

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

SIXTEENTH CONGRESS  
Second Regular Session

House Bill 4925



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Introduced by Hon. Victoria G. Noel

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**EXPLANATORY NOTE**

This bill seeks to amend Sections 24 and 27 of the National Internal Revenue Code of 1997, as amended, by gradually reducing individual and corporate income taxes over a three (3) year period beginning January 1, 2015.

One of the policies enshrined in the 1987 Philippine Constitution is the duty of the state to promote a rising standard of living and an improved quality of life for all. Our current income tax rates are proving to be inconsistent, if not contrary, to said policy. Slowly, the salaried professionals, who comprise the middle class, are pulled down into lower income groups because they are pushed up into higher income brackets. Thus, there is a need to revisit and reduce the present income tax rates.

This bill is also filed in preparation for the Association of Southeast Asian Nations (ASEAN) Integration. And while the ASEAN member countries are not mandated to have a uniform rate for individual and corporate income taxes, most of the member- states have begun to lower their individual and corporate income tax rates; the Philippines, on the other hand, has the highest corporate income tax rate of 30%. With the free flow of goods, services, investment, capital and of skilled labor, it is inevitable that investors and taxpayers will bring their capital or services to a low-tax jurisdiction. Thus, our tax rates must be competitive enough not only to attract more investments and human capital but, more importantly, prevent the migration of our own.

While there may be apprehensions over a set back in revenues as a result of this proposal, the reduction in income taxes will eventually stimulate the economy, broaden the tax base and create more employment. With higher take-home pay, Filipino families will have more money to spend on items that will generate more taxes, such as, Value Added Tax (VAT) on goods and services. Improving the levels of disposable income will clearly and inevitably increase economic activity. Likewise, the proposed reduction in the rate of corporate income tax will create a more vibrant and robust economy for

business and enable companies to compete better in the global market. And, as has been the experience both here and in other countries, lower tax rates would likewise lead to greater compliance.

In view of the foregoing, immediate approval of this bill is earnestly sought.



Victoria G. Noel

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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 of the Philippines in  
Congress assembled:*

SECTION 1. Section 24(A)(2) of the National Internal Revenue Code (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. –

“(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:

“[Not over ₱10,000 ..... 5%

“Over ₱10,000 but not over ..... ₱500 + 10% of the excess  
₱30,000 over ₱10,000

“Over ₱30,000 but not over ..... ₱2,500 + 15% of the excess  
₱70,000 over ₱30,000

“Over ₱70,000 but not over ..... ₱8,500 + 20% of the excess  
₱140,000 over ₱70,000

“Over ₱140,000 but not over ... ..... ₱22,500 + 25% of the excess  
₱250,000 over ₱140,000

“Over ₱250,000 but not over ..... ₱50,000 + 30% of the excess  
₱500,000 over ₱250,000

“Over P500,000..... P125,000 + 32% of the excess  
over P500,000]”

“xxx

“xxx.

| “Taxable Income                           | Beginning<br>January 1, 2015                       | Beginning<br>January 1, 2016                       | Beginning<br>January 1, 2017                        |
|-------------------------------------------|----------------------------------------------------|----------------------------------------------------|-----------------------------------------------------|
| “Not over P30,000                         | Exempt                                             | Exempt                                             | Exempt                                              |
| “Over P30,000 but not over<br>P70,000     | P2,500 + 15% of<br>excess over<br>P30,000          | P2,500 + 13% of<br>excess over<br>P30,000          | P2,500 + 10% of<br>excess over<br>P30,000           |
| “Over P70,000 but not over<br>P200,000    | P8,500 + 20% of<br>the excess over<br>P70,000      | P7,700 + 18% of<br>the excess over<br>P70,000      | P6,50000 + 15% of<br>the excess over<br>P70,000     |
| “Over P200,000 but not over<br>P500,000   | P34,500 + 25% of<br>the excess over<br>P200,000    | P30,600 + 23% of<br>the excess over<br>P200,000    | P26,000 + 20% of<br>the excess over<br>P200,000     |
| “Over P500,000 but not over<br>P1,000,000 | P109,500 + 30% of<br>the excess over<br>P500,000   | P99,600 + 25% of<br>the excess over<br>P500,000    | P86,000 + 22% of<br>the excess over<br>P500,000     |
| “Over P1,000,000                          | P259,500 + 32% of<br>the excess over<br>P1,000,000 | P224,600 + 28% of<br>the excess over<br>P1,000,000 | P196,000 + 25% of<br>the excess over<br>P1,000,000” |

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

“Sec. 27. Rates of Income Tax on Domestic Corporations.-

“(A) In General. - Except as otherwise provided in this Code, an income tax of  
[thirty-five percent (35%)] THIRTY PERCENT (30%) BEGINNING JANUARY  
1, 2015 AND TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1,  
2016 AND TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1,  
2017, is hereby imposed upon the taxable income derived during each taxable  
year from all sources within and without the Philippines by every corporation, as  
defined in section 22 (B) of this Code and taxable under this Title as a  
corporation, organized in, or existing under the laws of the Philippines [:  
*Provided*, That effective January 1, 2009, the rate of income tax shall be thirty  
percent (30%).]”

SEC. 3. Implementing Rules and Regulations. - The Department of Finance, Bureau of Internal Revenue and the National Tax Research Center shall promulgate, within sixty (60) days from the effectivity of this Act, the Implementing Rules and Regulations (IRR) that shall be necessary to implement the provisions of this Act.

SEC. 4. 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.

SEC. 5. Repealing Clause. - All laws, decrees, executive orders, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed.

SEC. 6. 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.*