



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 35



Introduced by Representative Raul V. Del Mar

EXPLANATORY NOTE

This measure involves rightfully giving back to every ordinary Filipino taxpayer equitable treatment insofar as income taxation is concerned, placing him more in a position to provide decent living for his family.

Since January 1, 1998, when the National Internal Revenue Code of 1997 came into effect, the rates of tax for individuals have stayed anchored on the 1998 Consumer Price Index (CPI) of 67.8%, which has reached 141% as of August 2015. This practically means that a regular salaried man's monthly take-home pay of P10,000 way back in 1998 now amounts to P20,500 which should just be taxed at the rate between 11% to 15% and not the higher range of 16% to 20%. Going by this, his monthly tax (exclusions and personal exemption considered) should just be around P500-P600 instead of P1,500-P1,600. With the constantly rising prices of basic commodities, the ensuing additional income realized will certainly go a long way in making ends meet for him and his family.

By resorting to this much-needed adjustment to inflation of individual tax brackets and providing for automatic adjustment of such to inflation after every three (3) years thereafter, the government can truly assert that the welfare of every ordinary Filipino worker has been looked after.

On the other hand, the corporate income tax rate has to be reduced to regain the country's attractiveness to business investors. At present, the Philippine income tax rate for corporations is the highest among Association of South East Asian Nations (ASEAN) member-countries. While our ASEAN neighbors' corporate income tax rates range from 17%-25%, ours is at 30%. This has to be addressed, as well, to entice investments.

Accordingly, passage of the measure is earnestly sought.



RAUL V. DEL MAR

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

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 35

Introduced by Honorable Representative Raul V. Del Mar

AN ACT
RESTRUCTURING THE INCOME TAXES IMPOSED ON INDIVIDUALS AND
CORPORATIONS, AMENDING FOR THE PURPOSE SECTIONS 24 (A) (2); 27
(A); AND 28 (A) (1) AND (B) (1) 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 SECTION. 1. Section 24 of the National Internal Revenue Code of 1997, as amended, is
2 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. – The tax shall
12 be computed in accordance with and at the rates established in the
13 following schedule:
14

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53

[Over P140,000 but not over P250,000	over P70,000 P22,500+25% of the excess over P140,000 .
[Over P250,000 but not over P500,000	P50,000+30% of the excess over P250,000
[Over P500,000	P125,000+32% of the excess over P500,000

NOT OVER P20,500	5%
OVER P20,500 BUT NOT OVER P61,500	P1,025+10% OF THE EXCESS OVER P20,500
OVER P61,500 BUT NOT OVER P143,500	P5,125+15% OF THE EXCESS OVER P61,500
OVER P143,500 BUT NOT OVER P287,000	P17,425+20% OF THE EXCESS OVER P143,500
OVER P287,000 BUT NOT OVER P512,500	P46,125+25% OF THE EXCESS OVER P287,000
OVER P512,500 BUT NOT OVER P1,025,000	P102,500+30% OF THE EXCESS OVER P512,500
OVER P1,025,000	P256,250+32% OF THE EXCESS OVER P1,025,000

xxx

xxx

PROVIDED, FINALLY, THAT NOT LATER THAN THREE (3) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY THREE (3) YEARS THEREAFTER, EACH NET TAXABLE INCOME LEVEL AND NOMINAL TAX RATE HEREIN STATED SHALL BE ADJUSTED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL STATISTICS OFFICE (NSO).

- (B) xxx
- (C) xxx
- (D) xxx"

SEC. 2. Section 27 (A) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

SEC. 27. Rates of Income Tax on Domestic Corporations. -

(A) *In General.* - Except as otherwise provided in this Code, an income tax of [thirty-five] TWENTY-FIVE percent [(35%)] (25%) is hereby

1 imposed upon the taxable income derived during each taxable year
2 from all sources within and without the Philippines by every
3 corporation, as defined in Section 22 (B) of this Code and taxable
4 under this Title as a corporation, organized in, or existing under the
5 laws of the Philippines[*Provided*, That effective January 1, 2009,
6 the rate of income tax shall be thirty percent (30%0].
7

8 xxx

9
10 xxx

11
12 xxx

13
14 xxx.”
15

16
17 **SEC. 3.** Section 28 (A) (1) and (B) (1) of the National Internal Revenue Code of 1997,
18 as amended, is hereby further amended to read as follows:
19

20
21 **“SEC. 28. Rates of Income Tax on Foreign Corporations. –**

22
23 (A) *Tax on Resident Foreign Corporations. -*
24

25 (1) *In General. –* Except as otherwise provided in this Code, a
26 corporation organized, authorized, or existing under the laws of any
27 foreign country, engaged in trade or business within the Philippines,
28 shall be subject to an income tax equivalent to [thirty-five]
29 TWENTY-FIVE percent [(35%)] (25%) of the taxable income
30 derived in the preceding taxable year from all sources within the
31 Philippines[*Provided*, That effective January 1, 2009, the rate of
32 income tax shall be thirty percent (30%)].
33

34 xxx

35
36 xxx

37
38 xxx
39

40
41 (B) *Tax on Nonresident Foreign Corporations. –*
42

43 (1) *In General. –* Except as otherwise provided in this Code, a foreign
44 corporation not engaged in trade or business in the Philippines shall
45 pay a tax equal to [thirty-five] TWENTY-FIVE percent [(35%)]
46 (25%) of the gross income received during each taxable year from all

1 sources within the Philippines, such as interests, dividends, rents,
2 royalties, salaries, premiums (except reinsurance premiums),
3 annuities, emoluments or other fixed or determinable annual,
4 periodic or casual gains, profits and income, and capital gains,
5 except gains subject to tax under subparagraph 5 (c)[*Provided*, That
6 effective January 1, 2009, the rate of income tax shall be thirty
7 percent (30%)].
8

9 xxx.”
10
11

12 **SEC. 4.** Implementing Rules and Regulations. – The Secretary of Finance shall, upon
13 the recommendation of the Commissioner of Internal Revenue, promulgate upon the
14 effectivity of this Act the necessary Rules and Regulations for its effective
15 implementation.
16

17
18 **SEC. 5.** Separability Clause. – If any provision of this Act is subsequently declared
19 invalid or unconstitutional, other provisions hereof which are not affected thereby shall
20 remain in full force and effect.
21

22
23 **SEC. 6.** Repealing Clause. - All laws, acts, presidential decrees, executive orders,
24 issuances, presidential proclamations, rules and regulations or parts thereof which are
25 contrary to and inconsistent with any provisions of this Act are hereby repealed, amended
26 or modified accordingly.
27

28
29 **SEC. 7.** Effectivity Clause. - This Act shall take effect fifteen (15) days after its complete
30 publication either in the Official Gazette, or in at least two (2) newspapers of general
31 circulation.

Approved,