



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

**TWENTIETH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 9383**



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Introduced by Representative **ANTONINO B. ROMAN III**

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### **EXPLANATORY NOTE**

The 1987 Philippine Constitution mandates the State to evolve a progressive system of taxation. In 2018, Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN) Law, took a monumental step towards this goal by restructuring the personal income tax brackets and establishing a PHP 250,000 annual tax exemption threshold. This effectively shielded minimum wage earners and the lower-middle class from the burden of income taxation.

However, since the passage of the TRAIN Law, the Philippine economy has experienced compounding inflation, significantly eroding the purchasing power of the peso. The Consumer Price Index (CPI) has consistently risen, meaning that the PHP 250,000 threshold established eight years ago no longer holds the same real-world value today.

We are once again facing the threat of "bracket creep"—a phenomenon where workers receive nominal wage increases simply to keep up with the cost of living, only to be pushed into higher tax brackets without any real increase in their wealth or purchasing power.

This bill seeks to immediately correct this injustice by increasing the base personal income tax exemption from PHP 250,000 to PHP 350,000, mathematically adjusting for the cumulative inflation from 2018 to 2026. This adjustment will instantly restore the intended financial relief for Filipino workers, giving them greater take-home pay to afford basic necessities.

Furthermore, to prevent the recurrence of "bracket creep" and to avoid the need for Congress to pass continuous remedial tax legislation, this bill institutionalizes an automatic indexation mechanism. By mandating the Department

of Finance to adjust the income tax brackets every three (3) years based on the prevailing Consumer Price Index, we ensure that our tax system remains permanently fair, equitable, and economically sound.

In view of the foregoing, immediate passage of the bills is earnestly sought for.

A handwritten signature in black ink, appearing to read 'Antonino B. Roman III', with a stylized, flowing script.

**ANTONINO B. ROMAN III**



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**AN ACT INCREASING THE BASE EXEMPTION FOR PERSONAL INCOME TAX, AMENDING FOR THE PURPOSE SECTION 24 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND INSTITUTING AUTOMATIC INDEXATION BASED ON THE CONSUMER PRICE INDEX**

*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 Future-Proofed Adjustment of Income Rates (FAIR) Tax Act.

**SEC. 2. Declaration of Policy.** – It is the declared policy of the State to protect the purchasing power of the working class and promote a genuinely progressive and equitable tax system. Recognizing the erosive effect of inflation on real income, the State shall mandate the adjustment of the personal income tax exemptions based on the prevailing Consumer Price Index (CPI) to correct "bracket creep" and ensure that minimum wage earners and the middle class are fairly taxed.

**SEC. 3. Adjustments to Income Tax Rates.** – 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:~~

|                                                         |                                                                |
|---------------------------------------------------------|----------------------------------------------------------------|
| <del>Not over P250,000.....</del>                       | <del>0%</del>                                                  |
| <del>Over P250,000 but not over P400,000.....</del>     | <del>20% of the excess over P250,000</del>                     |
| <del>Over P400,000 but not over P800,000.....</del>     | <del>P30,000 + 25% of the excess over P400,000</del>           |
| <del>Over P800,000 but not over P2,000,000.....</del>   | <del>P130,000 + 30% of the excess over P800,000</del>          |
| <del>Over P2,000,000 but not over P8,000,000.....</del> | <del>P490,000 + 32% of the excess over P2,000,000</del>        |
| <del>Over ..... P 8, 0 0 0, 0 0 0</del>                 | <del>.....P2,410,000 + 35% of the excess over P8,000,000</del> |

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

|                                                         |                                                                 |
|---------------------------------------------------------|-----------------------------------------------------------------|
| <del>Not over P250,000.....</del>                       | <del>0%</del>                                                   |
| <del>Over P250,000 but not over P400,000.....</del>     | <del>15% of the excess over P250,000</del>                      |
| <del>Over P400,000 but not over P800,000.....</del>     | <del>P22,500 + 20% of the excess over P400,000</del>            |
| <del>Over P800,000 but not over P2,000,000.....</del>   | <del>P102,500 + 25% of the excess over P800,000</del>           |
| <del>Over P2,000,000 but not over P8,000,000.....</del> | <del>P402,500 + 30% of the excess over P2,000,000</del>         |
| <del>Over ..... P 8, 0 0 0, 0 0 0</del>                 | <del>.....P2,202,500 + 35% of the excess over P8,000,000]</del> |

**TAX SCHEDULE EFFECTIVE JANUARY 1, 2027 AND ONWARDS**

**NOT OVER P350,000 ..... 0%**

**O V E R    P 3 5 0 , 0 0 0    B U T    N O T    O V E R  
P500,000 ..... 15% OF THE EXCESS OVER  
P350,000**

**O V E R    P 5 0 0 , 0 0 0    B U T    N O T    O V E R  
P1,000,000 ..... P22,500 + 20% OF THE  
EXCESS OVER P500,000**

**O V E R    P 1 , 0 0 0 , 0 0 0    B U T    N O T    O V E R  
P2,500,000 ..... P122,500 + 25% OF THE  
EXCESS OVER P1,000,000**

**O V E R    P 2 , 5 0 0 , 0 0 0    B U T    N O T    O V E R  
P8,000,000 ..... P497,500 + 30% OF THE  
EXCESS OVER P2,500,000**

**O V E R P8,000,000 ..... P2,147,500  
+ 35% OF THE EXCESS OVER P8,000,000**

**PROVIDED, THAT AFTER 2026, THE TAXABLE INCOME  
LEVELS IN THE ABOVE SCHEDULES SHALL BE  
ADJUSTED ONCE EVERY THREE (3) YEARS BY THE  
SECRETARY OF FINANCE UPON RECOMMENDATION  
OF THE COMMISSIONER OF INTERNAL REVENUE  
BASED ON THE PREVAILING CONSUMER PRICE  
INDEX."**

**xxx**

For married individuals, the husband and wife, subject to the provision of Section 51 (D) hereof, shall compute separately their individual income tax based on their respective total taxable income: Provided, That if any income cannot be definitely attributed to or identified as income exclusively earned or realized by either of the spouses, the same shall be divided equally between the spouses for the purpose of determining their respective taxable income.

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 ~~{Two}~~ **THREE** hundred fifty thousand pesos ~~{(P250,000)}~~ **(P350,000)** 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.

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**SEC. 4. 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. 5 . 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. 6 . Effectivity Clause.** – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

*Approved,*