



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

20th CONGRESS
2nd Regular Session

HOUSE BILL NO. 10316



Introduced by **REPRESENTATIVE JENNIFER A. LAGBAS**

EXPLANATORY NOTE

Article VI, Section 28 of the 1987 Constitution mandates that the rule of taxation shall be uniform and equitable, and that Congress shall evolve a progressive system of taxation. Article XIII, Section 3 further guarantees the right of workers to a living wage and directs the State to promote their welfare. Article II, Section 9 likewise mandates the State to promote a just and dynamic social order that will ensure the prosperity of the nation and free the people from poverty through policies that provide a rising standard of living and an improved quality of life for all.

Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law, restructured the personal income tax system effective January 1, 2018, and fixed the tax-exempt threshold at ₱250,000 of annual taxable income beginning January 1, 2023. Since then, persistent inflation and the rising cost of food, transportation, housing, and other basic goods and services have steadily eroded the real value of this exemption. Nominal wage adjustments granted to keep pace with the cost of living have, in turn, pushed many taxpayers into higher brackets without any corresponding gain in real income, a phenomenon commonly known as bracket creep. The threshold, unchanged since 2023, no longer reflects prevailing economic conditions.

This bill seeks to restore the real value of the income tax exemption by raising the threshold from ₱250,000 to ₱350,000 of annual taxable income. To keep the reform fiscally responsible and administratively simple, the brackets above the new threshold are adjusted proportionally—by the same factor by which the threshold itself is raised—so that the existing marginal rates of 15%, 20%, 25%, 30%, and 35% remain untouched and the progressive structure of current law is preserved intact. This approach grants meaningful and immediate relief to taxpayers while avoiding an outsized reduction in government revenue

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



HON. JENNIFER A. LAGBAS
Representative
First District, Misamis Oriental



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Introduced by **REPRESENTATIVE JENNIFER A. LAGBAS**

AN ACT
INCREASING THE INCOME TAX EXEMPTION CEILING FOR INDIVIDUAL
TAXPAYERS TO THREE HUNDRED FIFTY THOUSAND PESOS (P350,000.00) AND
PROPORTIONALLY ADJUSTING THE INCOME TAX BRACKETS ACCORDINGLY,
AMENDING FOR THE PURPOSE SECTION 24 OF REPUBLIC ACT NO. 8424,
OTHERWISE KNOWN AS 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 “*Balanced Income Tax Relief Act.*”

SEC. 2. *Declaration of Policy.* – It is the policy of the State to:

- a) Provide meaningful and immediate relief to individual taxpayers by raising the income tax exemption ceiling to reflect the current cost of living; and
- b) Preserve the progressivity and fiscal sustainability of the tax system by adjusting the brackets above the exemption ceiling proportionally, rather than altering the marginal rates themselves.

SEC. 3. Section 24(A)(2)(a) of Republic Act No. 8424, otherwise known as 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) x x x

“(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, 2027 AND ONWARDS:

Taxable Income	Tax Due
Not over ₱350,000	0%
Over ₱350,000 but not over ₱560,000	15% of the excess over ₱350,000
Over ₱560,000 but not over ₱1,120,000	₱31,500 + 20% of the excess over ₱560,000
Over ₱1,120,000 but not over ₱2,800,000	₱143,500 + 25% of the excess over ₱1,120,000
Over ₱2,800,000 but not over ₱11,200,000	₱563,500 + 30% of the excess over ₱2,800,000
Over ₱11,200,000	₱3,083,500 + 35% of the excess over ₱11,200,000

“*Provided*, That minimum wage earners as defined in Section 22(HH) of this Code shall continue to be exempt from the payment of income tax on their taxable income, including the holiday pay, overtime pay, night shift differential pay, and hazard pay received by such minimum wage earners, which shall likewise remain 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 **THREE HUNDRED FIFTY THOUSAND PESOS (₱350,000.00)** 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.

“X X X”

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

SEC. 5. *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations, issuances, or parts thereof inconsistent with this Act are hereby repealed or amended accordingly.

SEC. 6. *Separability Clause.* – If any section or provision of this Act shall be declared invalid or unconstitutional, the remaining sections or provisions of this Act shall not be affected by such declaration and shall remain in force and effect.

SEC. 7. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least one (1) newspaper of general circulation.

Approved,