

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

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 1137



INTRODUCED BY REPRESENTATIVE TOBIAS "TOBY" M. TIANGCO

EXPLANATORY NOTE

This bill seeks to amend Republic Act No. 9504 otherwise known as "An Act Amending Sections 22, 24, 34, 35, 51 and 70 of Republic Act No. 8424, as amended, otherwise known as the National Internal Revenue Code of 1997." This bill seeks to further increase the maximum amount of annual income tax exemption of individuals as well as additional exemptions for individuals with dependents/children.

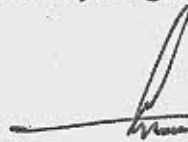
R.A. 9504 amended the pertinent provisions of R.A. No. 8424 in 17 June 2008 exempting minimum wage earners from paying income tax, increasing tax exemption to PhP 50,000 for all persons, whether single (from PhP 20,000.00), married (PhP 32,000.00) or head of the family (PhP 25,000.00) and providing additional exemptions for individuals with dependents / children to PhP 25,000 (from PhP 8,000.00) per child.

Five years since its amendment, the amount of personal and additional exemptions remained the same despite recurring inflation and increase in commodity prices. With these, exemptions given are now less significant and beneficial to individual taxpayers.

It is an uncontroverted fact that the tax burden on income earners takes much of the takehome pay of the individual worker, an amount which they could otherwise use and devote for their basic necessities. While the government achieves its goal of improving the economic growth of our country, it has, however, failed to recognize the contribution of workers in achieving such growth. The tax system currently applied to income earners has resulted to undue burden and runs counter with the principle of theoretical justice – that the tax must be based on the taxpayer's ability to pay.

The present economic environment shows that the increase in the prices of basic commodities remains to be a factor that pushes income earners to the poverty line. With the increase in personal and additional exemptions, the government seeks to help income earners meet their basic needs. The increase in the personal and additional exemptions will likewise promote the constitutional provision on equitability of taxes.

In this context, approval of the attached bill is earnestly sought.


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**AN ACT AMENDING SECTION 35 (A) and (B) OF REPUBLIC ACT NO. 8424
OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997,
AS AMENDED BY R.A. NO. 9504, BY INCREASING THE PERSONAL AND ADDITIONAL
EXEMPTIONS OF INCOME EARNERS**

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

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

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

*"(A) In General. - For purposes of determining the tax provided in Section 24(A)
of this title, there shall be allowed a basic personal exemption amounting to
SEVENTY FIVE THOUSAND PESOS (PhP 75,000.00) for each individual
taxpayer.*

*"In the case of married individuals where only one of the spouses is deriving
gross income, only such spouse shall be allowed the personal exemption.*

*"(B) Additional Exemption for Dependents. - There shall be allowed an additional
exemption of **THIRTY-FIVE THOUSAND PESOS (PhP 35,000.00)** for each
dependent not exceeding four (4).*

*"The additional exemption for dependents shall be claimed by only one of the
spouses in the case of married individuals.*

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

*Provided, That the total amount of additional exemptions that may be claimed by
both shall not exceed the maximum additional exemptions herein allowed.*

"For purposes of this Subsection, a "dependent" means a legitimate, illegitimate

or legally adopted child chiefly dependent upon and living with the taxpayer if such dependent is not more than twenty-one (21) years of age, unmarried and not gainfully employed or if such dependent, regardless of age, is incapable of self-support because of mental or physical defect.

"x x x."

SECTION 2. *Repealing Clause.*- Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with any provision of this Act are hereby amended or modified accordingly.

SECTION 3. *Effectivity Clause.*- This Act shall take effect fifteen (15) days following publication in the *Official Gazette* or in at least two (2) newspaper of general circulation.

 Approved,