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

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4099

Introduced by ATTY. MAGTANGGOL T. GUNIGUNDO I

EXPLANATORY NOTE

This bill seeks to amend relevant provisions of the National Internal Revenue Code by restructuring the country's income tax system, by reducing individual and corporate income taxes rates to 15% from the current 32% and 30%, respectively. This will definitely reduce the number of Filipinos who do not pay taxes. Lower taxes mean higher level of compliance. The advantages of having 15% income tax rates are enormous:

1. This reduction in income tax rates will stimulate the economy by providing individual taxpayers more after tax income or disposable income which they can either save or spend in the engagement of services or purchase of goods that are subject to Value-Added Tax (VAT). The initial revenue drop of around P90 Billion in income taxes should not deter Congress from reducing income tax rates. The bigger picture, which is the Philippine economy, will in the long run gain much more in terms of lower unemployment, more VAT collections, a happier people and more productive citizenry.

2. With the expected increase in sales, another intended consequence would be the creation of more jobs by corporations to meet the increase in demand due to the enhanced purchasing power of consumers. Corporate taxpayers on the other hand can use up after tax income for giving out more dividends which shareholders may also consume in the purchase of VAT-able goods. Aside from these, corporate taxpayers may invest in the purchase of modern equipment, infrastructure, facilities upgrade, research and development, et cetera.

3. Around 40% of Philippine Gross Domestic Product (GDP) comes from the informal economy which do not pay taxes. Lower income tax rates serves as an incentive to leave the informal economy and go mainstream. This will broaden the tax base and improve revenue compliance of taxpayers.

4. The bill also intends to plug revenue loopholes that has been exploited by taxpayers in consonance with unscrupulous BIR officials.

With the impending integration of 2015 ASEAN, the tax rates of our country must be competitive enough to attract more foreign direct investments that will generate jobs to wipe out unemployment in our country.

The power of taxation is a fiscal policy tool wielded to create a conducive climate for sustainable and inclusive growth. Tax rates are adjusted to match national policy to discourage certain activities that affects health and environment. It can also be reduced to also broaden the tax base and nurture a robust economy.

Immediate approval of this bill is earnestly sought.

ATTY. MAGTANGGOL T. GUNIGUNDO I

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AN ACT
AMENDING SECTIONS 24 AND 27 OF REPUBLIC ACT 8424, AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997

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

Section 1. Sec. 24 A (2) of the National Internal Revenue Code *(NIRC)* of 1997 is hereby amended to read as follows:

"SEC. 24. Income Tax Rates.

(A) Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines.

"(1) xxx:

"xxx; and

"(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:

(Individuals earning gross income below P180,000 p.a. or whose net taxable income is below P30,000 are exempted from income tax)

If Net Taxable Income is:	Tax Due is:
Not over P30,000	Exempt
P30,000 and above but not over P130,000	P1,500 + 5% of the excess over P30,000
P130,000 and above but not over P280,000	P6,500 + 10% of the excess over P130,000
P280,000 and above but not over P430,000	P21,500 + 15% of the excess over P280,000
P430,000 and above but not over P580,000	P44,000 + 20% of the excess over P430,000
P580,000 and above but not over P730,000	P74,000 + 25% of the excess over P580,000
Over P730,000	P111,500 + 30% of the excess over P730,000

Section 2. Section 27 (a) of the National Internal Revenue Code (NIRC) of 1997 is hereby amended to read as follows:

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

(A)*In General.* - Corporations shall be taxed at **fifteen percent *(15%)* of gross income.**

For purposes of this Section, the term *"gross income"* derived from business shall be equivalent to gross sales less sales returns, discounts and allowances and cost of goods sold. *"Cost of goods sold"* shall include all business expenses directly incurred to produce the merchandise to bring them to their present location and use.

(B)Xxx
(C)Xxx
(D)Xxx
(E)Xxx

Section 3. ***Tax on Corporations covered under the Special Economic Zones.*** The corporations covered under the regime of economic zones that are tax-exempt shall continue to enjoy the privilege until such expiry date indicated in their agreement with the government. However, new corporations after the effectivity of this Act shall only be given the tax-free privilege for five *(5)* years only from the effectivity of their contract with the government.

Section 4. ***Implementing Rules and Regulations.*** The Department of Finance, Bureau of Internal Revenue and the National Tax Research Center shall promulgate within sixty *(60)* days the Implementing Rules and Regulations *(IRR)* that shall be necessary to implement the provisions of this Act.

Section 5. ***Separability Clause.*** – The provisions of this Act are hereby deemed separable. If any provision thereof is declared invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the other provisions which shall remain in effect.

Section 6. ***Repealing Clause.*** – All laws, decrees, executive orders, rules and regulations, or parts thereof, inconsistent with the provisions of this Act are hereby repealed.

Section 7. ***Effectivity.*** – This Act shall take effect fifteen *(15)* days following its complete publication in the Official Gazette or in two *(2)* newspapers of general circulation.

Approved,