

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



16th Congress
First Regular Session

HOUSE BILL NO. **6082**

Introduced by Representative WESLIE T. GATCHALIAN

EXPLANATORY NOTE

The National Internal Revenue Code of the Philippines provides personal exemptions for individual taxpayer. *"Personal exemptions are the theoretical personal, living and family expenses of an individual allowed to be deducted from the gross or net income of an individual taxpayer. These are arbitrary amounts which have been calculated by our lawmakers to be roughly equivalent to the minimum of subsistence, taking into account the personal status and additional qualified dependents of the taxpayer"* (Pansacola vs. Commissioner of Internal Revenue, GR No. 159991).

Accordingly, personal exemptions are specific monetary exemption claimed by an individual taxpayer as deduction due to personal, living and family expenses from the gross income of the taxpayer to arrive at a taxable income.

At present, under R.A. 9504 which was enacted into law last June 2008, the allowance for personal exemptions are as follows:

1. Fifty thousand pesos (P50,000) for each individual taxpayer, and for married individual, only the spouse who is an income earner can avail of the exemption.
2. Additional exemption of Twenty-five thousand pesos (25,000) for each dependent not exceeding four (4) which can only be claimed by one of the spouses for married individuals.

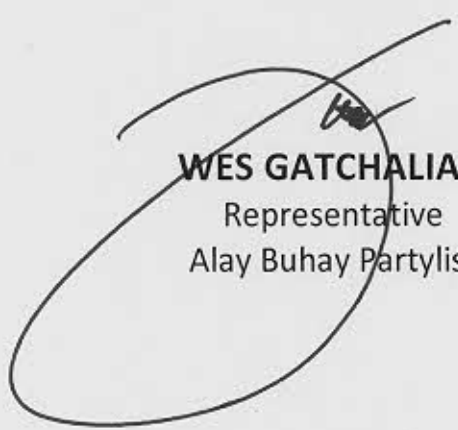
It is now six (6) years since R.A. 9504 was enacted and without doubt, the amount prescribed as personal exemptions are no longer reflective of actual cost of living. It is already outdated because the adjustments considered the poverty threshold level six (6) years ago.

Also, our constitution provides that our taxation must be equitable and progressive. Our constitution therefore sets the limitation in the exercise of taxation when it chooses to adopt a progressive system which is a way to lessen economic imbalance due to unequal income.

This bill therefore seeks to ease the burden of low-income earners as way of tax relief by implementing reasonable deductions and updated tax exemptions.

The bill will also raise the level of tax exemption according to present expenditure realities and give financial breaks to individuals in need.

Foregoing considered, the immediate passage of this bill is earnestly sought.



WES GATCHALIAN
Representative
Alay Buhay Partylist

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AN ACT
INCREASING THE ALLOWANCE FOR PERSONAL
EXEMPTIONS OF INDIVIDUAL TAXPAYERS,
AMENDING SECTION 35 OF REPUBLIC ACT NO. 8424,
AS AMENDED OTHERWISE KNOWN AS THE
NATIONAL INTERNAL REVENUE CODE OF 1997.

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

SECTION. 1. Section 35(A) and (B) of Republic Act No. 8424, as amended, otherwise known as the National Internal Revenue Code of 1997, is hereby amended to read as follows:

"SEC. 35. Allowance of Personal Exemption for Individual Taxpayer. -

"(A) In General. - For purposes of determining the tax provided in Section 24(A) of this title, there shall be allowed a basic personal exemption

amounting to One Hundred Thousand Pesos (P100,000) for each individual taxpayer.

"In the case of married individual where only one of the spouse is deriving gross income, only such spouse shall be allowed the personal exemption.

"(B) *Additional Exemption for Dependents.* - There shall be allowed an additional exemption of Fifty thousand pesos (50,000) for each dependent not exceeding four (4).

"The additional exemption for dependents shall be claimed by only one of the spouses in the case of married individuals.

"In the case of legally separated spouses, additional exemptions may be claimed only by the spouse who has 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 Subsection, a "dependent" means a legitimate, illegitimate or legally adopted child chiefly dependent upon and living with the taxpayer if such dependent is not more than twenty-one (21) 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.

SECTION. 2. *Separability Clause.* - If any provision of this Act is declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall continue to be in full force and effect.

SECTION 3. *Repealing Clause.* - Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with any provision of this Act as hereby amended or modified accordingly.

SECTION. 4. *Effectivity Clause.* - This Act shall take fifteen (15) days following its publication in the *Official Gazette* or in at least two (2) newspaper of general circulation.

Approved,