

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 103

HOUSE OF REPRESENTATIVES

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Introduced by: Hon. Angelina "Helen" D.L. Tan, M.D.

AN ACT INSTITUTING INCOME TAX REFORM FOR INDIVIDUAL TAXPAYERS, AMENDING FOR THIS PURPOSE SECTION 24(A)(2) AND 35(A) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES"

EXPLANATORY NOTE

This measure aims to reduce the country's income tax rates for individuals in preparation for the Association of South East Asian Nations (ASEAN) Integration. It is consistent with the country's commitment to the ASEAN Economic Community (AEC) Blueprint, which seeks to transform ASEAN into a single market and production base by December 2015. The AEC is guided by the following essential elements: free flow of goods, free flow of services, free flow of investment, freer flow of capital, and free flow of skilled labor.

To fully benefit from the ASEAN Integration, the Philippines needs to amend its current income tax schedules since it is expected that human capital would flow to where it could earn best. Among the 10-member countries of the ASEAN, the Philippines has the highest tax rate at 32-percent after Thailand and Vietnam. Hence, in order to attract human capital and to prevent the migration of our own skilled workforce, it is imperative to reduce the existing income tax rates while maintaining the progressivity of our income tax system.

Moreover, amidst higher inflation, increase in power rates as well as in the prices of consumer goods, among other factors, no significant increase in wages had been made thereby further reducing the purchasing power of our workers. Hence, reducing the country's income tax rates for individuals will help our workforce keep up with inflation and cope up with the higher costs of living.

In view thereof, 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.

The measure also proposes that in the case of married individuals, the taxpayer spouse may claim an exemption for his or her spouse even through the latter did not earn any gross income for the taxable year and did not file a return for as long as the said spouse is living exclusively with the taxpayer spouse. This, however, does not categorize the said spouse as a dependent, but merely as a recognition of his or her efforts in the care and maintenance of the family and of the household, which is akin to the recognition accorded to the Family Code in cases contemplated under Article 147 thereof. Under this proposal, all married individuals may claim a maximum amount of allowable personal exemption up to P30,000 whether the spouse is employed or not.

The measure also seeks to provide a uniform graduated income tax bracket for individual taxpayers in order to simplify income taxation for all taxpayers and to make the same easier to comprehend. Further, it provides for an automatic index of the taxable income levels and nominal tax rates to inflation every six years without need for

legislative action for purposes of perpetuating equity in the tax system and help ensure that the tax system treats individual taxpayers the same way from year to year.

For these reasons, immediate approval of this bill is earnestly sought.



ANGELINA "HELEN" D.L. TAN, M.D.
4th District, Quezon

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

SECTION. 1. Section 24(A)(2) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"Sec. 24. Income Tax Rates. –

"(A) xxx

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

"[Not over P10,000]	... [5%]
"[Not over P10,000 but not over P30,000]	... [P500 + 10% of the excess over P10,000]
"[Over P30,000 but not over P70,000]	... [P2,500 + 15% of the excess over P30,000]
"[Over P70,000 but not over P140,000]	... [P8,500 + 20% of the excess over P70,000]
"[Over P140,000 but not over P250,000]	... [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]	... [P125,500 + 32% of the excess over P500,000]
"NOT OVER P249,000	... EXEMPT
"OVER P249,000 BUT NOT OVER P1,000,000	... P25,000 + 10% OF THE EXCESS OF P249,000
"OVER P1,000,000 BUT NOT OVER P2,000,000	... P90,000 + 15% OF THE EXCESS OVER P1,000,000
"OVER P2,000,000 BUT NOT OVER P3,000,000	... P240,000 + 20% OF THE EXCESS OVER P2,000,000
"OVER P3,000,000	... P440,000 + 25% OF THE EXCESS OVER P3,000,000

"xxx

"xxx

PROVIDED, FINALLY, THAT NOT LATER THAN SIX (6) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY SIX (6) YEARS THEREAFTER, THE PRESIDENT OF THE PHILIPPINES SHALL ADJUST THE TAXABLE INCOME LEVELS AND NOMINAL TAX RATES HEREIN STATED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX,

AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY (PSA)."

SEC. 2. Section 35(A) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 35. Allowance of Personal Exemption for Individual Taxpayer. –

"(A) In General. For purposes of determining the tax as provided in Section 24(A) of this Title, there shall be allowed a basic personal exemption amounting to [fifty thousand pesos (P50,000) for each individual taxpayer.] **ONE HUNDRED FIFTY THOUSAND PESOS (P150,000) FOR EACH INDIVIDUAL TAXPAYER.**

[In case of married individual where only one of the spouses is deriving gross income, only such spouse shall be allowed the personal exemption.] **"MARRIED INDIVIDUALS MAY FILE THEIR INCOME TAXES EITHER JOINTLY OR SEPARATELY. IN CASE OF JOINT FILING, THE BASIC PERSONAL EXEMPTION MAY BE CLAIMED BY BOTH SPOUSES. IN CASE OF SEPERATE FILING, A TAXPAYER MAY STILL CLAIM THE PERSONAL EXEMPTION FOR THE SPOUSE NOTWITHSTANDING THE FACT THAT THE LATTER IS NOT GAINFULLY EMPLOYED, HAD NO GROSS INCOME AND DID NOT FILE A RETURN: PROVIDED, THAT THE SAID SPOUSE IS LIVING EXCLUSIVELY WITH THE TAXPAYER."**

PROVIDED, FURTHER, THAT NOT LATER THAN SIX (6) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY SIX (6) YEARS THEREAFTER, THE PRESIDENT OF THE PHILIPPINES SHALL ADJUST THE AMOUNT HEREIN STATED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY (PSA)."

SEC. 3. *Implementing Rules and Regulations.* – The Secretary of Finance, shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate not later than thirty (30) days upon the effectivity of this Act the necessary rules and regulations for its proper and effective implementation.

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

SEC. 5. *Repealing Clause.* – All laws, orders, issuances, circulars, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 6. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least tow (2) newspapers of general circulation.

Approved,