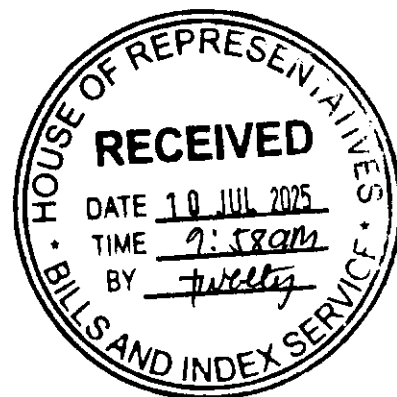


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 1735



Introduced by **Representative Ryan S. Recto**

EXPLANATORY NOTE

This bill seeks to amend Section 24(A)(2)(a) of the National Internal Revenue Code (NIRC) of 1997, as amended, by adjusting the levels of net taxable income and the nominal tax rates for purposes of computing the individual income tax.

One of the inherent powers of the State is the power of taxation. However, there are limitations on the exercise of such power. Section 28, Article VI of the 1987 Philippine Constitution provides that the rule of taxation shall be uniform and equitable and that Congress shall evolve a progressive system of taxation.

Jurisprudence is replete with cases explaining that uniformity of taxation and the equal protection clause require that all subjects or objects of taxation similarly situated are to be treated alike both in privileges and liabilities. A progressive system of taxation as well as the concept of equity in taxation suggest that the tax rates should be based on the taxpayer's ability to pay. Therefore, a tax system is progressive when the tax rate increases as the tax base increases.


The steady increase in the prices of consumer goods and services in the country over the years hinders most Filipinos in meeting the demands of daily living. The rise in commodity prices has undoubtedly weakened the purchasing power of our people's hard-earned money. Individuals earning compensation income not only have to deal with the weakening effects of inflation but also with the huge deductions in their salaries, one of which is due to income tax.

Without a Consumer Price Index (CPI)-adjusted tax levels and rates, the increases in income enjoyed by salaried individuals to keep them in step with inflation every year push these taxpayers into higher tax brackets, leading them to pay more taxes. This "bracket creep" is a result of income taxes growing faster than income does despite the fact that Congress has not legislated laws increasing income taxes, and despite the fact that Congress has even enacted a law in favor of minimum wage earners.

The purpose and intent of this bill is to make taxation more equitable and uniform, and to ease the burden of the taxpayers in complying with the requirements

of the law for the payment of taxes. The objective is to broaden the tax base and this can be done by encouraging more self-employed individuals, professionals, business enterprises and other income earners to voluntarily file their income tax returns (ITRs) and pay the corresponding correct taxes thereon.

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



Ryan S. Recto
Representative
6th District, Batangas

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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 1735

Introduced by **Representative Ryan S. Recto**

AN ACT
GRANTING ECONOMIC RELIEF TO ALL WORKING FILIPINOS, AMENDING FOR THE PURPOSE SECTION 24 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

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

Section 1. *Short Title.* – This Act shall be known as the “Economic Relief for Pinoy Workers Act”.

Sec. 2. Section 24 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

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:

(a) Tax Schedule: [~~Effective January 1, 2018 until December 31, 2022:~~

Not over P250,000..... 0%

Over P250,000 but not over P400,000..... 20% of the excess over P250,000

Over P400,000 but not over P800,000..... P30,000 + 25% of the excess over P400,000

~~Over P800,000 but not over P2,000,000..... P130,000 + 30% of
the excess over P800,000~~

~~Over P2,000,000 but not over P8,000,000..... P490,000 + 32% of
the excess over P2,000,000~~

~~Over P8,000,000 P2,410,000 + 35% of the
excess over P8,000,000~~

~~Tax Schedule Effective January 1, 2023 and onwards:~~

~~Not over P250,000..... 0%~~

~~Over P250,000 but not over P400,000.....15% of the excess
over P250,000~~

~~Over P400,000 but not over P800,000..... P22,500 + 20% of
the excess over P400,000~~

~~Over P800,000 but not over P2,000,000..... P102,500 + 25% of
the excess over P800,000~~

~~Over P2,000,000 but not over P8,000,000..... P402,500 + 30% of
the excess over P2,000,000~~

~~Over P8,000,000 P2,202,500 + 35% of the
excess over P8,000,000]~~

NOT OVER P400,000..... 0%

**OVER P400,000 BUT NOT OVER P800,000..... 20% OF THE
EXCESS OVER P400,000**

**OVER P800,000 BUT NOT OVER P2,000,000..... P80,000 + 25%
OF THE EXCESS OVER P800,000**

**OVER P2,000,000 BUT NOT OVER P8,000,000..... P380,000 + 30%
OF THE EXCESS OVER P2,000,000**

**OVER P8,000,000 P2,180,000 + 35% OF
THE EXCESS OVER P8,000,000**

"xxx

"(b) Rate of Tax on Income of Purely Self-employed Individuals and/or Professionals Whose Gross Sales or Gross Receipts and Other Non-operating Income Does Not Exceed the Value-added Tax (VAT) Threshold as Provided in Section 109(BB). – Self-employed individuals and/or professionals shall have the option to avail of an eight percent (8%) tax on gross sales or gross receipts and other non-operating income in excess of

~~[Two hundred fifty thousand pesos (P250,000)]~~ **FOUR HUNDRED THOUSAND PESOS (P400,000)** in lieu of the graduated income tax rates under Subsection (A)(2)(a) of this Section and the percentage tax under Section 116 of this Code.

"xxx"

Sec. 3. Implementing Rules and Regulations (IRR). – Within thirty (30) days from the effectivity of this Act, the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations for its effective implementation.

Sec. 4. Repealing Clause. – All laws, acts, decrees, executive orders, issuances, and rules and regulations or parts thereof which are contrary to and inconsistent with this Act are hereby repealed, amended or modified accordingly.

Sec. 5. Effectivity. – This Act shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,