

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

SEVENTEENTH CONGRESS
First Regular Session
HOUSE BILL NO. 20

DATE	30 JUN 2016
TIME	12:22 pm
BY:	<i>[Signature]</i>
REGISTRATION UNIT BILLS AND INDEX SERVICE	

Introduced by HON. ROMERO "MIRO" S. QUIMBO, HON. FRANCIS GERALD A. ABAYA and HON. ROZZANO RUFINO BIAZON

EXPLANATORY NOTE

Section 28 of Article VI of the 1987 Constitution provides that taxation shall be uniform and equitable and that Congress shall evolve a progressive system of taxation.

The existing taxable income brackets, as enshrined in the National Internal Revenue Code (NIRC) of 1997, have last been pegged using the 1998 Consumer Price Index (CPI) of 67.8, which is less than half of the latest 2015 CPI of 141.5¹. This means that prices, along with wages, have more than doubled since 1997 while brackets remained frozen.

Because tax brackets have been unadjusted while wages have risen, this has resulted in the phenomenon of bracket creep, wherein middle-income earners are pushed into higher brackets with higher tax rates. These middle-income earners are now classified under the same brackets as the rich and wealthy.

To illustrate, 65% of teachers were under Bracket 4 in 2001. Twelve years later, only 21% of them were under Bracket 4 as more teachers were pushed in higher brackets².

¹ Bangko Sentral ng Pilipinas (2016). *Economic and Financial Statistics*. Retrieved at <http://www.bsp.gov.ph/statistics/efs_prices.asp>

² Quimbo, M., S. Quimbo and X. Javier (2015). "Tax reform for inclusive growth," *Philippine Inquirer*.


These middle-income earners are also largely made up of the ordinary wage and salary workers, who have shouldered bulk of the individual income taxes collected over the years.


This bill seeks to correct the phenomenon of bracket creep by adjusting the individual income tax brackets to account for inflation. By doing so, this bill also reinstates the original and noble intention of the 1997 NIRC to provide an equitable and progressive system of taxation.

With the additional take-home pay to be enjoyed by wage and salary workers, Filipino families can now spend more on education and health, as well as save for the future.

In the last 16th Congress, various stakeholders have reached the consensus that the country's income tax system needs to be reformed. Adjusting the individual income tax brackets to account for inflation is the initial step for the country to have a tax system that is supportive of inclusive and sustained growth.

Accordingly, the passage of the measure is earnestly sought.


ROMERO "MIRO" S. QUIMBO
Representative
Second District, Marikina City


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First District, Cavite

Rozano Rufino Blazon

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Lone District, Muntinlupa City

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Introduced by HON. ROMERO "MIRO" S. QUIMBO, HON. FRANCIS
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AN ACT
RESTRUCTURING THE INCOME TAX IMPOSED ON INDIVIDUALS,
AMENDING FOR THE PURPOSE SECTION 24 OF THE NATIONAL
INTERNAL REVENUE CODE OF 1997, AS AMENDED

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

1 **SEC. 1.** Section 24 of the National Internal Revenue Code of 1997, as
2 amended, is hereby further amended to read as follows:
3

4
5 **"SEC. 24. Income Tax Rates. -**

6
7 (A) xxx

8
9 (1) xxx

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

14
15 [Not over P10,000 5%]
16 [Over P10,000 but not over P30,000 P500+10% of
17 the excess over P10,000]
18 [Over P30,000 but not over P70,000 P2,500+15%
19 of the excess over P30,000]
20 [Over P70,000 but not over P140,000 P8,500+20%
21 of the excess
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23

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		over P70,000]
	[Over P140,000 but not over P250,000	P22,500+25%
of the excess		
	[Over P250,000 but not over P500,000	over P140,000]
of the excess		P50,000+30%
	[Over P500,000	over P250,000]
excess		P125,000+32% of the
		over P500,000]
	NOT OVER P21,613	5%
EXCESS	OVER P21,613 BUT NOT OVER P64,839	P1,080+10% OF THE
	OVER P64,839 BUT NOT OVER P151,290	OVER P21,613
EXCESS		P5,402+15% OF THE
	OVER P151,290 BUT NOT OVER P302,581	OVER P64,839
OF THE EXCESS		P18,370+20%
	OVER P302,581 BUT NOT OVER P540,323	OVER P151,290
OF THE EXCESS		P48,628+25%
	OVER P540,323 BUT NOT OVER P1,080,645	OVER P302,581
THE EXCESS		P108,063+30% OF
	OVER P1,080,645	OVER P540,323
EXCESS		P270,160+32% OF THE
		OVER P1,080,645

xxx

xxx

PROVIDED, FURTHER, THAT NOT LATER THAN THREE (3) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY THREE (3) YEARS THEREAFTER, EACH TAXABLE INCOME LEVEL HEREIN STATED SHALL BE ADJUSTED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY (PSA).

PROVIDED, FINALLY, THAT AS THE TAXABLE INCOME LEVELS ARE ADJUSTED TO PRESENT VALUE USING THE CONSUMER PRICE INDEX, THE BASE AMOUNT OF TAX FOR EACH TAXABLE INCOME LEVEL SHALL BE ADJUSTED ACCORDINGLY.

(B) xxx

(C) xxx

(D) xxx"

1 **SEC. 2.** Implementing Rules and Regulations. - The Secretary of
2 Finance shall, upon the recommendation of the Commissioner of
3 Internal Revenue, promulgate within thirty (30) days from the
4 effectivity of this Act the necessary Rules and Regulations for its
5 effective implementation: *Provided*, That the failure of the Secretary of
6 Finance to promulgate said Rules and Regulations shall not prevent
7 the implementation of this Act upon its effectivity.

8
9 **SEC. 3.** Separability Clause. - If any provision of this Act is
10 subsequently declared invalid or unconstitutional, other provisions
11 hereof which are not affected thereby shall remain in full force and
12 effect.

13
14 **SEC. 4.** Repealing Clause. - All laws, acts, presidential decrees,
15 executive orders, issuances, presidential proclamations, rules and
16 regulations or parts thereof which are contrary to and inconsistent
17 with any provisions of this Act are hereby repealed, amended or
18 modified accordingly.

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20 **SEC. 5.** Effectivity Clause. - This Act shall take effect fifteen (15) days
21 after its complete publication either in the Official Gazette, or in at
22 least a newspaper of general circulation.

Approved,