SEVENTEENTH CONGRESS REPUBLIC OF THE PHILIPPINES

First Regular Session

16 JUL 18 P6:03

SENATE

s. B. No. 388



Introduced by SENATOR LOREN LEGARDA

AN ACT AMENDING SECTION 24 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, ADJUSTING THE RATES OF TAXABLE INCOME OF INDIVIDUALS AND PROVIDING FOR AUTOMATIC ADJUSTMENT OF TAX RATES EVERY THREE (3) YEARS, AND FOR OTHER PURPOSES

Explanatory Note

To ensure that the country's system of taxation remains progressive as mandated by the 1987 Constitution, the personal income tax rates needs to be adjusted since they are still based on 1998 prices. Due to bracket creep arising from the non-indexation of the lower and upper class boundaries of the personal income tax brackets, workers who would have qualified for lower brackets are now in the higher brackets due to adjustments in their salary through time. For example, only workers earning P1.2 million every month should pay the full top rate of 32% which is equivalent to the top bracket of P500,000 in 1998.

Moreover, the continued reliance on revenues from payments of wage and salary workers even as income tax revenues from professionals and self-employed remains unbelievably low indicates tax leakage which needs to be addressed if only to ensure all citizens pay their due in exchange for the public services.

As repeatedly emphasized by economists from the academe and international organizations, the amendments to the personal income tax rates for wages and salary workers be part of a comprehensive tax reform agenda with competitiveness, equity, and efficiency as key goals.

In view of the foregoing, the passage of this measure is requested.

LOREN LEGARDA Senator



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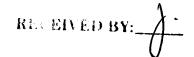
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Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

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:

· · · · · · · · · · · · · · · · · · ·		
Beginning January 1, 2017	Beginning January	Beginning January 1, 2019
15%	13%	10%
P10,500 + 20% of the excess over P70,000		
P36,500 + 25% of the excess over P200,000		P26,500 + 20% of
P111,500 + 30% of the excess over P500,000	P101,500 + 25% of the excess over P500,000	P86,500 + 22% of the excess over P500,000
P261,500 + 32% of the excess over P1,000,000		
	1, 2017 15% P10,500 + 20% of the excess over P70,000 P36,500 + 25% of the excess over P200,000 P111,500 + 30% of the excess over P500,000 P261,500 + 32% of the excess over	1, 2017 1

PROVIDED, THE AMOUNTS STATED HEREIN SHALL BE AUTOMATICALLY ADJUSTED EVERY THREE (3) YEARS TO THEIR

PRESENT VALUE USING THE CONSUMER PRICE INDEX AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY.

4	Not over P10,000	5%
5	Over P10,000 but not over	P500 + 10% of the excess
6	P30,000	over P10,000
7	Over P30,000 but not over	P2,500 + 15% of the excess over
8	P70,000	P30,000
9	Over P70,000 but not over	P8,500 + 20% of the excess over
10	P140,000	P70,000
11	Over P140,000 but not over	P22,500 + 25% of the excess over
12	P250,000	P140,000
13	Over P250,000 but not over	P50,000 + 30% of the excess over
14	P500,000	P250,000
15	Over P500,000	P125,000 + 34% of the excess
16		over P500,000 in 1998]

SEC. 2. Separability Clause. – If any provision of this Act is declared unconstitutional, the same shall not affect the validity and effectivity of other provisions thereof.

SEC. 3. Effectivity. – This Act shall take effect fifteen (15) days following its publication in at least two (2) newspapers of general circulation.

25 Approved,