

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session



HOUSE BILL NO. 210

Introduced by Honorable SALVACION S. PONCE ENRILE

EXPLANATORY NOTE

In the context of a globalized and more competitive economy, the consumer is key to economic growth. Our fast economic growth of the past years cannot be sustained anymore particularly because of dampened consumer confidence in the economy. Recent crises such as the continuing peace and order problem in Mindanao and fluctuating exchange rates have furthered eroded the confidence of the consuming public. Many businesses have thus forecasted slow and slackening demand of products and services. Many are therefore unwilling to invest in new businesses nor to expand existing ones.

What this proposal intends to do is to jumpstart demand in the economy by empowering the consumer with more purchasing power. This can be done by increasing their take home pay through lower tax rates and hence, lower deductions from their income. A demand-led growth in these crucial times is indeed the way to go. There would be a multiplier effect on overall economic growth because this proposal affects virtually all persons earning income. Demand creates its own supply – which means that higher consumer spending would also result to more investments since businesses would anticipate a higher demand for their products after this proposal becomes law.

The increase in consumer spending (through Value Added Taxes) and increase in new investments (fees, higher corporate income, higher customs collection) would surely more than offset the possible decrease in income tax revenues brought about by the lowered tax rates.

Moreover, this proposal is a reasonable way to go for the government to show its sincerity to the masses in helping them cope with the successive oil price hikes and consequent transportation price hikes. Added to this is the progressive system of taxation which the Constitution wants to evolve so as to help those who need it the most



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AN ACT
REDUCING THE INCOME TAX RATES OF INDIVIDUAL TAXPAYERS,
AMENDING FOR THE PURPOSE CHAPTER III, SECTION 24 (A) (1) (c) 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:*

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

“CHAPTER III - TAX ON INDIVIDUALS

SECTION 24. Income Tax Rates. –

(A) Rates of Income Tax on Individual Citizen and Individual Resident

Alien of the Philippines. -

(1) An Income Tax is hereby imposed:

- (a) On the taxable income defined in Section 31 of this Code,
other than income subject to tax under Subsections (B), (C)
and (D) of this Section, derived for each taxable year from
all sources within and without the Philippines by every
individual citizen of the Philippines residing therein;

- (b) On the taxable income defined in Section 31 of this Code, other than income subject to tax under Subsections (B), (C) and (D) of this Section, derived for each taxable year from all sources within the Philippines by an individual citizen of the Philippines who is residing outside of the Philippines including overseas contract workers referred to in Subsection (C) of Section 23 hereof; and
- (c) On the taxable income derived in Section 31 of this Code, other than income subject to tax under Subsections (B), (C) and (D) of this Section, derived for each taxable year from all source within the Philippines by an individual alien who is resident of the Philippines.

The tax shall be computed in accordance with and the rates established in the following schedule:

Not over P10, 000	-----	[5%]	2.5%	
Over P10, 000 but not over P30, 000	-----	P[500]	250	+ [10%] 5% of the excess over P10, 000
Over P30, 000 but not over P70, 000	-----	P[2,500]	1,250	+ [15%] 7.5% of the excess over P30,000
Over P70, 000 but not over P140,000	-----	P[8,500]	4,250	+ [20%] 10% of the excess over P70,000
Over P140, 000 but not over P250, 000	-----	P[22,500]	11,250	+ [25%] 12.5% of the excess over P140,000
Over P250, 000 but not over P500, 000	-----	P[50,000]	25,000	+ [30%] 15% of the excess over P250,000
Over P500, 000 BUT NOT OVER P1,000,000	-----	P[125,000]	62,500	+ [34%] 17.5% of the excess over P500,000 [in 1998]

OVER P1, 000, 000 BUT NOT OVER P2, 000, 000 - P 150,000 +
20% OF THE
EXCESS OVER
P1, 000,000

OVER P2,000,000 BUT NOT OVER P4,000,000
----- P350, 000 +
22.5% OF THE
EXCESS OVER
P2, 000, 000

OVER P4, 000, 000 BUT NOT OVER P8,000,000 ----- P 800,000
+ 25% OF THE
EXCESS OVER
P4, 000, 000

OVER P8,000,000 BUT NOT OVER P10,000,000 ----- P1,800,00
+ 27.5% OF THE
EXCESS OVER
P8, 000, 000

OVER P10, 000, 000 BUT NOT OVER P12, 000, 000 -----
P2, 350, 000 + 30%
OF THE EXCESS
OVER P10,000,000

OVER P12, 000, 000 ----- P2, 950, 000 + 32%
OF THE EXCESS
OVER P12, 000, 000

[Provided, That effective January 1, 1999, the top marginal rate shall be thirty-three (33%)
and effective January 1, 2000, the said rate shall be thirty-two percent (32%).]

For married individuals, the husband and wife, subject to the provision of Section 51 (D) hereof, shall compute separately their individual income tax based on their respective total taxable income: Provided, That if any income cannot be definitely attributed to or identified as income exclusively earned or realized by either of the spouses, the same shall be divided equally between the spouses for the purpose of determining their respective taxable income.”

SECTION 2. *Separability Clause.* - If any provisions of this Act is declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall continue to be in full force and effect.

SECTION 3. *Repealing Clause.* - All provisions of laws, orders, decrees, including rules and regulations inconsistent herewith are hereby repealed or modified accordingly.

SECTION 4. *Effectivity Clause.* - This Act shall take effect fifteen (15) days following its publication in the Official Gazette or at least two (2) national newspaper of national circulation.

Approved,