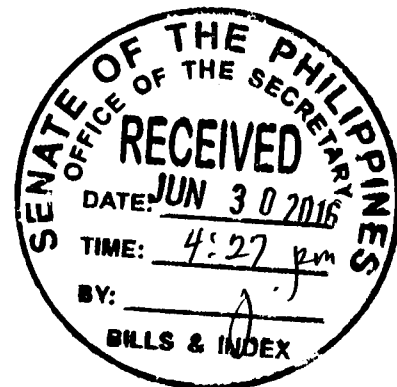


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE

Senate Bill No. 124

Introduced by Senator Juan Miguel F. Zubiri

AN ACT
INCREASING THE ALLOWABLE PERSONAL AND ADDITIONAL EXEMPTIONS
OF INDIVIDUAL TAXPAYERS, AMENDING FOR THE PURPOSE SECTION 35 (A)
AND (B) OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE
NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR
OTHER PURPOSES

EXPLANATORY NOTE

By virtue of Republic Act No. 9504, mandatory deductions allowed to individual citizens in the Philippines were increased, regardless of status, in the amount of P50,000 and additional mandatory deduction of P25,000 for each qualified dependent child up to maximum of four (4) qualified dependent children. Citing a Supreme Court decision¹, "personal exemptions are the theoretical personal, living and family expenses of an individual allowed to be deducted from the gross or net income of an individual taxpayer. These are arbitrary amounts which have been calculated by our lawmakers to be roughly equivalent to the minimum of subsistence, taking into account the personal status and additional qualified dependents of the taxpayer."

The same Supreme Court decision said that these allowable deductions "are fixed amounts in the sense that the amounts have been predetermined by our lawmakers as provided under Section 35 (A) and (B) of the Tax Code. Unless and until our lawmakers make new adjustments on these personal exemptions, the amounts allowed to be deducted by a taxpayer are fixed as predetermined by Congress."

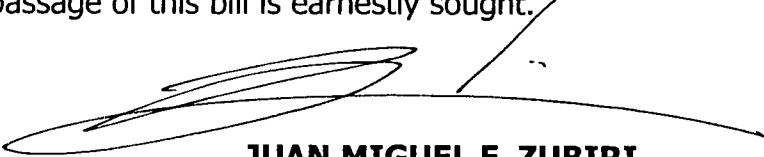
It is, thus, the duty of Congress to review the levels of these allowable deductions and assess whether they still meet the demands of the increase cost of living. These exemptions were last adjusted in 2008. Moreover, the Philippines has not adjusted its personal income tax system since 1998 even when inflation has eroded the income tax brackets. A great deal of the measly income of Filipinos as a result goes to tax payments.

This proposed measure seeks to amend Section 35 (A) and (B) of the National Internal Revenue Code of 1997, as amended, by increasing the current levels of personal and additional exemptions for individual taxpayers so they can retain additional portion of their hard earned income to spend on food, housing, transportation, health, education and other basic necessities. While this may have negative impact on the fiscal position of the government, the additional purchasing power is expected to boost consumption spending and consequently, spur economic

¹ Carmelino F. Pansacola v. Commissioner of Internal Revenue, G.R. No. 159991, 16 November 2016

activities in the country.

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

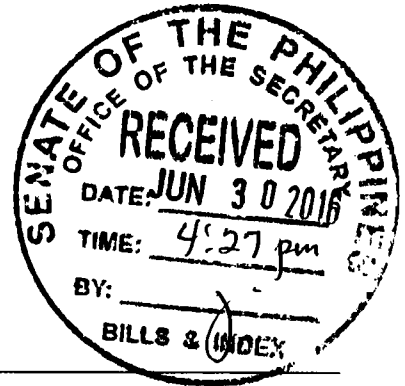
A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

JUAN MIGUEL F. ZUBIRI

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

SECTION 1. 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 amounting to [Fifty Thousand Pesos (P50,000)] **ONE HUNDRED THOUSAND PESOS (P100,000)** for each individual taxpayer.

"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.

"**(B) Additional Exemption for Dependents.** - There shall be allowed an additional exemption of [Twenty-five thousand pesos (P25,000)] **FIFTY THOUSAND PESOS (P50,000)** for each dependent not exceeding four (4).

"The additional exemption for dependent 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 shall not exceed the maximum additional exemptions herein allowed.

"For purposes of this Subsection, 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 or physical defect.”

“(C)

“(D)

“(E) NOT LATER THAN SIX (6) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY SIX (6) YEARS THEREAFTER, THE ALLOWABLE DEDUCTIONS HEREIN STATED SHALL BE ADJUSTED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY. (PSA)”

SECTION 2. 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. SECTION.

SECTION 3. Repealing Clause. - All provisions of law, orders, decrees, executive orders, including rules and regulations or parts thereof which are contrary to or inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION. 4. Effectivity Clause. - This Act shall take effect fifteen (15) days following its publication in the Official Gazette or at least two (2) national newspapers of general circulation.

Approved,