

SEVENTEENTH CONGRESS
REPUBLIC OF THE PHILIPPINES
First Regular Session

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Senate
Office of the Secretary

'16 JUL 18 P6:03

SENATE

S. B. No. 388

RECEIVED BY: 

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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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
2 1997, as amended, is hereby further amended to read as follows:

3
4 "Sec. 24. Income Tax Rates. -

5
6 "(A) Rates of Income Tax on Individual Citizen and Individual
7 Resident Alien of the Philippines. -

8
9 (2) Rates of Tax on Taxable Income of Individuals. - The tax
10 shall be computed in accordance with and at the rates
11 established in the following schedule:
12

"Taxable Income	Beginning January 1, 2017	Beginning January 1, 2018	Beginning January 1, 2019
"P20,000 but not over P70,000	15%	13%	10%
"Over P70,000 but not over P200,000	P10,500 + 20% of the excess over P70,000	P9,100 + 18% of the excess over P70,000	P7,000 + 15% of the excess over P70,000
"Over P200,000 but not over P500,000	P36,500 + 25% of the excess over P200,000	P32,500 + 23% of the excess over P200,000	P26,500 + 20% of the excess over P200,000
"Over P500,000 but not over P1,000,000	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
"Over P1,000,000	P261,500 + 32% of the excess over P1,000,000	P226,500 + 28% of the excess over P1,000,000	P196,500 + 25% of the excess over P1,000,000

13
14 **PROVIDED, THE AMOUNTS STATED HEREIN SHALL BE**
15 **AUTOMATICALLY ADJUSTED EVERY THREE (3) YEARS TO THEIR**

1 **PRESENT VALUE USING THE CONSUMER PRICE INDEX AS**
2 **PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY.**
3

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]
17		

18 **SEC. 2. Separability Clause.** – If any provision of this Act is declared
19 unconstitutional, the same shall not affect the validity and effectivity of
20 other provisions thereof.
21

22 **SEC. 3. Effectivity.** – This Act shall take effect fifteen (15) days following
23 its publication in at least two (2) newspapers of general circulation.
24

25 Approved,