

SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
FIRST REGULAR SESSION)



HOUSE OF REPRESENTATIVES

HOUSE BILL NO. **4600**

INTRODUCED BY **REPRESENTATIVE DAKILA CARLO E. CUA**

EXPLANATORY NOTE

The power of taxation is an inherent prerogative of sovereignty, the purpose of which is to secure revenue for the support of the government and its functions. In its quest for additional tax revenues, the Bureau of Internal Revenue (BIR) continues to look to widen the country's tax net; and has been targeting, in particular, self-employed professionals, such as doctors, lawyers, accountants and other high-earning self-employed individuals as it has already been pointed out that a problem with tax compliance still exists in their sector of the economy.

President Benigno Aquino III, in his State of the Union Address in July 2011, pointed out that, "according to the BIR, we have around 1.7m self-employed and professional taxpayers who paid a total of PHP9.8bn (USD227m) in 2010, (and) must have earned only PHP8,500 a month, which is below the minimum wage. I find this hard to believe." It is quite alarming that there is approximately a ninety-percent tax evasion rate among professionals such as doctors, lawyers, accountants, engineers and architects.

This representation hopes that simplifying the taxes for professionals by introducing a flat tax scheme will significantly increase their tax contribution; thereby increasing government revenue. For this reason, approval of this bill is earnestly requested.


DAKILA CARLO E. CUA

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**AN ACT ADOPTING A FLAT NET INCOME TAXATION SCHEME FOR
INDIVIDUALS ENGAGED IN THE PRACTICE OF A PROFESSION,
AMENDING FOR THE PURPOSE 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. *Title.* This Act shall be known as the **"Flat Tax for
Professionals Act."**

SECTION 2. Section 22 of the National Internal Revenue Code (NIRC) of 1997, as amended is hereby further amended by adding the following definitions after Subsection (GG) to read as follows:

"Sec. 22. Definitions. – When used in this Title:

"xxx

"(FF) xxx

**"(GG) THE TERM PROFESSIONALS SHALL MEAN PERSONS WHO,
INDEPENDENT OF EMPLOYER-EMPLOYEE RELATIONSHIP, DERIVE
FROM THEIR PROFESSION, THE PRACTICE OR EXERCISE OF WHICH
REQUIRE AN EXAMINATION AND/OR LICENSE FROM A GOVERNMENT
AGENCY.**

SECTION 3. Section 24 of the NIRC of 1997, as amended, is hereby further 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

(3) SIMPLIFIED FINAL FLAT INCOME TAX FOR PROFESSIONALS.
– IN GENERAL. – THE PROVISIONS OF THIS SECTION NOTWITHSTANDING, A FINAL FLAT TAX OF 10% BASED ON THE PROFESSIONAL FEES IS HEREBY IMPOSED UPON THE TAXABLE INCOME FROM ALL SOURCES WITHIN AND WITHOUT THE PHILIPPINES BY AN INDIVIDUAL RESIDENT CITIZEN AND FROM ALL SOURCES WITHIN THE PHILIPPINES BY AN INDIVIDUAL NON RESIDENT CITIZEN ENGAGED IN THE PRACTICE OF A PROFESSION.

INCOME OF THE PROFESSIONAL FROM OTHER SOURCES SHALL NOT BE ENTITLED TO THE FLAT TAX RATE UNDER THIS PROVISION.

SECTION 4. *Registration by Self-Employed Professionals.* – All self-employed professionals, as defined in this Act, shall register with the Bureau of Internal Revenue (BIR) for purposes of a unified list of taxpayers qualified to avail of this taxation.

SECTION 5. *Applicability Clause.* – This Act shall apply to income earned or paid to professionals, effective beginning taxable year 2015.

SECTION 6. *Separability Clause.* – If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SECTION 7. *Repealing Clause.* – All laws, executive orders and issuances, or any part thereof, which are inconsistent herewith are hereby repealed or amended accordingly.

SECTION 8. *Effectivity Clause.* – This Act shall take effect upon its publication in the Official Gazette or in at least one newspaper of general circulation.

Approved.