



**Republic of the Philippines
House of Representatives
Quezon City**

FIFTEENTH CONGRESS

First Regular Session

House Bill No. 4793

Introduced by Representative Hermilando L. Mandanas

EXPLANATORY NOTE

Given the current high cost of living, Filipino families grapple with the basic concern of meeting their needs on a day-to-day basis. Citing the 2009 Family Income and Expenditure Survey (FIES), Filipino families, on the average, annually earned and spent Php206,000 and Php176,000, respectively. Inversely, this means a measly annual family savings of Php30,000 for the said year. Such is the predicament that present day Filipino families face, and, as their size increases, so are their woes.

Based on studies and statistics in the past ten years, poverty incidence, poverty gap, severity of poverty, mean vulnerability and vulnerability incidence are directly proportional with family size. As such, large families tend to become the most vulnerable group having the smallest per capita expenditures and per capita savings. Hence, the bigger the family size, the higher the cost of living.

It is on account of alleviating the plight of Filipino families, especially large ones, that this measure amending Section 35(B) of Republic Act (RA) No. 8424, otherwise known as the National Internal Revenue Code of 1997 is being proposed. With the proffered legislation's features of removing the limit (at present, four) as to the number of dependents that may be declared for purposes of claiming additional exemption, classifying as dependents, subject to qualifications/conditions, parents and legitimated children, and allowing, in certain situations, legal guardians to persons with mental or physical defect to claim the additional exemption for said dependents, poverty incidence among Filipino families shall be reduced as there will be more savings that can be devoted to more basic pressing matters such as food, shelter, education and the like. And this will, in turn, ultimately redound to the benefit of the Filipino family and the country.

Accordingly, passage of the bill is earnestly sought.



HON. HERMILANDO I. MANDANAS
Second District, Batangas

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

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HOUSE BILL NO. 4793

Introduced by the Honorable Hermilando I. Mandanas

AN ACT
AMENDING SECTION 35(B) OF REPUBLIC ACT NO. 8424, OTHERWISE
KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS
AMENDED BY REPUBLIC ACT NO. 9504

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

1 **SECTION 1.** Section 35(B) of Republic Act No. 8424, otherwise known as the
2 **National Internal Revenue Code of 1997**, as amended by Republic Act No. 9504,
3 is hereby further amended to read as follows:

4
5 “SEC. 35. Allowance of Personal Exemption for Individual Taxpayer. –

6
7 “(A) *In General.* – For purposes of determining the tax provided in Section
8 24(A) of this title, there shall be allowed a basic personal exemption
9 amounting to Fifty Thousand pesos (P50,000) for each individual
10 taxpayer.

11
12 “In the case of married individual where only one of the spouses is
13 deriving gross income, only such spouse shall be allowed the personal
14 exemption.

15
16 “(B) *Additional Exemption for Dependents.* – There shall be allowed an
17 additional exemption of Twenty-five thousand pesos (P25,000) for each
18 dependent [not exceeding four (4)].

19
20 “The additional exemption for dependents REFERRED HEREIN shall be
21 claimed by only one of the spouses in the case of married individuals.
22

1 "In the case of legally separated spouses, additional exemptions may be
2 claimed only by the spouse who has custody of the child or children[:].

3
4 "[Provided, that the total amount of additional exemptions that may be
5 claimed by both shall not exceed the maximum additional exemptions
6 herein allowed.]

7
8 "For purposes of this Subsection, THE TERM [a] "dependent/S" SHALL
9 mean[s] [a]:

10
11 "1) ONE OR MORE UNMARRIED legitimate, LEGITIMATED, illegitimate
12 or legally adopted child NOT MORE THAN TWENTY-ONE (21) YEARS
13 OF AGE, [chiefly dependent upon and] living with the taxpayer, [if such
14 dependent is not more than twenty-one (21) years of age, unmarried and]
15 not gainfully employed, [or if such dependent] AND DEPENDENT UPON
16 THE LATTER FOR CHIEF SUPPORT, OR WHERE SUCH CHILD,
17 regardless of age, is incapable of self-support because of mental or
18 physical defect;

19
20 "2) A PARENT OR BOTH PARENTS, LIVING WITH THE TAXPAYER,
21 NOT GAINFULLY EMPLOYED AND DEPENDENT UPON THE LATTER
22 FOR CHIEF SUPPORT, OR WHERE SUCH PARENTS ARE INCAPABLE
23 OF SELF-SUPPORT BECAUSE OF MENTAL OR PHYSICAL DEFECT
24 OR OLD AGE.

25
26 "AN INDIVIDUAL TAXPAYER WHO IS THE LEGAL GUARDIAN TO A
27 PERSON WITH MENTAL OR PHYSICAL DEFECT, REGARDLESS OF
28 AGE AND INCAPABLE OF SELF-SUPPORT, MAY CLAIM THE
29 ADDITIONAL EXEMPTION FOR THE SAID DEPENDENT: PROVIDED,
30 THAT ONLY THE LEGAL GUARDIAN CAN AVAIL OF THE ADDITIONAL
31 EXEMPTION FOR A PARTICULAR TAXABLE YEAR TO THE
32 EXCLUSION OF THE BIOLOGICAL PARENTS."

33
34 "xxx"

35
36 **SEC. 2. Penalty.** - Notwithstanding the penalty provided for in Section 267 of the
37 National Internal Revenue Code of 1997, as amended, any person who willfully
38 violates the preceding section by declaring fictitious dependents shall, upon
39 conviction, be liable for the payment of a fine equivalent to thrice the amount of
40 tax, interest and surcharges due from the taxpayer.

41
42 **SEC. 3. Implementing Rules and Regulations.** - The Department of Finance, in
43 coordination with the Bureau of Internal Revenue and the Department of Social
44 Welfare and Development, shall issue the necessary implementing rules and
45 regulations within thirty (30) days upon the approval of this Act.

1 **SEC. 4. Separability Clause.** - If any provision of this Act is subsequently
2 declared invalid or unconstitutional, other provisions hereof which are not
3 affected thereby shall remain in full force and effect.
4

5 **SEC. 5. Repealing Clause.** - All laws, acts, presidential decrees, executive
6 orders, issuances, presidential proclamations, rules and regulations or parts
7 thereof which are contrary to and inconsistent with any provision of this Act are
8 hereby repealed, amended or modified accordingly.
9

10 **SEC. 6. Effectivity Clause.** - This Act shall take effect fifteen (15) days after its
11 publication either in the Official Gazette, or in at least two (2) newspapers of
12 general circulation, whichever comes earlier.

Approved,