

TWENTIETH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES
HOUSE BILL No. 2961

Introduced by **REP. CLAUDINE DIANA D. BAUTISTA-LIM**

AN ACT
STRENGTHENING THE PURCHASING POWER OF MIDDLE-INCOME TAXPAYERS, AMENDING FOR THE PURPOSE SECTION 24 OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED BY REPUBLIC ACT NO. 10963, OTHERWISE KNOWN AS THE TAX REFORM FOR ACCELERATION AND INCLUSION (TRAIN) LAW

EXPLANATORY NOTE

Strengthening the purchasing power of taxpayers is a challenge that every government faces as it needs to balance economic policy, social equity, and governance. Central to this is the government's fundamental responsibility to ensure that the people's earnings are enough to afford them a better quality of life.

Article VI, Section 28 of the 1987 Philippine Constitution states that the rule of taxation shall be uniform and equitable and that Congress shall evolve a progressive system of taxation. This provision sets out the principle that a sound tax system must be founded on the taxpayer's ability to pay.

The enactment of the TRAIN Law which amended the National Internal Revenue Code (NIRC) has significantly reformed the personal income tax system by restructuring tax brackets, increasing the exemption threshold, and imposing higher rates on top earners. While these reforms have eased the tax burden for many employed individuals, they have also placed an excessive burden on high-income earners¹. Middle income earners are particularly jeopardized because they are often underserved in social protection programs despite being equally vulnerable to financial instability.

¹ Barua Yap, D. J. E. Jr., PhD, Udaundo, E., & Santos, J. (n.d.). Progressivity, Fairness, and Efficiency: An evaluation of the impact of the TRAIN Law on the distribution of the income tax burden. In <https://cpbrd.congress.gov.ph/wp-content/uploads/2025/03/PB2025-04-IMPACT-OF-THE-TRAIN-LAW-1.pdf> (No. 2025-04).

This measure seeks to amend existing tax laws levied on personal tax income to reduce the tax burden on middle-income earners. Through this measure, the bracket of personal income tax exemption shall be increased from PHP250,000 to PHP600,000. By expanding the personal income tax exemption threshold, the tax system is projected to become more equitable, responsive to inflation, and supportive of inclusive growth. Adjusting the tax bracket will reflect economic reality and safeguard not only those who are earning minimum wage but also the middle-income earners.

Less taxes collected from middle income individuals will increase their disposable income which in turn will boost consumer spending, thus creating greater demand for goods and services, and generate a ripple effect in economic activities.

As living costs rise, stagnant tax brackets can erode real income. Adjusting the personal income tax threshold ensures that taxpayers are not pushed into higher tax rates simply due to inflation, preserving their ability to afford essentials.

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


REP. CLAUDINE DIANA BAUTISTA-LIM
DUMPER PTDA Party-List

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

Section 1. *Amendment of Section 24 of Republic Act No. 8424.* – Section 24 of Republic Act No. 8424, otherwise known as the “National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 24. INCOME TAX RATES. -

"XXX

"TAX SCHEDULE EFFECTIVE JANUARY 1, 2026 AND ONWARDS:

"NOT OVER ₱600,000	0%
"OVER ₱600,000 BUT NOT OVER ₱800,000	₱22,500 + 20% OF THE EXCESS OVER ₱600,000

“XXX

Sec. 2. *Repealing Clause.* – All other laws, rules and regulations, orders, circulars, and other issuances or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed, modified or amended accordingly.

Sec. 3. *Separability Clause*. – If for any reason any section or 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.

Sec. 4. *Effectivity*. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation in the Philippines.

Approved,