

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 6036



Introduced by: Kababaihan Kabalikatan para sa Kapakanan at Kaunlaran ng Bayan (4K) Party-list
Representative Iris Marie D. Montes

AN ACT

INCREASING THE INCOME TAX EXEMPTION CEILING FOR INDIVIDUAL TAXPAYERS TO FOUR HUNDRED EIGHTY THOUSAND PESOS (P480,000) ANNUALLY, AMENDING FOR THE PURPOSE SECTION 24(A)(2)(a) and (b) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

This measure seeks to amend the National Internal Revenue Code of 1997, as amended, to increase the personal income tax exemption ceiling from P250,000 to P480,000 annually, or P40,000 monthly.

It aims to restore the real value of the exemption, provide meaningful relief to working individuals, and help ensure that the tax system remains equitable and responsive to current economic conditions in line with the constitutional mandate that taxation shall be uniform and equitable, and that Congress shall evolve a progressive system of taxation.

Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion (TRAIN)", updated the personal income tax brackets in 2017 and set the exemption threshold for individual taxpayers at P250,000 annually. While this adjustment was intended to align tax rates with income levels at the time, the real value of the exemption has since been eroded by inflation.

The rising cost of living, driven by increases in food, fuel, utilities, and transportation expenses, has significantly reduced the purchasing power of ordinary Filipino workers. At the same time, wages have not kept pace with these increases.

As a result, many low- and middle-income earners now face tax liabilities that strain their already limited take-home pay.

Raising the exemption threshold will allow workers to retain more of their income, stimulate household consumption, and support inclusive economic growth, which reflects the continuing effort to build a more just and progressive system of taxation.

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


IRIS MARIE D. MONTES

Kababaihan Kabalikatan para sa Kapakanan
at Kaunlaran ng Bayan (4K) Party-list

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

SECTION 1. 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) An income tax is hereby imposed:

"(a) On the taxable income defined in Section 31 of this Code, other than income subject to tax under Subsections (B), (C), and (D) of this Section, derived for each taxable year from all sources within and without the Philippines by every individual citizen of the Philippines residing therein;

"(b) On the taxable income defined in Section 31 of this Code, other than income subject to tax under Subsections (B), (C), and (D) of this Section, derived for each taxable year from all sources within the Philippines by an individual citizen of the Philippines who is residing outside of the Philippines including overseas contract workers referred to in Subsection (C) of Section 23 hereof; and

"(c) On the taxable income defined in Section 31 of this Code, other than income subject to tax under Subsections (B), (C), and (D) of this Section, derived for each taxable year from all sources within the Philippines by an individual alien who is a resident 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:

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

"Not over ₱250,000	0%
"Over ₱250,000 but not over ₱400,000	20% of the excess over ₱250,000
"Over ₱400,000 but not over ₱800,000	₱30,000 + 25% of the excess over ₱400,000
"Over ₱800,000 but not over ₱2,000,000	₱130,000 + 30% of the excess over ₱800,000
"Over ₱2,000,000 but not over ₱5,000,000	₱490,000 + 32% of the excess over ₱2,000,000
"Over ₱8,000,000	₱2,410,000 + 35% of the excess over ₱8,000,000

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

"Not over ₱250,000	0%
"Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
"Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
"Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
"Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
"Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000}

NOT OVER P480,000	0%
OVER P480,000 BUT NOT OVER P650,000	15% OF THE EXCESS OVER P480,000
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 P12,800,000	P3,522,500 + 35% OF THE EXCESS OVER P12,800,000

x x x

(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] EIGHTY thousand pesos [(P250,000)] (480,000), 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.

SEC. 2. *Implementing Rules and Regulations.* - Within sixty (60) days from the effectivity of this Act, the Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate the necessary rules and regulations to implement the provisions of this Act.

SEC. 3. *Repealing Clause.* - All laws, decrees, orders, rules, and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

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

SEC. 5. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Approved,