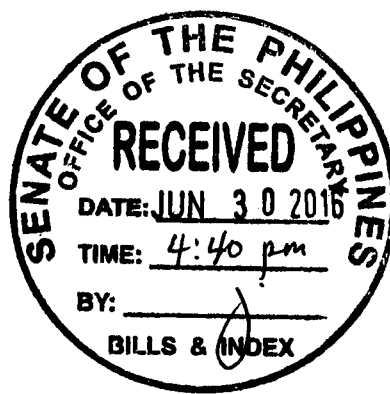


SEVENTEENTH CONGRESS OF)
THE REPUBLIC OF THE PHILIPPINES)
First Regular Session)

SENATE
S.B. No. 129



Introduced by SENATOR SONNY ANGARA

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

EXPLANATORY NOTE

Our Constitution mandates that the "rule of taxation shall be uniform and equitable," and that the "Congress shall evolve a progressive system of taxation" 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Given our outdated and inequitable tax system, middle-income earners are already at the top tax bracket and are paying the same tax rate as the billionaires in the country.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.

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.

This bill also aims to make the tax table consistent with RA 9504 which exempts the income of the minimum wage earners from income taxes. Thus, this bill sets the lowest tax bracket at P70,000 taxable income taking into consideration the prevailing minimum wage.

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.

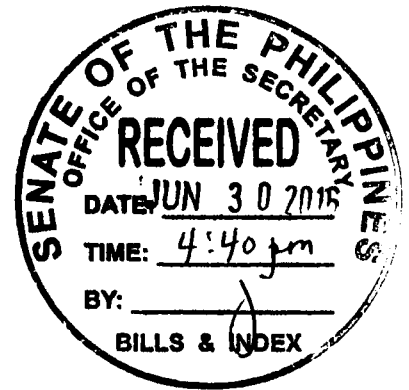
Our main objective is to build our middle class and help Filipino families—the foundation of our society. With bigger take-home pay, the family can spend more on their basic necessities, and can save more for their future.

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



SENATE

S.B. No. 129

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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 amended, is
2 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
9 computed in accordance with and at the rates established in the following
10 schedule:

TAXABLE INCOME	TAX RATE
NOT OVER 70,000	0%
OVER P70,000 BUT NOT OVER P175,000	15%
OVER P175,000 BUT NOT OVER P350,000	P26,250 + 20% OF EXCESS OVER P175,000
OVER P350,000 BUT NOT OVER P625,000	P61,250 + 25% OF EXCESS OVER P350,000
OVER P625,000 BUT NOT OVER P1,250,000	P130,000 + 30% OF EXCESS OVER P625,000
ABOVE P1,250,000	P317,500 + 32% OF EXCESS OVER P1,250,000

11 "For married individuals, the husband and wife, subject to the provision of
12 Section 51 (D) hereof, shall compute separately their individual income tax based on
13 their respective total taxable income: Provided, That if any income cannot be definitely

1 attributed to or identified as income exclusively earned or realized by either of the
2 spouses, the same shall be divided equally between the spouses for the purpose of
3 determining their respective taxable income.

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

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

11 (A) IN GENERAL. - FOR EVERY THREE (3) TAXABLE YEARS AFTER THE
12 EFFECTIVITY OF THIS ACT, THE PRESIDENT OF THE PHILIPPINES SHALL
13 PRESCRIBE TAX SCHEDULE WHICH SHALL APPLY IN LIEU OF THE TAX
14 SCHEDULE CONTAINED IN SUBSECTION (2).

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

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

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

29 (3) BY ADJUSTING THE AMOUNTS SETTING FORTH THE TAX TO
30 THE EXTENT NECESSARY TO REFLECT THE ADJUSTMENTS IN THE
31 RATE BRACKETS.

32
33 **SEC. 2. Implementing Rules and Regulations.** The Secretary of Finance shall promulgate the
34 necessary rules and regulations for the faithful and effective implementation of the provisions of
35 this Act: *Provided,* That, the failure of the Secretary of Finance to promulgate the said rules and
36 regulations shall not prevent the implementation of this Act upon its effectivity.

37
38 **SEC. 3. Repealing Clause.** All laws, orders, issuances, circulars, rules and regulations or parts
39 thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified
40 accordingly.

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

4

5 **SEC. 5. Effectivity.** This Act shall become operative and apply on the taxable years beginning
6 on or after January 1, 2017 following its publication in at least two (2) newspapers of general
7 circulation.

8

9 Approved,