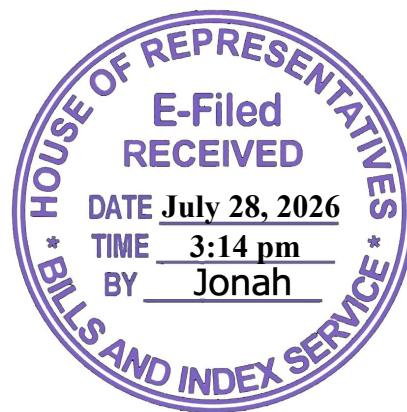




Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Twentieth Congress
Second Regular Session

HOUSE BILL NO. 10300



Introduced by Representative Lordan G. Suan

AN ACT
INCREASING THE PERSONAL INCOME TAX EXEMPTION THRESHOLD, AMENDING
FOR THE PURPOSE SECTION 24 OF THE NATIONAL INTERNAL REVENUE CODE OF
1997, AS AMENDED

EXPLANATORY NOTE

TRAIN Law simplified personal income taxation, reduced tax rates and increased exemption thresholds. It was a relief for individual taxpayers heavily burdened by the old tax regime. That breathing space has since thinned out, or worse, closed off entirely for many in recent years.

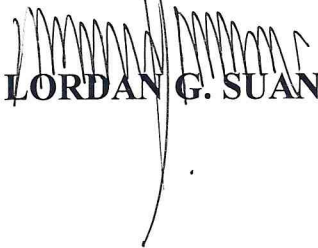
Cumulative inflation reduced the purchasing power of real wages. The cost of food, electricity, housing, and transportation exponentially and regularly rises while tax rates remain the same. Education and healthcare expenses deplete whatever is left with personal incomes meant for daily survival. Inflation increases faster than salaries. In fact, the P250,000 tax exemption shrinks in real terms due to rising prices.

Taxation, which should be fair and progressive, has disadvantaged the middle class. Salaried middle-class earners, who, according to estimates, contribute 80% of the personal income tax collections, heavily shoulder the burden of taxation compared to other taxpayers.

This bill seeks to raise the personal income tax exemption from P250,000 to P400,000. Taxable income over P400,000 to P800,000 will be subject to a 15% tax rate. Importantly, the tax schedule will be adjusted every three years to remain responsive to economic realities.

The existing tax schedule designed by the TRAIN Law no longer reflects the economic conditions of the time. If it remains unadjusted, it will be a burden rather than a relief.

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



LORDAN G. SUAN



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1997, AS AMENDED

Be it enacted by the Senate and 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:

SECTION 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 ₱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

TAX SCHEDULE EFFECTIVE JANUARY 1, 2027 AND ONWARDS:

NOT OVER P400,000	0%
OVER P400,000 BUT NOT OVER P800,000	15% OF THE EXCESS OVER P400,000
OVER P800,000 BUT NOT OVER P2,000,000	P60,000 + 20% OF THE EXCESS OVER P800,000
OVER P2,000,000 BUT NOT OVER P5,000,000	P300,000 + 25% OF THE EXCESS OVER P2,000,000
OVER P5,000,000 BUT NOT OVER P8,000,000	P1,050,000 + 30% OF THE EXCESS OVER P5,000,00
OVER P8,000,000	P1,950,000 + 35% OF THE EXCESS OVER P8,000,000

PROVIDED, THAT THE TAX SCHEDULE SHALL BE ADJUSTED ONCE EVERY THREE YEARS AFTER ITS EFFECTIVITY USING CUMULATIVE INFLATION METRICS TO PREVENT BRACKET CREEP AND ALIGN WITH THE THREE-YEAR ADJUSTMENT CYCLE OF BUSINESS AND PROPERTY VALUATIONS.

XXXX

(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 thousand pesos (₱250,000)(P400,000)** 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.

SECTION 2. Implementing Rules and Regulations. - Within sixty (60) days from the effectivity of this Act, the Department of Finance, upon the recommendation of the Commissioner of the Bureau of Internal Revenue, shall formulate the necessary rules and regulations for the effective implementation of this Act.

SECTION3. Separability Clause. - If any provision of this Act is declared invalid or unconstitutional, the provisions not hereby affected shall remain in full force and effect.

SECTION 4. Repealing Clause. - All laws, decrees, orders, rules and regulations or parts

1 thereof, inconsistent with or contrary to the provisions of this Act are repealed, amended or
2 modified accordingly.

3

4 **SECTION 5. *Effectivity.*** - This Act shall take effect fifteen (15) days from the date of its
5 publication in the Official Gazette, or a website provided for by law.

Approved,