



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

SIXTEENTH CONGRESS  
Third Regular Session

**HOUSE BILL NO. 6278**



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**Introduced by Honorable MARK A. VILLAR**

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**AN ACT**  
**AMENDING SECTION 24 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997,**  
**AS AMENDED, AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

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

The 1987 Constitution also states that "No person shall be deprived of life, liberty, or property without due process of law, nor shall any person be denied the equal protection of the laws". (Article III, Section 1)

Our country suffers from inequalities. One of the said inequalities that continuously batter our countrymen is our current tax system.

An analysis of tax policies of the Association of Southeast Asian Nations (ASEAN) members manifests that the Philippines has the second highest average tax rate, following Vietnam and Thailand. On the other hand, Singapore has the lowest marginal tax rate at both ends of its tax bracket spectrum, at 20% for the wealthiest and 2% for the lowest qualifying income earners.<sup>1</sup>

Our neighbors in the ASEAN clearly see that at certain income levels, more disposable cash or purchasing power must be left in the hands of taxpayers to enable them to have good quality of lives and provide for their families. In our case, taxpayers

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<sup>1</sup> <http://www.rappler.com/thought-leaders/65114-filipino-middle-class-over-taxed>

who are not considered high-earning are pushed into high tax brackets, same brackets as the richest taxpayers.

Inflation makes it hard for Filipinos to meet the demands of daily living. The rise in commodity prices has clearly weakened the purchasing power of our people's hard-earned money. Also, the people are left without any purchasing power to contribute to the economy due to excessive taxation.<sup>2</sup> Hence, having to contend with the above mentioned factors, the quality of life of the Filipino people is highly adversely affected.

The concept of equity in taxation requires that the apportionment of the tax burden be, more or less, just in the light of the taxpayer's ability to shoulder the tax burden and, if warranted, on the basis of the benefits received from the government. The basis is the taxpayer's ability to pay.<sup>3</sup>

Bureau of Internal Revenue (BIR) data show that the majority or roughly 82% of the total collection from individual income taxes comes from compensation-income earners. The bulk of this is automatically deducted from salaried professionals. These individuals are the middle class. The middle class is the "goose that lays the golden eggs", as the said class is the moderating force in society because their wealth is adequate to keep them from the extremism of a hungry poor or an indulgent rich.<sup>4</sup> In individual income taxation, the poor are exempted, while the rich have many government incentives.

The Due Process Clause of the Constitution is not only concerned with procedural due process, but also substantive due process. Substantive due process requires that the law itself, not merely the procedure by which the law would be enforced, is fair, reasonable, and just.<sup>5</sup> It is apparent that Section 24 of the National Internal Revenue Code of 1997, as amended is wanting of the characteristics.

To ease the tax burden of our Filipino workers, and for our country to be at par with regional standards and to make the Philippine workforce more competitive with its neighbours, this bill seeks to amend Section 24 of the National Internal Revenue Code of 1997, as amended, by adjusting the individual income tax brackets and reducing the rates of individual income tax.

After more than a decade without the much necessary amendment to the Tax Code, this is the perfect time to pass a law reducing such taxes.

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<sup>2</sup><http://opinion.inquirer.net/77762/overtaxing-working-middle-classes>

<sup>3</sup><http://taxmates.blogspot.com/2009/10/3-rule-of-uniformity-and-equity-in.html>

<sup>4</sup><http://opinion.inquirer.net/77762/overtaxing-working-middle-classes>

<sup>5</sup> *Corona v. United Harbor Pilots Association of the Philippines*. G.R. No. 111953. December 12, 1997.

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

A handwritten signature in black ink, appearing to read 'Mark A. Villar', with a stylized, flowing script.

**MARK A. VILLAR**



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

SIXTEENTH CONGRESS  
Second Regular Session

HOUSE BILL NO. **6279**

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Introduced by Honorable **MARK A. VILLAR**

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**AN ACT**  
**AMENDING SECTION 24 OF THE NATIONAL INTERNAL REVENUE CODE**  
**OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

*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) 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:

| Taxable Income                    | Beginning<br>January 1, 2016               |
|-----------------------------------|--------------------------------------------|
| P25,000                           | 5%                                         |
| Over P25,000 but not over P70,000 | P1,500 + 10% of the excess<br>over P25,000 |

|                                       |                                            |
|---------------------------------------|--------------------------------------------|
| Over P70,000 but not over P160,000    | P5,500 + 15% of the excess over P70,000    |
| Over P160,000 but not over P320,000   | P19,000 + 20% of the excess over P160,000  |
| Over P320,000 but not over P570,000   | P50,000 + 25% of the excess over P320,000  |
| Over P570,000 but not over P1,200,000 | P115,000 + 30% of the excess over P570,000 |
| Over P1,200,000                       | P1,200,000 + 32% of excess over P1,200,000 |

|                                        |                                                    |
|----------------------------------------|----------------------------------------------------|
| [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+34% of the excess over P500,000 in 1998.] |

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**SEC 2. Implementing Rules and Regulations.** - The Secretary of Finance shall promulgate the necessary rules and regulations for the effective implementation of the provisions of this Act.

**SEC 3. Repealing Clause.** - All laws, orders, issuances, circulars, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

**SEC 4. Separability Clause.** - If any provision of this Act is declared unconstitutional or invalid, other parts or provisions hereof not affected thereby shall continue to be in full force and effect.

**SEC 5. Effectivity.** - This Act shall take effect on January 1, 2016 following its publication in at least two (2) newspapers of general circulation.

Approved,