

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 8860



Introduced by TUCP Party-list Representative
HON. RAYMOND DEMOCRITO C. MENDOZA

EXPLANATORY NOTE

The 1987 Constitution is unequivocal: “the Congress shall give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, reduce social, economic, and political inequalities, and remove cultural inequities by equitably diffusing wealth and political power for the common good” (Section 1, Article XIII). It further mandates Congress to “evolve a progressive system of taxation” (Section 28(1), Article VI).

Through this proposed “Patang na Ambag sa Tax para sa Angat-Sahod” (PATAS) Act, the TUCP Party-list fulfills its constitutional duty with urgency and resolve, especially in this era of extreme inequality and extraordinary challenges that continue to crush and leave behind middle-income earners, who bear the brunt not only of this crisis, but of inaction.

The Forbes 2026 World’s Billionaires List includes 15 Filipino billionaires with a combined net worth of \$44.5 billion or about ₱2.49 trillion.¹ In comparison, the wealth of just 15 wealthiest Filipinos amounts to more than one-third of our national budget this year of ₱6.793 trillion. Yet, as one column aptly observes, it is the middle class that “bears a disproportionately heavy tax burden” through withholding income tax while the wealthiest benefit from existing tax structures and loopholes and worse, middle-income earners are often excluded from government social assistance programs reserved for the poorest households.²

That is why the TUCP Party-list is filing this comprehensive progressive tax reform package to advance social equity by easing the tax burden on middle-income earners while ensuring that the ultra-rich, and those reaping windfall profits, particularly in the oil and electricity sectors, pay their fair share.

¹ Magno, A. (2026, March 12). Razon is the richest Filipino on Forbes’ World’s Billionaires List. BusinessWorld. <https://www.bworldonline.com/top-stories/2026/03/12/735499/razon-is-the-richest-filipino-on-forbes-worlds-billionaires-list/>

² Chanco, B. (2026, February 18). The abused middle class. The Philippine Star. <https://www.philstar.com/business/2026/02/18/2508657/abused-middle-class>

First, this bill provides immediate meaningful tax relief to the Filipino middle class. It raises the income tax exemption to ₱600,000 annually, increases the tax-exempt ceiling for 13th month pay and other benefits, and removes taxes on holiday pay, overtime pay, night shift differential pay, hazard pay, and service charges. This ensures that workers earning approximately ₱50,000 monthly or below, which approximates the latest indicative monthly family income for lower middle-income households,³ are exempted and no longer burdened by personal income taxes. It also affirms that income earned through additional labor or longer hours should not be further penalized by additional taxation.

Second, to address concerns on revenue sustainability, the bill introduces a Solidarity Wealth Tax on the ultra-rich. Individuals with net worth of at least ₱1 billion, determined under uniform valuation standards, and subject to audit procedures and robust anti-avoidance rules, shall be taxed on a progressive basis. IBON Foundation estimates that a wealth tax on the country's 3,000 billionaires could generate at least ₱500 billion annually.⁴ This substantial additional fiscal space can offset potential revenue losses from higher income tax exemptions while strengthening funding for essential public services. Moreover, a study by the University of the Philippines Center for Integrative and Development Studies (UP CIDS) comprehensively rebuts that far from harming the economy, evidence suggests that (i) it is extreme inequality, not wealth taxation, that constrains sustainable growth; (ii) wealth tax is not double taxation as it applies to accumulated wealth rather than income flows subjected to income tax; (iii) wealth tax targets only extreme concentration of wealth, which is often passive or speculative in nature, without burdening ordinary business activity. In fact, since taxing and redistributing wealth can further stimulate economic growth and generate decent jobs, the study concludes that “a wealth tax is now widely accepted as an urgent, necessary, and feasible solution” especially as inequality is rising faster than incomes.⁵

Third, this bill imposes a Windfall Profits Tax on corporations that earn extraordinary or excess profits, particularly in the oil and electricity industries. These industries, shaped by decades of deregulation and privatization, have repeatedly demonstrated the capacity to generate excessive profits, especially during crises, while consumers bear the burden of high prices. This ensures that profits exceeding a defined normal profit threshold, whether based on historical earnings or the long-recognized 12% reasonable rate of return for public utilities⁶, are fairly taxed. This tax is neither novel nor punitive. Across Europe, Germany, Italy, Spain, Portugal and Austria have called for a windfall tax on profits of energy companies in response to surging fuel

³ Albert, J. (2024). The Middle Class in the Philippines: Growing but Vulnerable. ISEAS – Yusof Ishak Institute. https://www.iseas.edu.sg/wp-content/uploads/2024/11/ISEAS_Perspective_2024_102.pdf.

⁴ IBON Foundation. (2026). How much will taxing billionaire wealth raise to help ordinary Filipinos? <https://www.ibon.org/tax-the-super-rich/>.

⁵ Tandem, E. (2023). Inequality, Tax Justice, and the Philippine Wealth Tax Campaign. UP-Center for Integrative and Development Studies. <https://cids.up.edu.ph/wp-content/uploads/2023/06/Inequality-Tax-Justice-and-the-Philippine-Wealth-Tax-Campaign.pdf>.

⁶ Puno, J. (2003). Republic of the Philippines v. Manila Electric Company (MERALCO), G.R. No. 141314, April 9, 2003. Supreme Court of the Philippines. https://lawphil.net/judjuris/juri2003/apr2003/gr_141314_2003.html.

prices due to the conflict in the Middle East.⁷ The Philippines itself has already imposed a form of windfall tax on large-scale metallic mining companies through Republic Act No. 12253 or the Enhanced Fiscal Regime for Large-Scale Metallic Mining Act.⁸

Taken together, this proposed PATAS Act forms a more progressive, targeted, balanced, and most importantly, a more humane public fiscal strategy that provides higher tax exemption relief to our hardworking middle class while asking those who have gained the most, through extraordinary wealth and profit, to contribute their fair share to the nation and our people. For far too long, the burden has weighed heaviest on those who can least afford it, such as our over five million minimum wage earners as well as our struggling middle-income earners. It is high time to reaffirm the simple but powerful truth that those who have more must contribute more, and those who have less must be protected more. Together, let us push for this measure that breathes life and meaning to the promise of our Constitution: a progressive tax system that is not only efficient but equitable and not only capable of raising revenue but committed to serving social justice.

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


HON. RAYMOND DEMOCRITO C. MENDOZA
TUCP Party-list Representative

⁷ Rinke, A. (2026, April 4). Exclusive: Five EU countries call for windfall tax on energy companies. Reuters. <https://www.reuters.com/sustainability/boards-policy-regulation/five-eu-finance-ministers-call-windfall-profit-tax-energy-companies-2026-04-04/>.

⁸ Republic Act No. 12253. (2025). An Act Enhancing The Fiscal Regime for the Large-Scale Metallic Mining Industry, Amending for the Purpose Sections 34(B), 287, and the Subjects of Title VI and Chapter VII thereof, and Creating New Sections 151-A, 151-B, 151-C, 151-D, and 287-A, All Under Republic Act No. 8424, Otherwise Known as The National Internal Revenue Code Of 1997, as amended, Appropriating Funds Therefor, and For Other Purposes. https://lawphil.net/statutes/repacts/ra2025/ra_12253_2025.html.

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Introduced by TUCP Partylist Representative
HON. RAYMOND DEMOCRITO C. MENDOZA

**AN ACT ESTABLISHING A MORE PROGRESSIVE AND TARGETED TAX
SYSTEM BY INCREASING INCOME TAX EXEMPTIONS AND IMPOSING
SOLIDARITY WEALTH TAX AND WINDFALL PROFITS TAX,
AMENDING FOR THE PURPOSE THE NATIONAL INTERNAL REVENUE
CODE OF 1997, AS AMENDED**

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

SECTION 1. Short Title. – This Act shall be known as the “Patas na Ambag sa Tax para sa Angat-Sahod” (PATAS) Act.

SEC. 2. Declaration of Policy. - It is the policy of the State to promote social justice in all phases of national development, mandating that the Congress shall give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, reduce social, economic, and political inequalities, and remove cultural inequities by equitably diffusing wealth and political power for the common good such as through evolving a progressive system of taxation.

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) 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 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

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 ₱600,000 0%

**OVER ₱600,000 BUT NOT OVER ₱850,000 15% OF THE
EXCESS OVER ₱600,000**

**OVER ₱850,000 BUT NOT OVER ₱1,500,000 ₱37,500 + 20% OF
THE EXCESS OVER ₱850,000**

**OVER ₱1,500,000 BUT NOT OVER ₱3,400,000 ... ₱167,500 + 25%
OF THE EXCESS OVER ₱1,500,000**

**OVER ₱3,400,000 BUT NOT OVER ₱13,000,000 ... ₱642,500 + 30%
OF THE EXCESS OVER ₱3,400,000**

**OVER ₱13,000,000 ₱3,522,500 + 35% OF
THE EXCESS OVER ₱13,000,000**

xxx

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 received by such minimum wage earners shall likewise be exempt from income tax.

(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~~ **SIX** hundred ~~fifty~~ thousand pesos ~~[(P250,000)]~~ **(P600,000)** 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.

xxx

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. - xxx

(2) Amount Received by Insured as Return of Premium. - xxx

(3) Gifts, Bequests, and Devises. - xxx

(4) Compensation for Injuries or Sickness. - xxx

(5) Income Exempt under Treaty. - xxx

(6) Retirement Benefits, Pensions, Gratuities, etc.- xxx

(7) Miscellaneous Items. –

(a) Income Derived by Foreign Government. - xxx

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

(c) Prizes and Awards. - xxx

(d) Prizes and Awards in sports Competition. - xxx

(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~~ **TWO HUNDRED FIFTY** thousand pesos ~~[(P90,000)]~~ **(P250,000)** which shall cover: xxx

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

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

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

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

(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.

SEC. 5. - A new section designated as Section 27 under Chapter III, Title II of the National Internal Revenue Code of 1997, as amended, is hereby inserted to read as follows:

SEC. 27. SOLIDARITY WEALTH TAX. - THERE IS HEREBY IMPOSED AN ANNUAL TAX ON EVERY INDIVIDUAL WHOSE NET WORTH AMOUNT TO AT LEAST ONE BILLION PESOS (P1,000,000,000).

(A) NET WORTH REFERS TO THE FAIR MARKET VALUE OF ALL ASSETS, REAL OR PERSONAL, TANGIBLE OR INTANGIBLE, WHEREVER SITUATED, OWNED DIRECTLY OR INDIRECTLY BY THE TAXPAYERS, LESS LIABILITIES, AS DETERMINED AS OF 31 DECEMBER OF THE TAXABLE YEAR. ASSETS HELD THROUGH CORPORATIONS, PARTNERSHIPS, TRUSTS, OR SIMILAR ENTITIES AND ARRANGEMENTS SHALL BE ATTRIBUTED TO THE BENEFICIAL OWNER. THE SECRETARY OF FINANCE, UPON RECOMMENDATION OF THE COMMISSIONER OF INTERNAL REVENUE, SHALL ISSUE RULES AND REGULATIONS PRESCRIBING UNIFORM VALUATION STANDARDS, INCLUDING AUDIT PROCEDURES AND ANTI-AVOIDANCE MEASURES.

(B) THE SOLIDARITY WEALTH TAX SHALL BE IMPOSED IN ACCORDANCE WITH THE FOLLOWING TAX SCHEDULE:

NET WORTH OF P1,000,000,000 UP TO P2,000,000,000.....	1%
NET WORTH OVER P2,000,000,000 UP TO P3,000,000,000.....	2%
NET WORTH OVER P3,000,000,000.....	3%

(C) EVERY TAXPAYER SUBJECT TO THE SOLIDARITY WEALTH TAX SHALL FILE AN ANNUAL SOLIDARITY WEALTH TAX RETURN ON OR BEFORE APRIL 15 OF THE FOLLOWING TAXABLE YEAR.

SEC. 6. - A new chapter designated as Chapter IX under Title VI of the National Internal Revenue Code of 1997, as amended, is hereby inserted to read as follows:

**CHAPTER IX
WINDFALL PROFITS TAX ON POWER**

SEC. 173. COVERAGE - CORPORATIONS ENGAGED IN INDUSTRIES WHERE WINDFALL PROFITS ARE LIKELY TO ARISE FROM STRUCTURE OR EXTERNAL FACTORS,

NAMELY OIL, GAS, AND PETROLEUM PRODUCTS AS WELL AS ELECTRIC POWER GENERATION, TRANSMISSION, AND DISTRIBUTION.

SEC. 174. DEFINITION OF TERMS. - FOR PURPOSES OF THIS CHAPTER:

(A) WINDFALL PROFITS - REFERS TO PORTION OF NET TAXABLE INCOME OF A COVERED TAXPAYER WHICH EXCEEDS THE NORMAL PROFIT THRESHOLD, AS DEFINED HEREIN.

(B) NORMAL PROFIT THRESHOLD - REFERS TO THE AVERAGE ANNUAL TAXABLE INCOME OF THE TAXPAYER FOR THE IMMEDIATELY PRECEDING THREE (3) YEARS, ADJUSTED FOR INFLATION, OR A TWELVE PERCENT (12%) RATE OF RETURN, WHICHEVER IS LOWER.

SEC. 175. IMPOSITION OF WINDFALL PROFITS TAX. - THE WINDFALL PROFITS TAX SHALL BE IMPOSED AT THE FOLLOWING RATES:

WINDFALL PROFITS OF UP TO 20% ABOVE NORMAL PROFIT THRESHOLD.....	15%
WINDFALL PROFITS OF OVER 20% UP TO 50% ABOVE NORMAL PROFIT THRESHOLD.....	25%
WINDFALL PROFITS OF OVER 50% ABOVE NORMAL PROFIT THRESHOLD.....	35%

SEC. 176. FILING AND PAYMENT - THE WINDFALL PROFIT TAX SHALL BE:

(A) DECLARED AND FILED ANNUALLY TOGETHER WITH THE CORPORATE INCOME TAX RETURN; AND

(B) PAID AT THE SAME TIME AND IN THE SAME MANNER AS THE CORPORATE INCOME TAX.

SEC. 7. *Separability Clause.* - If any provision or part of this Act is declared invalid or unconstitutional, the remaining provisions or parts of this act shall remain in full force and effect, and the application of such provision to other persons or circumstances shall not be affected.

SEC. 8. *Repealing Clause.* - All laws, orders, issuances, rules, and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 9. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,