

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



SIXTEENTH CONGRESS
Second Regular Session

House Bill No. 4788

Introduced by REPRESENTATIVE ERIC L. OLIVAREZ

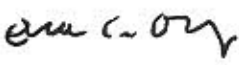
EXPLANATORY NOTE

The National Internal Revenue Code provides for certain tax exemptions to income-earning individuals. The wisdom of the grant of such exemption is to avoid unreasonably burdening a person who has to provide to a number of household members who are unable to support themselves just yet either because they are still presumed to studying and therefore unable to work for self-support, and/or because the person being sustained by the income earner is physically or mentally restrained from providing for himself. The State understands that an income-earner has an obligation first and foremost to his/her family and the latter supports or assists the former by imposing lesser taxes accordingly.

However, in light of the K-12 Curriculum recently passed and implemented in the country, wherein two (2) more year levels were added to our educational system, a person affected by the said law is now expected to complete his/her education at twenty-three (23) years old on average, instead of twenty-one. As such, the income earners in the family would have to sustain the education of their children or immediate relatives (i.e. brother/sister) a lit bit longer, or to be more specific, two years longer than before.

Because of this, it is only proper to amend the section/s of the National Internal Revenue Code which provide/s for the age limitation of household members that may qualify as dependents for purposes of availing tax exemptions, if only to avoid defeating the purpose and the wisdom of the above-cited specific provision of the National Internal Revenue Code.

It is only for this reason that this Bill is being sought to be passed.


ERIC OLIVAREZ

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Introduced by **REPRESENTATIVE ERIC L. OLIVAREZ**

AN ACT INCREASING THE AGE BRACKET OF THE HOUSEHOLD MEMBERS CONSIDERED AS DEPENDENTS OF A TAXPAYER FROM 21 TO 23 YEARS OLD, AND FOR THAT PURPOSE, AMENDING SECTION 29, PARAGRAPH (L), ITEMS (1),(2) and (3) OF THE NATIONAL INTERNAL REVENUE CODE, IN VIEW OF THE RECENTLY IMPLEMENTED K-12 CURRICULUM WHICH ADDED TWO (2) YEARS IN THE PHILIPPINE EDUCATIONAL SYSTEM.

Section 1. Short Title. This Act shall be known as an "Act Increasing the Age Bracket of Taxpayers' Dependents".

Section 2. *Section 29, paragraph (K) (2) (a) of the National Internal Revenue Code is hereby amended to read as follows, to wit:*

Section 29, (L) **Personal exemptions allowable to individuals.** — (1) Basic personal exemption. — For the purpose of determining the tax provided in Section 21 (a) of this Title, there shall be allowed a basic personal exemption as follows:

For single individual or married individual judicially

decreed as legally separated with no qualified dependents P9,000

For head of a family P12,000

For each married individual P18,000

Provided, That in case one of the spouses is deriving taxable income, only said spouse shall be allowed to avail of the aforesaid basic personal exemption for married individual. (As amended by R.A. 7497)

For purposes of this paragraph, the term "Head of Family" means an unmarried or legally separated man or woman with one or both parents, or with one or more brothers or sisters, or with one or more legitimate, recognized natural or legally adopted children living with and dependent upon him for their chief support, where such brothers or sisters or children are not more than **twenty-three (23) years of age**, unmarried and not gainfully employed or where such children, brothers or sisters, regardless of age are incapable of self-support because of mental or physical defect.

(2) Additional exemption

(A) Taxpayers with dependents. — A married individual or a head of a family shall be allowed an additional exemption of five thousand pesos (P5,000) for each dependent: Provided, That the total number of dependents for which additional exemptions may be claimed shall not exceed four dependents: Provided, further, That the additional exemption for dependents shall be claimed by only one of the spouses in the case of married individuals. (As amended by R.A. 7497)

In case of legally separated spouses, additional exemptions may be claimed only by the spouse who was awarded 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 paragraph, a dependent means a legitimate, recognized natural or legally adopted child chiefly dependent upon and living with the taxpayer if such dependent is not more than **twenty-three (23) 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.

(B) Taxpayers with gross compensation income not exceeding P20,000. — A special additional exemption of Four thousand pesos (P4,000) shall be allowed if the gross income of a single, married or legally separated individual, or head of family does not exceed the aggregate amount of P20,000: Provided, That in case married individual elect to compute their

income tax separately, the spouse claiming the additional exemption for dependent children shall be entitled to the special additional exemption of P4,000.

(3) Change of status. — If the taxpayer married or should have additional dependents as defined above during the taxable year, the taxpayer may claim the corresponding personal and additional exemptions, as the case may be, in full for such year.

If the taxpayer should die during the taxable year, his estate may still claim the personal and additional exemptions for himself and his dependents as if he died at the close of such year.

If the spouse or any of the dependents should die or if any of such dependents becomes **twenty-three (23) years old** during the taxable year, the taxpayer may still claim the same exemptions as if they died, or if such dependents become **twenty-three (23) years old** at the closed of such year.

Section 3. Repealing Clause. — All laws, presidential decrees, letters of instructions, executive orders, rules and regulations insofar as they are inconsistent with this Act, are hereby repealed or amended as the case may be.

Section 4. Separability Clause. — In the event that any provision of this Act or any portion thereof is declared unconstitutional by a competent court, the other provisions shall not be affected thereby and shall remain valid and enforceable.

Section 5. *Effectivity Clause.* – This Act shall take effect after its complete publication in at least three (3) newspapers of general circulation.

APPROVED.