



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 8840

Introduced by 4Ps Partylist Representative
JC M. ABALOS

EXPLANATORY NOTE

This measure to amend Section 24 of the National Internal Revenue Code of 1997 seeks to decrease individual income tax rates by increasing the tax-exemption threshold to Php500,000 and reducing rates across various income brackets.

Republic Act (RA) No. 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN) Law, was signed in December 2017. It significantly reformed the country's income tax structure and granted exemptions to individuals with an annual taxable income of ₱250,000 and below. This legislation played a crucial role in promoting tax relief, particularly for Filipino workers. However, since its implementation, the country has faced several economic challenges.

At present, the anticipated rise in the cost of basic commodities and essential utilities – driven by increasing fuel prices due to tensions in the Middle East – will inevitably reduce the purchasing power of working Filipinos. The current income tax exemption threshold of ₱250,000, as provided by law, may no longer be sufficient to achieve its intended purpose of easing the economic burden on low- and middle-income earners. In light of these developments, it is evident that there is a need to amend existing tax laws.

Furthermore, based on data from the Philippine Statistics Authority (PSA), prices have increased significantly since 2018. The Consumer Price Index (CPI) has risen from 100 in 2018 to approximately 127 as of mid-2025, indicating an average inflation rate of about 3.5% per year. In real terms, this means that the ₱90,000 threshold set in 2018 now has the purchasing power of only around ₱71,000.

Consequently, the intended relief provided by the exemption has been eroded by inflation, diminishing both its value and its impact on employees' financial well-being.

Thus, this measure seeks to amend Section 24 of the National Internal Revenue Code of 1997 by decreasing individual income tax rates, increasing the tax-exemption threshold to ₱500,000, and reducing rates across various income brackets. By raising the income tax exemption threshold, workers will be able to retain a larger portion of their earnings, thereby enhancing their purchasing power and providing much-needed financial relief. At the same time, higher take-home pay is expected to translate into increased consumer spending, which will help stimulate economic activity among individuals and households. Moreover, adjusting the tax brackets will promote social justice by ensuring a more equitable and responsive national tax system that reflects current economic conditions and provides greater protection for vulnerable sectors.

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



JC M. ABALOS
Representative
4Ps Partylist



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AN ACT
AMENDING SECTION 24 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 House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Declaration of Policy.* — The State shall uphold a just and dynamic social order that promotes national prosperity and independence, and seeks to free the people from poverty through equitable economic and fiscal measures. In accordance with Section 9, Article II of the 1987 Constitution, the State recognizes the need to ensure fairness in the tax system and to uphold the principles of equity and social justice in the treatment of income earned by Filipino workers.

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) Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines. —

(1) 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 PhP250,000	0%
Over PhP250,000 but not over PhP400,000	20% of the excess over PhP250,000
Over PhP400,000 but not over PhP800,000	PhP30,000 + 25% of the excess over PhP400,000
Over PhP800,000 but not over PhP2,000,000	PhP130,000 + 30% of the excess over PhP800,000
Over PhP2,000,000 but not over PhP8,000,000	PhP490,000 + 32% of the excess over PhP2,000,000
Over PhP8,000,000	PhP2,410,000 + 35% of the excess over PhP8,000,000

(b) Tax Schedule Effective January 1, 2023 and onwards:

Not over PhP250,000	0%
Over PhP250,000 but not over PhP400,000	15% of the excess over PhP250,000
Over PhP400,000 but not over PhP800,000	PhP22,500 + 20% of the excess over PhP400,000
Over PhP800,000 but not over PhP2,000,000	PhP102,500 + 25% of the excess over PhP800,000
Over PhP2,000,000 but not over PhP8,000,000	PhP402,500 + 30% of the excess over PhP2,000,000
Over PhP8,000,000	PhP2,202,500 + 35% of the excess over PhP8,000,000]

NOT OVER PHP500,000		0%
OVER PHP500,000 BUT NOT OVER PHP650,000		15% OF THE EXCESS OVER PHP500,000
OVER PHP650,000 BUT NOT OVER PHP1,300,000		PHP22,500 + 20% OF THE EXCESS OVER PHP650,000
OVER PHP1,300,000 BUT NOT OVER PHP3,200,000		PHP152,500 + 25% OF THE EXCESS OVER PHP1,300,000
OVER PHP3,200,000 BUT NOT OVER PHP12,800,000		PHP627,500 + 30% OF THE EXCESS OVER PHP3,200,000
OVER PHP12,800,000		PHP3,507,500 + 35% OF THE EXCESS OVER PHP12,800,000

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 [FIVE hundred thousand pesos (Php500,000) 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. 3. Separability Clause. – If any provision or part hereof is declared unconstitutional, the remainder of this Act or any provision not affected shall remain in full force and effect.

SEC. 4. Repealing Clause. – All laws, presidential decrees, executive orders, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 5. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any newspaper of general circulation.

Approved,