions in the subsequent years.

At present, the Philippines has the second highest individual income tax rate in the region at 32 percent next to Thailand and Vietnam's 35 percent. In order for the Philippines to become more competitive in the region, attract human capital and prevent the migration of our own, it is imperative that we maintain the progressivity of our income tax system.

Our main objective is to build our middle class and help Filipino families—the foundation of our society. With bigger take-home pay, the family can spend more on their basic necessities, and can save more for their future.

Taxation is not just a way for the government to raise revenue, it is also a means to build a more humane and just society, and to ensure upward mobility. In a highly unequal society like ours, genuine tax reform that ensures progressive taxation and income redistribution would promote social justice and would lead to greater equity and economic growth.

In view of the foregoing, immediate approval of this bill is earnestly sought.



SONNY ANGARA

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Introduced by SENATOR SONNY ANGARA

AN ACT
AMENDING SECTION 24 OF THE NATIONAL INTERNAL REVENUE CODE
OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

1 SECTION 1. Section 24(A)(2) of the National Internal Revenue Code of 1997, as
2 amended, is hereby further amended to read as follows:

3 "Sec. 24. Income Tax Rates. -

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

6 "(1) An income tax is hereby imposed:

7 x x x

8 "(2) Rates of Tax on Taxable Income of Individuals. - The tax shall be computed
9 in accordance with and at the rates established in the following schedule:

11 "NOT OVER P23,000	5%
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13 "OVER P23,000 BUT NOT OVER P68,000	P1,100 + 10% OF
14	THE EXCESS OVER P23,000
15	
16 "OVER P68,000 BUT NOT OVER P160,000	P5,600 + 15% OF
17	THE EXCESS OVER P68,000
18	
19 "OVER P160,000 BUT NOT OVER P320,000	P19,400 + 20% OF
20	THE EXCESS OVER P160,000
21	
22 "OVER P320,000 BUT NOT OVER P570,000	P51,400 + 25% OF
23	THE EXCESS OVER P320,000
24	
25 "OVER P570,000 BUT NOT OVER P1,200,000	P114,000 + 30% OF
26	THE EXCESS OVER P570,000
27	
28 "OVER P1,200,000	P300,000 + 32% OF
29	THE EXCESS OVER P1,200,000

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

8 "*Provided*, That minimum wage earners as defined in Section 22 (HH) of this
9 Code shall be exempt from the payment of income tax on their taxable income: *Provided*,
10 *further*, That the holiday pay, overtime pay, night shift differential pay and hazard pay
11 received by such minimum wage earners shall likewise be exempt from income tax.

12 (3) ADJUSTMENTS IN THE TAX SCHEDULE SO THAT INFLATION WILL
13 NOT RESULT IN TAX INCREASES.

14 (A) IN GENERAL. - FOR EVERY THREE (3) TAXABLE YEARS BEGINNING
15 ON OR AFTER JANUARY 1, 2016, THE PRESIDENT OF THE PHILIPPINES
16 SHALL PRESCRIBE TAX SCHEDULE WHICH SHALL APPLY IN LIEU OF THE
17 TAX SCHEDULE CONTAINED IN SUBSECTION (2).

18 (B) METHOD OF PRESCRIBING THE SCHEDULE. - THE SCHEDULE WHICH
19 UNDER PARAGRAPH (A) IS TO APPLY IN LIEU OF THE SCHEDULE
20 CONTAINED IN SUBSECTION (2), SHALL BE PRESCRIBED -

21 (1) BY INCREASING THE MINIMUM AND MAXIMUM PESO
22 AMOUNTS FOR EACH RATE BRACKET FOR WHICH A TAX IS
23 IMPOSED TO ITS PRESENT VALUE USING THE CONSUMER PRICE
24 INDEX (CPI) FOR SUCH CALENDAR YEAR, AS PUBLISHED BY THE
25 PHILIPPINE STATISTICS AUTHORITY (PSA). *PROVIDED*, THAT IN
26 THE EVENT THAT SAID AUTHORITY SHALL CEASE TO PUBLISH
27 SAID INDEX FIGURE, THEN ANY SIMILAR INDEX BY ANY OTHER
28 DEPARTMENT, BUREAU OR OFFICE OF THE GOVERNMENT SHALL
29 BE USED IN ITS PLACE;

30 (2) BY NOT CHANGING THE RATE APPLICABLE TO ANY RATE
31 BRACKET AS ADJUSTED UNDER SUBPARAGRAPH (1); AND

32 (3) BY ADJUSTING THE AMOUNTS SETTING FORTH THE TAX TO
33 THE EXTENT NECESSARY TO REFLECT THE ADJUSTMENTS IN THE
34 RATE BRACKETS.

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x x x

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SEC. 2. Implementing Rules and Regulations. - The Secretary of Finance shall promulgate the necessary rules and regulations for the faithful and effective implementation of the provisions of this Act: Provided, That, the failure of the Secretary of Finance to promulgate the said rules and regulations shall not prevent the implementation of this Act upon its effectivity.

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SEC. 3.Repealing Clause. - All laws, orders, issuances, circulars, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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SEC. 4.Separability Clause. - If any provision of this Act is declared unconstitutional or invalid, other parts or provisions hereof not affected thereby shall continue to be in full force and effect.

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SEC. 5. Effectivity. - This Act shall become operative and apply on the taxable years beginning on or after January 1, 2016 following its publication in at least two (2) newspapers of general circulation.

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Approved,