


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



'16 JUL 20 P 4:28

SENATE  
S.B. No. 697

RECEIVED BY: 

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Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

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**AN ACT**  
**ADJUSTING THE LEVEL OF NET TAXABLE INCOME AND NOMINAL TAX RATES FOR**  
**PURPOSES OF PROMOTING THE INDIVIDUAL INCOME TAX, AMENDING SECTION 24 (A) (2)**  
**OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER**  
**PURPOSES**

**EXPLANATORY NOTE**

As the Philippines pushes for inclusive growth, it is imperative that the government create the necessary mechanisms to enable the vast majority of Filipinos to feel the fruits of this growth. At present, efforts are underway to promote ease of business, generate jobs, support the growth of micro, small, and medium enterprises (MSMEs); and address rising unemployment and underemployment.


In spite of all these, Filipinos are still feeling the pinch of high taxes and rising prices. The Consumer Price Index shows that a basket of goods worth Php100 in 1997 is already worth Php228 in 2015, doubling in a space of 18 years since the tax brackets were last adjusted. While the private sector has a role in responding to the needs of its employees, many enterprises also struggle with ensuring fair and equal pay for their workers while keeping their own businesses afloat.

Thus, the government has to play the delicate balancing act between the growing demands of its labor force and the limitations of the private sector. One solution is to review and reform the current tax system in a way that reflects current prices, and enables a more equitable distribution of wealth for its citizens.

The measure, therefore, seeks to amend Section 24 of the National Internal Revenue Code of 1997, as amended, by adjusting the levels of net taxable income and simplifying the nominal tax rates for the purposes of computing the individual income tax. This Act effectively lowers the taxes on the Filipino working class — which comprises around 22 million of the Philippine population — allowing them to enjoy a higher net income and increasing their purchasing power, without necessarily imposing a burden on the micro, small, and medium enterprises (MSMEs). The collections from this Act also adjusts the tax level of the upper one percent (1%) of taxpayers, making sure that the government is able to collect a larger share of income from those who can afford to pay more. A more just tax system will also serve to encourage citizens to declare their true income and pay their taxes.

In effect, this measure serves as one of the important reforms to create a more equitable, just, and effective tax regime for Filipino taxpayers. It supports the government's push for inclusive growth while ensuring that government is still able to raise funds for social programs that directly benefit the poor. It is a systemic, win-win solution that offers the greatest benefit to the greatest number of Filipinos.

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


  
Senator Paolo Benigno "Bam" A. Aquino IV

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PURPOSES

*Be it enacted by the Senate and 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  
2 amended, is hereby further amended to reflect the following rates of tax on taxable income  
3 for individual wage and salary earners only:

4           "Sec. 24. Income Tax Rates. -

5           "(A) x x x

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

8	[Not over P10,000]	...	[5%]
9	[Over P10,000 but not over P30,000]	...	[P500 + 10% of the excess over P10,000]
10	[Over P30,000 but not over P70,000]	...	[P2,500 + 15% of the excess over
11	P30,000]		
12	<b>NOT OVER P60,000</b>	...	<b>EXEMPT</b>
13	Over [P70,000] <b>P60,000</b> but not over	...	[P8,500] <b>P 5,000</b> + [20%] <b>15%</b> of the

1	excess		
2	P140,000		over [P70,000] P60,000
3	Over P140,000 but not over [P250,000]	...	[P22,500] P17,000 + [25%] 20% of the
4	P280,000		excess over P140,000
5	Over [P250,000] P280,000 but not over	...	[P50,000] P45,000 + [30%] 25% of the
6	P500,000		excess over [P250,000] P280,000
7	Over P500,000 BUT NOT OVER	...	[P125,000] P100,000 + [32%] 30% of the
8	P1,000,000		excess over P500,000
9	OVER P1,000,000 BUT NOT OVER	...	P250,000 + 32% OF THE EXCESS OVER
10	P12,000,000		P1,000,000
11	OVER P12,000,000	...	P4,000,000 + 35% OF THE EXCESS OVER P12,000,000

12 "x x x

13 "x x x

14 "PROVIDED, FINALLY THAT ON OR BEFORE JANUARY 1, 2022 AND EVERY SIX (6)  
 15 YEARS THEREAFTER, THE NET TAXABLE INCOME LEVELS AND NOMINAL TAX RATES HEREIN  
 16 STATED SHALL BE ADJUSTED BY THE SECRETARY OF THE DEPARTMENT OF FINANCE TO ITS  
 17 PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE PHILIPPINE  
 18 STATISTICS AUTHORITY (PSA)."

19 **SEC. 2. *Implementing Rules and Regulations.*** — Within sixty (60) days from the  
 20 effectivity of this Act, the Secretary of the Department of Finance (DoF) and the  
 21 Commissioner of the Bureau of Internal Revenue (BIR) shall promulgate the necessary rules  
 22 and regulations to implement the provisions of this Act.

23  
 24 **SEC. 3. *Separability Clause.*** — Should any provision herein be declared  
 25 unconstitutional, the same shall not affect the validity of the other provisions of this Act.

26 **SEC. 4. *Repealing Clause.*** — All laws, acts, presidential decrees, executive orders,  
 27 issuances, presidential proclamations, rules and regulations or parts thereof which are

1 contrary to and inconsistent with any provision of this Act are hereby repealed, amended or  
2 modified accordingly.

3 **SEC. 5. *Effectivity.*** - This Act shall take effect on January 1, 2017 following its  
4 publication in the Official Gazette or at least two (2) newspapers of general circulation in the  
5 Philippines.

6 *Approved,*