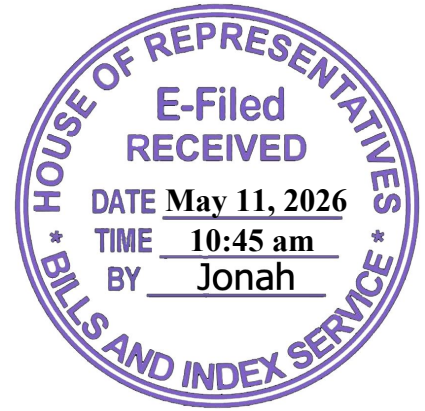


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 9172



Introduced by Representative LEILA M. DE LIMA

AN ACT
INCREASING THE INCOME TAX EXEMPTION CEILING FOR INDIVIDUAL TAXPAYERS TO FOUR HUNDRED EIGHTY THOUSAND PESOS (P480,000.00) ANNUALLY, AMENDING FOR THE PURPOSE SECTION 24(A)(2)(a) and (b) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

The Tax Reform for Acceleration and Inclusion (TRAIN) law introduced a significant change to the Philippine income tax system by exempting individuals earning up to ₱250,000.00 annually from personal income tax. This reform was designed to ease the tax burden on low- and lower-middle-income earners, allowing them to retain a larger portion of their income. However, once annual earnings exceed this threshold, a progressive tax structure applies, with rates starting at 15 percent and rising to 35 percent for top earners. As a result, even modest increases in income can lead to disproportionately higher tax liabilities. For example, a worker earning ₱300,000.00 annually pays around ₱625.00 monthly in income tax, while at ₱360,000.00, this more than doubles to approximately ₱1,375.00.¹

Notwithstanding the exemption threshold, employees continue to face mandatory contributions to government social protection programs, including 4.5 percent for the Social Security System (SSS), 2.25 percent for PhilHealth, and 1 percent for Pag-IBIG. These contributions, totaling nearly 8 percent of monthly income, are deducted alongside income taxes, significantly reducing the take-home pay. Combined, taxes and contributions can amount to ₱2,500.00 to ₱3,700.00 per month, or ₱30,000.00 to ₱44,000.00 annually, even before individuals allocate income for essential living expenses such as housing, food, and transportation.²

¹ Mago, J. (21 July 2025). 2025 tax burden deepens for Pinoys. Retrieved from: <https://tribune.net.ph/2025/07/20/2025-tax-burden-deepens-for-pinoys>

² *Id.*

Taxes remain the lifeblood of the government, enabling the provision of public funds for critical public services such as education, healthcare, and public safety. However, tax policy must be responsive to evolving economic conditions.³ In particular, inflation plays a crucial role in shaping the real impact of taxation. As prices rise, wages and nominal incomes tend to increase correspondingly, but without adjustments to tax brackets, taxpayers may be pushed into higher tax rates despite no real gain in purchasing power⁴, a phenomenon commonly known as “bracket creep.”

The interaction between a progressive tax system and persistent inflation can lead to increased government revenues while unfortunately shifting the tax burden across income groups at the same time. Individuals who were previously exempt may become taxable, and those already paying taxes may face higher effective rates. If left unaddressed, this dynamic could result in a growing number of taxpayers being subjected to higher marginal tax rates, potentially affecting income distribution, economic behavior, and the overall effectiveness of taxation as a fiscal policy tool.⁵

Ultimately, while the TRAIN law aimed to increase disposable income for lower earners and stimulate economic activity through higher consumer spending, there is an equally important need for periodic review and adjustment of our tax policies.⁶ Ensuring that tax systems remain equitable, efficient, and responsive to inflation is essential to balancing revenue generation with the protection of taxpayers’ real income and purchasing power.

In the 20th Congress, similar bills were filed by Senator Paolo Benigno “Bam” Aquino IV, Representatives Tobias M. Tiangco, Ferdinand Martin G. Romualdez, Yedda Marie K. Romualdez, Andrew Julian K. Romualdez, Jude A. Acidre, and Iris Marie Demesa Montes. This bill fully adopts Senator Bam Aquino’s SBN 267.

Early approval of this measure is requested.


LEILA M. DE LIMA

³ Moral, M. (20 March 2024). Progress in reforming the Philippines’ tax policies. Retrieved from: <https://www.bworldonline.com/special-features/2024/03/20/582882/progress-in-reforming-the-philippines-tax-policies/>

⁴ Petrei, A. (n.d.). Inflation and personal income tax. Retrieved from: <https://www.bing.com/search?q=inflation+and+income+tax&form=ANNT11&ref=69f0bada6ce94ea5b3183c10b7416d29&pc=ASTS>

⁵ *Id.*

⁶ Ramas, J. (17 August 2024). All Aboard: Revisiting TRAIN’s Impact on Individuals. Retrieved from: <https://www.grantthornton.com.ph/insights/articles-and-updates1/lets-talk-tax/all-aboard-revisiting-trains-impact-on-individuals/>

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

1 SECTION 1. *Section 24 of the National Internal Revenue Code of 1997, as*
2 *amended, is hereby further amended to read as follows:*

3
4 "Sec. 24 Income Tax Rates. –

5
6 "(A) Rates of Income Tax on Individual Citizen and Individual Resident
7 Alien of the Philippines. -

8
9 (1) XXX

10 (2) Rates of Tax on Taxable Income of Individuals. - The tax shall be
11 computed in accordance with and at the rates established in the
12 following schedule:

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

14 ~~Not over P250,000..... 0%~~

15 ~~Over P250,000 but not over P400,000..... 20%~~

16 ~~of the excess over P250,000~~

17 ~~Over P400,000 but not over P800,000.....~~

18 ~~P30,000 + 25% of the excess over P400,000~~

19 ~~Over P800,000 but not over P2,000,000.....~~

20 ~~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 P480,000..... 0%
OVER P480,000 BUT NOT OVER P650,000.....15%
OF THE EXCESS OVER P400,000
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 P3,200,00
OVER P12,800,000
P3,522,500 + 35% OF THE EXCESS OVER P12,800,000

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 ~~Two~~ **FOUR** hundred ~~fifty~~ **EIGHTY** thousand pesos ~~[(P250,000)]~~ **(P480,000)** 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.

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

5
6 SEC. 3. *Separability Clause*. - If any provision of this Act is declared
7 unconstitutional or invalid, other parts or provisions hereof not affected thereby shall
8 continue to be in full force and effect.

9
10 SEC. 4. *Repealing Clause*. - All laws, decrees, executive orders, rules, and
11 regulations or parts thereof which are contrary to or inconsistent with this Act are
12 hereby repealed, amended, or modified accordingly.

13
14 SEC. 5. *Effectivity Clause*. - This Act shall take effect fifteen (15) days after its
15 complete publication in the Official Gazette or in two (2) newspapers of general
16 circulation.

Approved,