



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



Twentieth Congress
First Regular Session

HOUSE BILL NO. 4431

Introduced by Representative Johanne Monich G. Bautista

EXPLANATORY NOTE

Article II, Section 9 of the Constitution mandates the State to promote a just and dynamic social order that will ensure the prosperity of the nation and free the people from poverty through policies that provide a rising standard of living and an improved quality of life for all. Moreover, Article XIII, Section 3 of the Constitution guarantees the right of workers to a living wage.

Every Filipino works hard with the hope that their earnings will be enough to sustain their families, secure their future, and allow them to live with dignity. Yet, for many Filipino workers, the reality is different. Despite recent adjustments to the minimum wages, the rising costs of basic goods and services continues to erode the purchasing power of these workers.

This bill seeks to restore balance and fairness to our tax system by giving Filipino workers the much-needed financial relief they deserve. It adjusts income tax thresholds, increases allowable exemptions, introduces additional deductions, and ensures that certain compensations mandated by law remain untaxed. These reforms directly address the widening gap between wages and the cost of living while making the income tax structure more progressive and equitable. Moreover, by increasing the take-home pay of these workers, the bill addresses not only a social welfare issue, but also stimulates the local economy. An increase in disposable income directly translates to a boost in consumption, which fuels economic activity and livelihood creation. By passing this measure, Congress affirms its commitment to a tax system that rewards hard work, uplifts families, supports enterprises, and fuels growth from the ground up.

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


JOHANNE MONICH G. BAUTISTA
Representative, TRABAHO Party-List



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AN ACT AMENDING SECTIONS 24, 32, 33, 34, AND 109 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:

TITLE I
GENERAL PROVISIONS

SECTION 1. *Short Title.* — This Act shall be known as the “*Wage Tax Adjustment for Growth & Equity (WAGE) Act.*”

SECTION 2. *Declaration of Policy.* — It is the declared policy of the State to provide an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity. Considering the growing income disparity in the Philippines, the State shall increase income tax thresholds for individuals to promote tax equity and provide economic relief to Filipino workers. Moreover, in view of the rising cost of living expenses in the country, the State shall alleviate the tax burden on Filipino workers by increasing the ceiling for the allowable tax exclusions and deductions under the National Internal Revenue Code of 1997 (“NIRC”), as amended by Republic Act No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion (TRAIN).”

SECTION 3. Section 24 of the NIRC, as amended, is hereby further amended to read as follows:

"Section 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~~] **2026** until December 31, [~~2022~~] **2030**:

"Not over [P250,000] P400,000	0%
"Over [P250,000] P400,000 but not over [P400,000] P600,000	[20%] 10% of the excess over [P250,000] P400,000
"Over [P400,000] P600,000 but not over [P800,000] P1,200,000	[P30,000] P35,500 + [25%] 15% of the excess over P400,000
"Over [P800,000] P1,200,000 but not over [P2,000,000] P3,600,000	[P130,000] P155,000 + [30%] 20% of the excess over [P800,000] P1,200,000
"Over [P2,000,000] P3,600,000 but not over [P8,000,000] P7,200,000	[P130,000] P723,000 + [32%] 25% of the excess over [P2,000,000] P3,600,000
" OVER P7,200,000 BUT NOT OVER P14,400,000	 P1,982,000 + 32% OF THE EXCESS OVER P7,200,000
"Over [P8,000,000] P14,400,000	[P2,410,000] P4,609,000 + [32%] 35% of the excess over [P8,000,000] P14,400,000

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, **PREMIUM PAY ON REST DAYS AND SPECIAL DAYS, SHARE IN THE SERVICE CHARGES, EARNED SICK, VACATION AND OTHER LEAVE CREDITS CONVERTIBLE TO CASH, AND OTHER ADDITIONAL COMPENSATION MANDATED BY LAW** 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, OTHERWISE KNOWN AS THE "LABOR CODE OF THE PHILIPPINES," AS AMENDED.

"(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~~] **FOUR HUNDRED** 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."

SECTION 4. Section 32 of the NIRC, as amended, is hereby further amended to read as follows:

"Section 32. Gross Income. –

"(A) *General Definition.* – x x x

"(B) *Exclusions from Gross Income.* – x x x

"x x x

"(7) *Miscellaneous Items.* –

"(a) x x x

"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 TWENTY-FIVE** Thousand Pesos [~~(P90,000)~~] **(P125,000)**, which shall cover:

"(i) x x x

"(f) x x x

"x x x

"(j) ADDITIONAL COMPENSATION REQUIRED BY LAW. – THE AMOUNT REQUIRED BY LAW TO BE GIVEN TO EMPLOYEES AS HOLIDAY PAY, PREMIUM PAY ON REST DAYS AND SPECIAL DAYS, OVERTIME PAY, NIGHT SHIFT DIFFERENTIAL PAY, HAZARD PAY, SERVICE CHARGES, AND OTHER ADDITIONAL COMPENSATION MANDATED BY LAW: PROVIDED, THAT OVERTIME PAY EXCEEDING ONE HUNDRED THOUSAND PESOS (P100,000.00) SHALL BE INCLUDED IN THE GROSS INCOME UNDER SECTION 32(A) OF THIS CODE."

SECTION 5. Section 33 of the NIRC, as amended, is hereby further amended to read as follows:

"Section 33. *Special Treatment of Fringe Benefit.* –

~~"(A) *Imposition of Tax.*— Effective January 1, 2018 and onwards, a final tax of thirty-five percent (35%) is hereby imposed on the grossed-up monetary value of fringe benefit furnished or granted to the employee (except rank and file employees as 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). The tax herein imposed is payable by the employer which tax shall be paid in the same manner as provided for under Section 57(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, farther, That the grossed-up 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.~~

"(A) *IMPOSITION OF TAX.* – EFFECTIVE JANUARY 1, [2018] 2026 AND ONWARDS, THE VALUE OF FRINGE BENEFIT FURNISHED OR GRANTED BY THE EMPLOYER, WHETHER AN INDIVIDUAL OR A CORPORATION, TO AN EMPLOYEE, EXCEPT THOSE CLASSIFIED AS RANK-AND-FILE, SHALL BE INCLUDED IN THE COMPUTATION OF THE EMPLOYEE'S GROSS INCOME, AND SHALL BE SUBJECT TO THE TAX IMPOSED UNDER SUBSECTION (A) OF SECTION 24 OF THIS CODE.

"FRINGE BENEFITS THAT ARE (I) REQUIRED BY THE NATURE OF, OR NECESSARY TO, THE EMPLOYER'S TRADE, BUSINESS, OR PROFESSION, OR (II) PRIMARILY FOR THE CONVENIENCE OR ADVANTAGE OF THE EMPLOYER, SHALL NOT BE INCLUDED.

"THE TAX ON FRINGE BENEFITS HEREIN IMPOSED IS PAYABLE BY THE EMPLOYER, WHICH TAX SHALL BE PAID IN THE SAME MANNER AS PROVIDED FOR UNDER SECTION 79(A) OF THIS CODE.

"*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.* – x x x

"(1) x x x;

~~"(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.* – x x x

"(1) x x x;

"(3) x x x; [and]

"(4) x x x; 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"

SECTION 6. Section 34 of the NIRC, as amended, is hereby further amended to read as follows:

"Section 34. *Deductions from Gross Income.* –

"(A) *Expenses.* -

"(1) *Ordinary and Necessary Trade, Business, or Professional Expenses.* – x x x

"(2) *Expenses Allowable to Private Educational Institutions.* – x x x

"(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

"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.

"(D) Losses. – x x x

"x x x

"(M) COST OF LIVING EXPENSES. – REASONABLE COST OF LIVING EXPENSES INCURRED BY AN INDIVIDUAL TAXPAYER: PROVIDED, SUCH EXPENSES ARE DIRECTLY NECESSARY FOR THE TAXPAYER'S BASIC SUBSISTENCE AND DAY TO DAY LIVING. FOR PURPOSES OF THIS ACT, COST OF LIVING EXPENSES SHALL INCLUDE, BUT NOT LIMITED TO, BASIC FOOD AND NON-ALCOHOLIC BEVERAGES, RENT OR REASONABLE HOUSING EXPENSES, UTILITIES INCLUDING ELECTRICITY, WATER, AND BASIC COMMUNICATION EXPENSES, ESSENTIAL CLOTHING, MEDICAL AND HEALTHCARE EXPENSES NOT OTHERWISE REIMBURSED.

THE COST OF LIVING EXPENSES SHALL APPLY TO THE EXTENT THAT SUCH EXPENSES DO NOT EXCEED TEN THOUSAND PESOS (PHP10,000.00) A MONTH: PROVIDED, THAT THE AMOUNT OF TEN THOUSAND PESOS (PHP10,000.00) MAY BE INCREASED THROUGH RULES AND REGULATIONS ISSUED BY THE SECRETARY OF FINANCE, UPON RECOMMENDATION OF THE COMMISSIONER, AFTER CONSIDERING THE EFFECT ON THE SAME OF THE INFLATION RATE AT THE END OF THE TAXABLE YEAR, AMONG OTHERS.

"x x x"

SECTION 7. Section 109 of the NIRC, as amended, is further amended to read as follows:

"Section 109. Exempt Transactions. – x x x

"(1) Subject to the provisions of subsection (2) hereof, the following transactions shall be exempt from the value-added tax:

"(A) x x x

"x x x

"(Q) Lease of residential unit with a monthly rental not exceeding ~~Fifteen thousand pesos—(P15,000)~~ **TWENTY THOUSAND PESOS (PHP20,000.00): 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;**

"x x x

"(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 FOUR MILLION PESOS (PHP4,000,000.00): 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."**

SECTION 8. *Separability Clause.* — If any provision of this Act is subsequently declared invalid or unconstitutional, the other provisions hereof which are not affected thereby shall remain in full force and effect.

SECTION 9. *Repealing Clause.* — Sections 24, 32, 33, 34, and 109 of Republic Act No. 8424, otherwise known as the National Internal Revenue Code of 1997, as amended by Republic Act No. 10963 are hereby repealed or modified accordingly. All laws, decrees, executive order, and rules and regulations contrary to or inconsistent with the provisions of this Act are hereby likewise repealed or modified accordingly.

SECTION 10. *Effectivity.* — This Act shall take effect fifteen (15) days from the date of its publication in the Official Gazette or in a newspaper of general circulation.

Approved,