



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 4992

Introduced by Representative Raul V. Del Mar

EXPLANATORY NOTE

Article VI, Section 28 (1) of the 1987 Constitution states that the rule of taxation shall be uniform and equitable, and that Congress shall evolve a progressive system of taxation.

To give flesh to this noble intent of the fundamental law, Congress, in 2008, passed *Republic Act (RA) No. 9504*, providing, among others, for the exemption of minimum wage earners from the payment of income tax on their taxable income. Laudable as the amendments introduced by RA No. 9504 may be, it still overlooked the situation where a minimum wage earner is discouraged to seek promotion for the simple reason that, with said elevation in rank and the corresponding increase in salary, he will no longer be tax exempt and, what is worse, his tax liability is more than his wage increase such that his take home pay is drastically reduced.

To illustrate, a minimum wage earner, who receives a salary of P466.00 per day or P145,392.00 per annum, is exempt from payment of income tax by virtue of RA No. 9504. However, under the present income tax system, if he is promoted and paid more at P516.00 per day (increase of P50.00) or P160,992.00 per annum (increase of P15,600.00), he ceases to be a minimum wage earner and is henceforth liable to pay income tax in the sum of P16,698.40, which is lamentably higher by P1,098.40 than the salary increase he has acquired. Indeed, his promotion ironically yields him a smaller pay of P144,293.60 per annum as compared to what he used to have as a minimum wage earner.

This bill aims to address this problematic situation by amending for the purpose Section 24 (A) (2) of the NIRC of 1997, as amended. Accordingly, the measure proposes that the taxable income of an individual amounting to P100,000.00 and less shall be exempt from income tax with only the excess of said exempt amount to be taxed in accordance with the current tax schedule as provided in said section of the tax code. Hence, under this proposal, the abovementioned promoted compensation income earner remains free from income tax liability even though he is no longer a minimum wage earner, and fully enjoys his additional disposable income for his basic needs and those of his family. Otherwise put, the bill's grant of an additional P100,000.00 exemption allows a non-minimum wage earner to claim a minimum P150,000.00 to a maximum P250,000.00 total exemption, depending on the number of dependents allowed as additional exemption.

By doing this, a minimum wage earner shall not anymore shy away from taking a promotion as the proposed additional P100,000.00 exemption provides sufficient "buffer" to avoid the salary distortion that would otherwise ensue.

Further, the bill provides that, in order to keep up with inflation and prevent erosion of the purchasing power of workers' wages, the exempt taxable income amount of P100,000.00 shall be adjusted to its current value using the Consumer Price Index (CPI) as published by the National Statistics Office (NSO) not later than three (3) years after effectivity and every three (3) years thereafter.

Accordingly, passage of the measure is earnestly sought.



REP. RAUL V. DEL MAR



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**AN ACT EXEMPTING THE TAXABLE INCOME OF AN INDIVIDUAL
AMOUNTING TO P100,000 AND LESS, AMENDING FOR THE PURPOSE
SECTION 24 (A) (2) OF 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. Section 24 (A) (2) of the National Internal Revenue Code of 1997,
as amended, is hereby further amended to read as follows:

"SEC. 24. Income Tax Rates. –

(A) xxx

(1) xxx

(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:]

THE TAXABLE INCOME OF AN INDIVIDUAL AMOUNTING TO P100,000 AND LESS SHALL BE EXEMPT FROM INCOME TAX. THE TAXABLE INCOME OF AN INDIVIDUAL IN EXCESS OF THE EXEMPT AMOUNT OF P100,000 SHALL BE TAXED IN ACCORDANCE WITH AND AT THE RATES ESTABLISHED IN THE FOLLOWING SCHEDULE:

Not over P10,000	5%
Over P10,000 but not over P30,000	P500+10% of the excess over P10,000
Over P30,000 but not over P70,000	P2,500+15% of the excess over P30,000
Over P70,000 but not over P140,000	P8,500+20% of the excess over P70,000
Over P140,000 but not over P250,000	P22,500+25% of the excess over P140,000
Over P250,000 but not over P500,000	P50,000+30% of the excess over P250,000
Over P500,000	P125,000+32% of the excess over P500,000

xxx

xxx

PROVIDED, FINALLY, THAT NOT LATER THAN THREE (3) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY THREE (3) YEARS THEREAFTER, THE EXEMPT TAXABLE INCOME AMOUNT OF P100,000 HEREIN STATED SHALL BE ADJUSTED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL STATISTICS OFFICE (NSO).

(B) xxx

(C) xxx"

SEC. 2. Implementing Rules and Regulations. – The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate upon the effectivity of this Act the necessary Rules and Regulations for its effective implementation.

SEC. 3. Separability Clause. – If any provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

SEC. 4. Repealing Clause. - All laws, acts, presidential decrees, executive

orders, issuances, presidential proclamations, rules and regulations or parts thereof which are contrary to and inconsistent with any provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 5. Effectivity Clause. - This Act shall take effect fifteen (15) days after its complete publication either in the Official Gazette, or in at least two (2) newspapers of general circulation.

Approved,