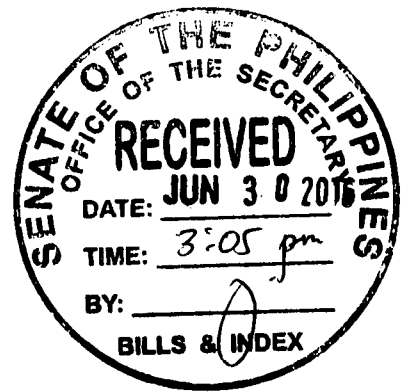


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

SENATE

S. No. 67



Introduced by Senator Ralph G. Recto

AN ACT
ADJUSTING THE LEVELS OF NET TAXABLE INCOME AND NOMINAL TAX RATES
FOR PURPOSES OF COMPUTING THE INDIVIDUAL INCOME TAX, AMENDING
SECTION 24(A)(2) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS
AMENDED, AND FOR OTHER PURPOSES

Explanatory Note

The steady increase in the prices of consumer goods and services in the country over the years hinders most Filipinos in meeting the demands of daily living. In fact, the rate of inflation of all commodity groups as measured by the Consumer Price Index from 1998 to May 2016 has more than doubled at 110%, that is, a basket of goods worth P100 in 1998 already costs P210 in 2016. This rise in commodity prices has undoubtedly weakened the purchasing power of our people's hard-earned money.

Income-earning individuals not only have to deal with the weakening effects of inflation but also with the huge deductions in their salaries, one of which is due to income tax.

This bill seeks to amend Section 24 of the National Internal Revenue Code of 1997, as amended, by adjusting the levels of net taxable income and nominal tax rates for purposes of computing the individual income tax, based on 2016 prices.

The adjustments come nineteen years after the amendments were last introduced in 1997 and saw the Consumer Price Index moving upward in steady fashion. Sans a CPI-adjusted tax levels and rates, the increases in income enjoyed by salaried individuals to keep them in step with inflation every year push these taxpayers into higher tax brackets, leading them to pay more taxes than they should have.

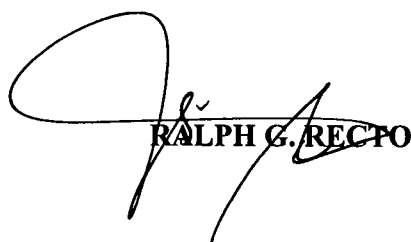
This "bracket creep" is a result of income taxes growing faster than income does despite the fact that Congress has not legislated laws increasing income taxes, and despite the fact that Congress has even enacted a law in favor of minimum wage earners.

This bill also proposes to automatically index the net taxable income levels and nominal tax rates to inflation every six years without need for legislative action. This would perpetuate equity in the tax system and help ensure that the tax system treats people the same way from year to year.

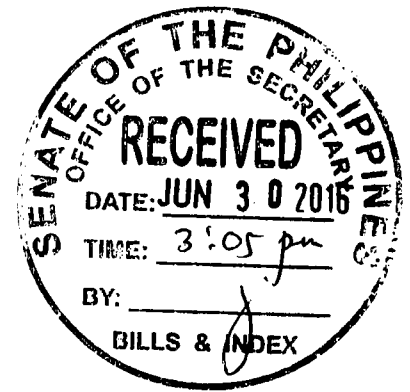
It is high time that we enable disposable income to be at par with the increasing commodity prices. These proposals would not only address financial difficulties and provide for a better standard of living to our citizens but will also stimulate economic activity through increased spending and consumption.

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

lejcv


RALPH G. RECTO

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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 amended,
2 is hereby further amended to read as follows:

3 “Sec. 24. *Income Tax Rates.* –

4 “(A) x x x

5 “(2) *Rates of Tax on Taxable Income of Individuals.* – The tax shall be computed
6 in accordance with and at the rates established in the following schedule:

7 [Not over P10,000	5%]
8 [P10,000 to P30,000	P500 + 10% of the excess over P10,000]
9 [P30,000 to P70,000	P2,500 + 15% of the excess over P30,000]
10 [P70,000 to P140,000	P8,500 + 20% of the excess over P70,000]
11 [P140,000 to P250,000	P22,500+ 25% of the excess over P140,000]
12 [P250,000 to P500,000	P50,000 + 30% of the excess over P250,000]
13 [Over P500,000	P125,000 + 32% of the excess over P500,000]
14	
15 NOT OVER P25,000	5%
16 P25,000 TO P65,000	P1,250 + 10% OF THE EXCESS OVER P25,000
17 P65,000 TO P150,000	P5,250 + 15% OF THE EXCESS OVER P65,000
18 P150,000 TO P300,000	P18,000 + 20% OF THE EXCESS OVER P150,000
19 P300,000 TO P540,000	P48,000 + 25% OF THE EXCESS OVER P300,000
20 P540,000 TO P1,100,000	P108,000 + 30% OF THE EXCESS OVER P540,000
21 OVER P1,100,000	P276,000 + 32% OF THE EXCESS OVER P1,100,000

22
23 “x x x

1 **“PROVIDED, FINALLY, THAT NOT LATER THAN SIX (6) YEARS**
2 **AFTER THE EFFECTIVITY OF THIS ACT AND EVERY SIX (6) YEARS**
3 **THEREAFTER, THE NET TAXABLE INCOME LEVELS AND**
4 **NOMINAL TAX RATES HEREIN STATED SHALL BE ADJUSTED TO**
5 **ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX (CPI),**
6 **AS PUBLISHED BY THE PHILIPPINE STATISTICAL AUTHORITY**
7 **(PSA).”**

8 **SEC. 2. *Implementing Rules and Regulations (IRR).*** - Within sixty (60) days upon approval
9 of this Act, the Secretary of Finance shall issue the IRR for the effective implementation of this
10 Act within thirty (30) days from the effectivity thereof.

11 **SEC. 3. *Separability Clause.*** - If any provision of this Act is declared unconstitutional or
12 invalid, other parts or provisions hereof not affected thereby shall continue to be in full force and
13 effect.

14 **SEC. 4. *Repealing Clause.*** - All laws, orders, issuances, circulars, rules and regulations or
15 parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified
16 accordingly.

17 **SEC. 5. *Effectivity.*** - This Act shall take effect fifteen (15) days after its publication in the
18 *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,