

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 2616



Introduced by **HON. KENNETH T. GATCHALIAN**

EXPLANATORY NOTE

In 2024, Republic Act No. 12066, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act” was enacted which improved corporate tax incentives to boost competitiveness and create jobs. While it benefits corporations directly, the **GINHAWA bill** now focuses on helping the real backbone of the economy – the working Filipinos.

With rising prices, high inflation, and economic uncertainty, many Filipinos struggle to meet their financial needs. This bill aims to provide relief by **increasing workers’ take-home pay** and improving their quality of life.

Thus key proposals include raising income tax exemption to **₱400,000 annual income**, increasing tax-free bonuses to **₱150,000**, removing taxes on **service charges** and additional compensation (overtime, holiday, night shift, hazard pay) and exempting honoraria and allowances of poll workers. Additionally, the following reforms are also apparent in the measure:

1. Lower fringe benefit tax for managers and supervisors
2. Exempt employer-paid insurance premiums from tax
3. Extra labor expense deduction for micro taxpayers
4. Tax credits for businesses giving discounts to PWDs, seniors, and solo parents
5. Extended tax filing deadlines during calamities
6. Exempt micro taxpayers from withholding tax requirements
7. Increase VAT-exempt threshold from **₱3M to ₱4M**
8. Reduce taxes on life and health insurance premiums
9. Remove TIN requirement for cooperative members seeking tax exemptions

Working Filipinos have long supported the economy and it's time to ease their burden and help them live better. In view of the foregoing, urgent approval of this measure is earnestly sought.



KENNETH T. GATCHALIAN

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NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2616

Introduced by **HON. KENNETH T. GATCHALIAN**

AN ACT
AMENDING SECTIONS 24, 32, 33, 34, 53, 57, 109, 123, AND 236 OF
REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS 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. Short Title. - This Act shall be known as the "Granting Increase in Take-Home Pay for All Working Filipinos Act (GINHAWA)."

Sec. 2. Declaration of Policy. - It is the policy of the State to:

- a. Enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth; and
- b. Provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity.

Sec. 3. 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. *Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines.* -

1. x x x

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

(b) 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 P650,000..... 15% OF THE EXCESS OVER P400,000

OVER P650,000 BUT NOT OVER P1,300,000..... P37,500 + 20% OF THE EXCESS OVER P650,000

OVER P1,300,000 BUT NOT OVER P3,200,000..... P167,500 + 25% OF THE EXCESS OVER P1,300,000

OVER P3,200,000 BUT NOT OVER P12,800,000..... P642,500 + 30% OF THE EXCESS OVER P3,200,000

OVER P12,800,000P3,522,500 + 35% OF THE EXCESS OVER P12,800,000

X X X

Provided, That minimum wage earners as defined in Section 22(HH) of this Code shall be exempt from the payment of income tax on their taxable income:

Provided, further, That the holiday pay, overtime pay, night shift differential pay, [and] hazard pay, **AND SHARE IN THE SERVICE CHARGES** received by such minimum wage earners shall likewise be exempt from income tax. **SERVICE CHARGES SHALL REFER TO THE ADDITIONAL PAY DISTRIBUTED AMONG EMPLOYEES AS PROVIDED UNDER PRESIDENTIAL DECREE NO. 442, SERIES OF 1974, AS AMENDED, OTHERWISE KNOWN AS THE "LABOR CODE OF THE PHILIPPINES".**

(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~~ **FOUR** hundred ~~[fifty]~~ thousand pesos ~~[(P250,000)]~~ **(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.

x x x

Sec. 4. Section 32 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"Sec. 32. *Gross Income.* –

A. *General Definition.* – xxx

B. *Exclusions from Gross Income.* – The following items shall not be included in gross income and shall be exempt from taxation under this Title:

1. *Life Insurance.* – x x x

2. *Amount Received by Insured as Return of Premium.* - x x x

3. *Gifts, Bequests, and Devises.* - x x x

4. *Compensation for Injuries or Sickness.* – x x x

5. *Income Exempt under Treaty.* - x x x

6. *Retirement Benefits, Pensions, Gratuities, etc.* - x x x

7. *Miscellaneous Items.* – x x x

(a) *Income Derived by Foreign Government.* - x x x

(b) *Income Derived by the Government or its Political Subdivisions.* - x x x

(c) *Prizes and Awards.* - x x x

(d) *Prizes and Awards in sports Competition.* - x x x

(e) *13th Month Pay and Other Benefits.* - Gross benefits received by officials and employees of public and private entities: Provided, however, That the total exclusion under this subparagraph shall not exceed ~~[Ninety]~~ **ONE HUNDRED FIFTY** thousand pesos ~~[(P90,000)]~~ **(P150,000)** which shall cover:

(i) xxx xxx

(ii) xxx xxx

(iii) xxx xxx

(iv) xxx xxx

(V) ALL COMPENSATION, SUCH AS HONORARIA AND ALLOWANCES, SERVICE CREDITS, AND OTHER BENEFITS AS MAY BE GRANTED TO PERSONS ENGAGED IN ELECTION-RELATED SERVICE BY THE COMMISSION ON ELECTIONS, PURSUANT TO SECTION 4 OF REPUBLIC ACT NO. 10756, OTHERWISE KNOWN AS THE "ELECTION SERVICE REFORM ACT".

(f) GSIS, SSS, Medicare and Other Contributions. - x x x

(g) Gains from the Sale of Bonds, Debentures or other Certificate of Indebtedness. - x x x

(h) Gains from Redemption of Shares in Mutual Fund. - x x x

(i) Income Derived from the Sale of Gold Pursuant to Republic Act No. 7076. - x x x

(J) ADDITIONAL COMPENSATION REQUIRED UNDER THE LABOR CODE. – THE AMOUNT REQUIRED BY LAW TO BE GIVEN TO EMPLOYEES AS HOLIDAY PAY, OVERTIME PAY, NIGHT SHIFT DIFFERENTIAL PAY, HAZARD PAY, AND SERVICE CHARGES: PROVIDED, THAT OVERTIME PAY EXCEEDING ONE HUNDRED THOUSAND PESOS (P100,000) SHALL BE INCLUDED IN THE GROSS INCOME UNDER SECTION 32 (A) OF THIS CODE.

Sec. 5. Section 33 of the National Internal Revenue Code of 1997, as amended, is amended to read as follows:

SEC. 33. Special Treatment of Fringe Benefit. -

A. Imposition of Tax. – Effective January 1, ~~[2018]~~ **2026** and onwards, ~~[a final tax of thirty five percent (35%) is hereby imposed on the grossed-up monetary]~~ **THE** value of fringe benefit furnished or granted to the employee ~~[(except rank and file employees defined herein)]~~ by the employer, whether an individual or a corporation (unless the fringe benefit is required by the nature of, or necessary to the trade, business or profession of the employer, or when the fringe benefit is for the convenience or advantage of the employer) **SHALL BE INCLUDED IN THE COMPUTATION OF THE GROSS INCOME OF THE EMPLOYEE SUBJECT TO THE TAX UNDER SUBSECTION (A) OF SECTION 24.**

The tax herein imposed is payable by the employer which tax shall be paid in the same manner as provided for under Section ~~[57]~~ **79** (A) of this Code~~[- The grossed-up monetary value of the fringe benefit shall be determined by dividing the actual monetary value of the fringe benefit by sixty five percent (65%) effective January 1, 2018 and onwards]:~~ *Provided, however,* That fringe benefit furnished to employees and taxable under Subsections (B), (C), (D) and (E) of Section 25 shall be taxed at the applicable rates imposed thereat: *Provided, further,* That the grossed -up monetary value of the fringe benefit shall be determined by dividing the actual monetary value of the fringe benefit by the difference between one hundred percent (100%)

and the applicable rates of income tax under Subsections (B), (C), (D), and (E) of Section 25.

B. *Fringe Benefit Defined.* - For purposes of this Section, the term 'fringe benefit' means any good, service or other benefit furnished or granted in cash or in kind by an employer to an individual employee (except rank and file employees as defined herein) such as, but not limited to, the following:

- (1) Housing;
- (2) Expense account;
- (3) Vehicle of any kind;
- (4) Household personnel, such as maid, driver and others;
- (5) Interest on loan at less than market rate to the extent of the difference between the market rate and actual rate granted;
- (6) Membership fees, dues and other expenses borne by the employer for the employee in social and athletic clubs or other similar organizations;
- (7) Expenses for foreign travel;
- (8) Holiday and vacation expenses; **AND**
- (9) Educational assistance to the employee or his dependents[;].

~~[(10) Life or health insurance and other non-life insurance premiums or similar amounts in excess of what the law allows.]~~

C. *Fringe Benefits Not Taxable.* - The following fringe benefits are not taxable under this Section:

- (1) Fringe benefits which are authorized and exempted from tax under special laws;
- (2) Contributions of the employer for the benefit of the employee to retirement, insurance and hospitalization benefit plans;
- (3) Benefits given to the rank and file employees, whether granted under a collective bargaining agreement or not; ~~[and]~~
- (4) De minimis benefits as defined in the rules and regulations to be promulgated by the Secretary of Finance, upon recommendation of the Commissioner[.]; **AND**

(5) LIFE OR HEALTH INSURANCE AND OTHER NON-LIFE INSURANCE PREMIUMS OR SIMILAR AMOUNTS IN EXCESS OF WHAT THE LAW ALLOWS.

x x x

Sec. 6. Section 34 of the National Internal Revenue Code of 1997, as amended, is amended to read as follows:

SEC. 34. *Deductions from Gross Income.* - x x x

A. *Expenses.* - xxx

1. *Ordinary and Necessary Trade, Business or Professional Expenses.* - xxx

2. *Expenses Allowable to Private Educational Institutions.* - xxx

3. EXPENSES ALLOWABLE TO MICRO TAXPAYERS - A MICRO TAXPAYER, AS DEFINED UNDER SECTION 21 (B) OF THIS CODE, SHALL BE ALLOWED A FIFTY PERCENT (50%) ADDITIONAL DEDUCTION ON THE SALARIES, WAGES, AND OTHER FORMS OF COMPENSATION PAID TO THE EMPLOYEES OF THE MICRO TAXPAYER.

x x x

B. *Interest.* – x x x

C. *Taxes.* –

1. *In General.* – x x x

2. *Limitations on Deductions.* – x x x

3. *Credit Against Tax for Taxes of Foreign Countries.* – x x x

4. *Limitations on Credit.* – x x x

5. *Adjustments on Payment of Incurred Taxes.* - x x x

6. *Year in Which Credit Taken.* - x x x

7. *Proof of Credits.* - x x x

8. *Input Tax Attributable to VAT-Exempt Sales.* - x x x

(9) TAX CREDITS ON SPECIAL DISCOUNTS GRANTED TO PERSONS WITH DISABILITY, SENIOR CITIZENS, AND SOLO PARENTS. – THE COST OF DISCOUNTS GRANTED TO PERSONS WITH DISABILITY AS PROVIDED UNDER REPUBLIC ACT NO. 7277, AS AMENDED, OTHERWISE KNOWN AS “MAGNA CARTA FOR PERSONS WITH DISABILITY”, SENIOR CITIZENS UNDER REPUBLIC ACT NO. 9994, OTHERWISE KNOWN AS THE “EXPANDED SENIOR CITIZENS ACT OF 2010”, AND SOLO PARENTS UNDER REPUBLIC ACT NO. 8972, AS AMENDED, OTHERWISE KNOWN AS THE “SOLO PARENTS’ WELFARE ACT OF 2000”, MAY BE CLAIMED AS CREDITS AGAINST THE NORMAL INCOME TAX DUE DURING THE SAME TAXABLE YEAR THE DISCOUNT IS GRANTED.

Sec. 7. Section 53 of the National Internal Revenue Code of 1997, as amended, is amended to read as follows:

“SEC. 53. *Extension of Time to File Returns.* - The Commissioner may, in meritorious cases, **SUCH AS STATE OF CALAMITY OR NATIONAL EMERGENCY**, grant a reasonable extension of time for filing returns of income (or final and adjustment returns in case of corporations), subject to the provisions of Section 56 of this Code.”

Sec. 8. Section 57 of the National Internal Revenue Code of 1997, as amended, is amended to read as follows:

“SEC. 57. *Withholding of Tax at Source.* –

A. *Withholding of Final Tax on Certain Incomes.* – x x x

B. *Withholding of Creditable Tax at Source.* – x x x

C. *Tax-free Covenant Bonds.* – x x x

The Department of Finance shall review, at least once every three (3) years, regulations and processes for the withholding of creditable tax under this Code, and direct the Bureau of Internal Revenue to amend rules and regulations for the same, should it be found during the review that the existing rules, regulations, and processes for the withholding of creditable tax under this Code adversely and materially impact the taxpayer[.]: **PROVIDED, THAT MICRO TAXPAYERS SHALL NOT BE REQUIRED TO WITHHOLD TAXES UNDER SUBSECTION (B) OF THIS SECTION.**

Sec. 9. Section 109 of the National Internal Revenue Code of 1997, as amended, is amended to read as follows:

SEC. 109. *Exempt Transactions.* –

1. xxx

(CC) Sale or lease of goods or properties or the performance of services other than the transactions mentioned in the preceding paragraphs, the gross annual sales do not exceed the amount of ~~[Three]~~ **FOUR** million pesos (P~~[3]~~**4**,000,000.00): *Provided*, That the amount herein stated shall be adjusted to its present values using the consumer price index, as published by the Philippine Statistics Authority (PSA) every three (3) years **BEGINNING JANUARY 1, 2029.**

Sec. 10. Section 123 of the National Internal Revenue Code of 1997, as amended, is amended to read as follows:

SEC. 123. *Tax on Life Insurance Premiums.* – There shall be collected from every person, company or corporation (except purely cooperative companies or associations) doing life insurance business of any sort in the Philippines a tax of two percent (2%) of the total premium collected, whether such premiums are paid in money, notes, credits or any substitute for money; but premiums refunded within six (6) months after payment on account of rejection of risk or returned for other reason to a person insured shall not be included in the taxable receipts; nor shall any tax be paid upon reinsurance by a company that has already paid the tax; nor upon doing business outside the Philippines on account of any life insurance of the insured who is a nonresident, if any tax on such premium is imposed by the foreign country where the branch is established nor upon premiums collected or received on account of any reinsurance, if the insured, in case of personal insurance, resides outside the Philippines, if any tax on such premiums is imposed by the foreign country where the original insurance has been issued or perfected; nor upon that portion of the premiums collected or received by the insurance companies on variable contracts (as defined in Section 232(2) of Presidential Decree No. 612), in excess of the amounts necessary to insure the lives of the variable contract workers[.]: **PROVIDED, THAT PERSONS DOING BUSINESS SIMILAR OR AKIN TO LIFE AND HEALTH INSURANCE SUCH AS PRE-NEED COMPANIES, PENSION FUND COMPANIES, HEALTH MAINTENANCE ORGANIZATIONS AND OTHER COMPANIES SIMILAR TO LIFE INSURANCE SHALL BE SUBJECT TO TAX UNDER THIS SUBSECTION**

AT THE RATE OF TWO PERCENT (2%) OF THE GROSS PREMIUM, PLAN PAYMENT, OR INSTALLMENT PAYMENTS COLLECTED WITHOUT ANY DEDUCTION FOR THE AMOUNTS REQUIRED BY THE APPROPRIATE GOVERNMENT REGULATORY AGENCIES TO BE EARMARKED FOR THE BENEFIT OF THE INSURED, OR PLANHOLDER.

'Cooperative companies or associations' are such as are conducted by the members thereof with the money collected from among themselves and solely for their own protection and not for profit.

Sec. 11. Section 236 of the National Internal Revenue Code of 1997, as amended, is amended to read as follows:

SEC. 236. *Registration Requirements.* -

(A) *Requirements.* - Every person subject to any internal revenue tax shall register once, either electronically or manually, with the appropriate Revenue District Office:

- (1) Within ten (10) days from date of employment, or
- (2) On or before the commencement of business, or
- (3) Before payment of any tax due, or
- (4) Upon filing of a return, statement or declaration as required in this Code.

The registration shall contain the taxpayer's name, place of residence, business and such other information as may be required by the Commissioner in the form prescribed therefor. Provided, That the Commissioner shall ensure the availability of registration facilities to all taxpayers including those who are not residing in the country: Provided, Further, That the Commissioner shall simplify the business registration and tax compliance requirements of self-employed individuals and/or professionals.

THE BIR SHALL NOT REQUIRE PERSONS WHO ARE NOT SUBJECT TO ANY INTERNAL REVENUE TAX TO SECURE TAXPAYER IDENTIFICATION NUMBER (TIN).

IN THE CASE OF COOPERATIVES REGISTERED WITH THE COOPERATIVE DEVELOPMENT AUTHORITY, THE INDIVIDUAL TIN OF MEMBERS OF THE COOPERATIVE SHOULD NOT BE A PRE-REQUISITE FOR THE AVAILMENT OF THE TAX EXEMPTION PROVIDED FOR BY LAW.

X X X

Sec. 12. *Repealing Clause.* — All laws, decrees, executive orders, rules and regulations, issuances or parts thereof inconsistent with this Act are hereby repealed or amended accordingly.

Sec. 13. Separability Clause. — If any section or provision of this Act shall be declared invalid or unconstitutional, the remaining sections or provisions of this Act shall not be affected by such declaration and shall remain in force and effect.

Sec. 14. *Effectivity.* — This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least one (1) newspaper of general circulation: *Provided,*

That the online posting in the website of Official Gazette shall be considered as sufficient publication under this section.