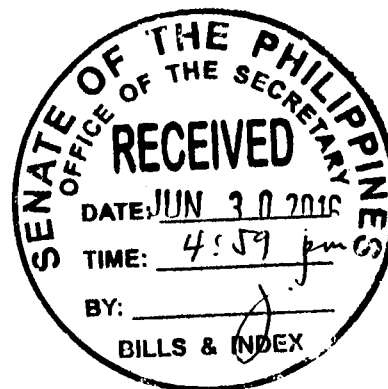


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
FIRST REGULAR SESSION)

SENATE

S.B. No. 147



Introduced by **Senator Cynthia A. Villar**

AN ACT
ADJUSTING THE INCOME BRACKETS AND RATES OF TAX IMPOSED ON
TAXABLE INCOME OF INDIVIDUALS, AMENDING FOR THIS PURPOSE
SECTION 24 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS
AMENDED, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

"The rule of taxation shall be uniform and equitable. The Congress shall evolve a progressive system of taxation". So says Article VI, Section 28 (1) of the 1987 Constitution. Despite what the Constitution says, our current tax system has often been depicted by our countrymen as one that is inequitable and unreasonable. Their impression of Philippine taxation is understandable as it is supported by empirical data.

An analysis of tax policies of the countries comprising the Association of Southeast Asian Nations (ASEAN) shows that the Philippines has one of the highest average tax rate, following Vietnam and Thailand. However, rich and highly developed Singapore has the lowest marginal tax rate at both ends of its tax bracket spectrum, at 2% for the lowest qualifying income earners and 20% for the wealthiest.¹ In the Philippines, the tax rate established by law ranges from 5% for the lowest income earners to 32% for the wealthy. Yet, those paying within the 32% bracket, those earning just a little over P500,000.00 pay income tax at the same rate as those earning in the millions.

Our richer neighbors in the ASEAN clearly see that at certain income levels, more disposable cash or purchasing power must be left in the hands of taxpayers to enable them to have good quality of life and provide for their families. It is indeed difficult to comprehend how rich countries require their citizens to pay taxes that are lower than ours.

Aside from high taxes, inflation makes it hard for Filipinos to meet the demands of daily living. As inflation has led to the rise in commodity prices over the years, the purchasing power of our people's hard-earned money has weakened

¹<http://www.rappler.com/thought-leaders/65114-filipino-middle-class-over-taxed>

significantly considering that wages and salaries have remained practically at the level they were at more than eight years ago.

Consequently, people who have lost much of their purchasing power tend to contribute less to the economy; and excessive taxation does not alleviate the situation at all.² With low wages, high prices and excessive taxation, the quality of life of the Filipino people will stagnate and fester to the point that it could no longer be redeemed. It is thus a matter of urgency that our tax system be reformed once again in order to make it equitable and reasonable.

The concept of equity in taxation requires that the apportionment of the tax burden be, more or less, just in the light of the taxpayer's ability to shoulder the tax burden and, if warranted, on the basis of the benefits received from the government. The basis is the taxpayer's ability to pay.³

The Bureau of Internal Revenue (BIR) data show that the majority or roughly 82% of the total collection from individual income taxes comes from compensation-income earners. The bulk of this is automatically deducted from salaried professionals. These individuals are the middle classes. The middle class is the "goose that lays the golden eggs", as the said class is the moderating force in society because their wealth is adequate to keep them from the extremism of a hungry poor or an indulgent rich.⁴

To ease the tax burden of our Filipino workers, and for our country to be at par with regional standards and to make the Philippine workforce more competitive with its neighbors, 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.

After more than a decade without the much necessary amendment to the Tax Code, this is the perfect time to pass a law reducing such taxes.

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

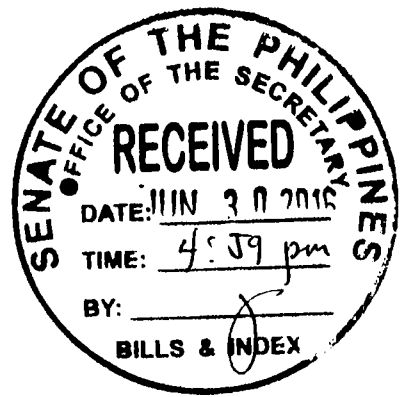

CYNTHIA A. VILLAR

² <http://opinion.inquirer.net/77762/overtaxing-working-middle-classes>

³ <http://taxmates.blogspot.com/2009/10/3-rule-of-uniformity-and-equity-in.html>

⁴ <http://opinion.inquirer.net/77762/overtaxing-working-middle-classes>

SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
FIRST REGULAR SESSION)



SENATE

S.B. No. 147

Introduced by **Senator Cynthia A. Villar**

AN ACT
ADJUSTING THE INCOME BRACKETS AND RATES OF TAX IMPOSED ON
TAXABLE INCOME OF INDIVIDUALS, AMENDING FOR THIS PURPOSE
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,
2 as amended, is 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 Alien of
5 the Philippines. –

6 - x x x -

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

| Taxable Income | Beginning January 1, 2016 |
|---------------------------------------|--|
| Not over P20,000 | 5% |
| Over P20,000 but not over P60,000 | P1,000 + 10% of the excess over P20,000 |
| Over P60,000 but not over P140,000 | P5,000 + 15% of the excess over P60,000 |
| Over P140,000 but not over P280,000 | P17,000 + 20% of the excess over P140,000 |
| Over P280,000 but not over P500,000 | P45,000 + 25% of the excess over P280,000 |
| Over P500,000 but not over P1,000,000 | P100,000 + 30% of the excess over P500,000 |
| Over P1,000,000 | P250,000 + 32% of excess over P1,000,000 |

| | | |
|----|--|-------------------------------------|
| 1 | [Not over P10,000..... | 5% |
| 2 | Over P10,000 but not over P30,000..... | P500+10% of the excess over P10,000 |
| 3 | Over P30,000 but not over P70,000..... | P2,500+15% of the excess over |
| 4 | P30,000 | |
| 5 | Over P70,000 but not over P140,000... | P8,500+20% of the excess over |
| 6 | P70,000 | |
| 7 | Over P140,000 but not over P250,000.. | P22,500+25% of the excess over |
| 8 | P140,000 | |
| 9 | Over P250,000 but not over P500,000. | P50,000+30% of the excess over |
| 10 | P250,000 | |
| 11 | Over P500,000 | P125,000+32% of the excess over |
| 12 | | P500,000] |

13 - x x x -

14 - x x x -

15 **SEC 2. *Implementing Rules and Regulations.*** - The Secretary of Finance shall
16 promulgate the necessary rules and regulations for the effective implementation of the
17 provisions of this Act.

18 **SEC 3. *Repealing Clause.*** - All laws, orders, issuances, circulars, rules and
19 regulations or parts thereof, which are inconsistent with the provisions of this Act are
20 hereby repealed or modified accordingly.

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

24 **SEC 5. *Effectivity.*** - This Act shall take effect fifteen (15) days after its publication
25 in at least two (2) newspapers of general circulation.

26 Approved,