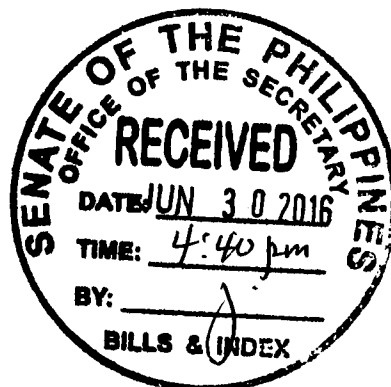


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE

S.B. No. 130

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

This bill seeks to amend Section 24 of the National Internal Revenue Code of 1997, as amended, by adjusting the individual income tax brackets and reducing the rates of individual income tax beginning January 1, 2017.

Article VI, Section 28 (1) of the 1987 Constitution provides that "the rule of taxation shall be uniform and equitable" and for Congress to "evolve a progressive system of taxation" wherein the tax rates imposed must be based on the person's ability to pay. However, after almost two decades, our individual income tax bracket has remained unchanged while the consumer price index (CPI) has more than doubled already. Bracket creep has pushed middle-income earners to higher tax brackets even without any "real" increase in their income. Our outdated, unfair and oppressive tax system has burdened our taxpayers for so long.

The bill is part of a twin measure to reduce the country's income tax rates for individuals and corporations in preparation for the Association of South East Asian Nations (ASEAN) Integration. 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. Next to Thailand and Vietnam, the Philippines has the highest top rate at 32-percent. 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.

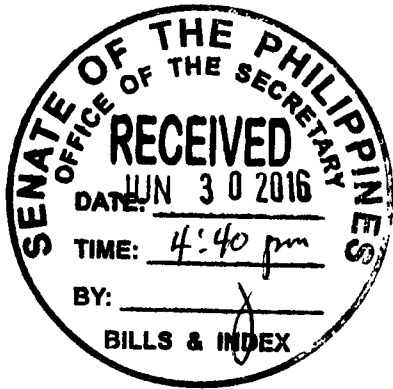
This bill aims to lower income tax rates across-the-board, reducing the highest tax rate from 32 to 25 percent by 2019, and to compress the tax brackets from seven to five. It also aims to make the tax table consistent with RA 9504 which exempts the income of the minimum wage earners from income taxes. Thus, this bill sets the lowest tax bracket at P70,000 taxable income taking into consideration the prevailing minimum wage.

The measure also spreads the reduction over a period of three years in order to buffer the revenue impact of the individual income bracket adjustments and the reduction of individual income tax rates. It further provides for indexation or automatic adjustment of the tax schedule every three years using the CPI so that inflation will not result in tax increases.

It must be stressed that 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. 130

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:

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

"Sec. 24. Income Tax Rates. -

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

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

TAXABLE INCOME	BEGINNING JANUARY 1, 2017	BEGINNING JANUARY 1, 2018	BEGINNING JANUARY 1, 2019
NOT OVER P70,000	0%	0%	0%
OVER 70,000 BUT NOT OVER P200,000	15%	13%	10%
OVER P200,000 BUT NOT OVER P500,000	P30,000+ 20% of the excess over P200,000	P26,000 + 18% of the excess over P200,000	P20,000 + 15% of the excess over P200,000
OVER P500,000 BUT NOT OVER P1,000,000	P90,000 + 25% of the excess over P500,000	P80,000 + 23% of the excess over P500,000	P65,000 + 20% of the excess over P500,000
OVER P1,000,000	P215,000 + 32% of the excess over P1,000,000	P195,000 + 28% of the excess over P1,000,000	P165,000 + 25% of the excess over P1,000,000

PROVIDED, THAT EVERY THREE (3) YEARS AFTER THE
EFFECTIVITY OF THIS ACT, THE PRESIDENT OF THE PHILIPPINES

1 SHALL ADJUST THE AMOUNTS HEREIN STATED TO ITS PRESENT
2 VALUE USING THE CONSUMER PRICE INDEX (CPI), AS PUBLISHED
3 BY THE PHILIPPINE STATISTICS AUTHORITY (PSA)."
4

5	"[Not over P10,000.....	5%
6	"Over P10,000 but not over.....	P500 + 10% of the excess
7	P30,000	over P10,000
8	"Over P30,000 but not over	P2,500 + 15% of the excess
9	P70,000	over P30,000
10	"Over P70,000, but not over.....	P8,500 + 20% of the excess
11	P140,000	over P70,000
12	"Over P140,000, but not over	P22,500 + 25% of the
13	P250,000	excess over P140,000
14	"Over P250,000, but not over.....	P50,000 + 30% of the
15	P500,000	excess over P250,000
16	"Over P500,000	P125,000 + 32% of the
17		excess over P500,000]"

18 "xxx
19 "xxx.
20

21 **SEC. 2. Implementing Rules and Regulations.** The Secretary of Finance shall promulgate the
22 necessary rules and regulations for the effective implementation of the provisions of this Act.
23

24 **SEC. 3. Repealing Clause.** All laws, orders, issuances, circulars, rules and regulations or parts
25 thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified
26 accordingly.
27

28 **SEC. 4. Separability Clause.** If any provision of this Act is declared unconstitutional or invalid,
29 other parts or provisions hereof not affected thereby shall continue to be in full force and effect.
30

31 **SEC. 5. Effectivity.** This Act shall take effect on January 1, 2017 following its publication in at
32 least two (2) newspapers of general circulation.
33

34 Approved,