

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No. 10345



**Introduced by Honorable Faustino "Bojie" G. Dy III and
Honorable Ferdinand Alexander A. Marcos**

EXPLANATORY NOTE

In light of the ongoing economic challenges faced by Filipinos and the pressing need for fiscal reforms that prioritize the welfare of the people, the reduction of the personal income tax minimum threshold to ₱350,000 is proposed. This initiative aims to alleviate the financial burdens on low- and middle-income earners, fostering economic resilience and promoting equitable taxation.

By allowing individuals earning up to ₱350,000 annually to retain their income without the burden of income tax, we empower them to increase their consumption. This, in turn, will invigorate local businesses and stimulate economic activity across various sectors.

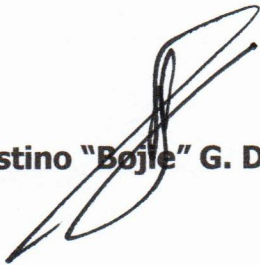
The proposed measure also recognizes that the rising cost of essential goods and services has continued to erode the purchasing power of the Filipino households. Providing tax relief to low- and middle-income earners will enable them to better meet their daily needs, improve the quality of life, and build greater financial security.

Moreover, increasing the disposable income of working Filipinos encourages greater household spending, which serves as a key driver of the country's economic growth.

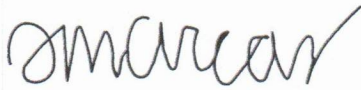
The proposed adjustment also promotes a more equitable and progressive system of taxation by ensuring that individuals with limited financial capacity are not subjected to an undue tax burden. Instead, the government may focus its revenue collection efforts on those with greater ability to contribute.

Ultimately, this measure seeks to strike a balance between the government's revenue objectives and its constitutional duty to promote social justice and improve the quality of life of all Filipinos. This meaningful tax relief to ordinary wage earners, the State reaffirms its commitment to responsive, fair, and people-centered fiscal policies while fostering sustainable and inclusive economic development.

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



Faustino "Bojie" G. Dy III



Ferdinand Alexander A. Marcos

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1 **AN ACT RESTRUCTURING THE INDIVIDUAL INCOME TAX RATES OF**
2 **CITIZENS AND RESIDENT ALIENS, AMENDING FOR THE PURPOSE**
3 **SECTION 24 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS**
4 **AMENDED**

5
6 *Be it enacted by the Senate and the House of Representatives of the Philippines in*
7 *Congress assembled:*
8

9 **SECTION 1. Section 24 of the National Internal Revenue Code, as**
10 **amended, is hereby further amended as follows:**

11 SEC. 24. *Income Tax Rates.* -

12 *(A) Rates of Income Tax on Individual Citizen and Individual Resident*
13 *Alien of the Philippines.* -

14 (1) An income tax is hereby imposed

15 (a) On the taxable income defined in Section 31 of this Code, other
16 than income subject to tax under Subsections (B), (C) and (D) of this
17 Section, derived for each taxable year from all sources within and
18 without the Philippines be every individual citizen of the Philippines
19 residing therein;

20 (b) On the taxable income defined in Section 31 of this Code, other
21 than income subject to tax under Subsections (B), (C) and (D) of this
22 Section, derived for each taxable year from all sources within the
23 Philippines by an individual citizen of the Philippines who is residing
24 outside of the Philippines including overseas contract workers referred
25 to in Subsection(C) of Section 23 hereof; and

(c) On the taxable income defined in Section 31 of this Code, other than income subject to tax under Subsections (B), (C) and (D) of this Section, derived for each taxable year from all sources within the Philippines by an individual alien who is a resident of the Philippines.

(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:

xxx

Tax Schedule Effective January 1, 2023 [and onwards] **UNTIL DECEMBER 31, 2027:**

xxx

TAX SCHEDULE EFFECTIVE JANUARY 1, 2027 AND ONWARDS

TAXABLE INCOME	INCOME TAX DUE
NOT OVER P350,000	0%
OVER P350,000 BUT NOT OVER P400,000	15% OF THE EXCESS OVER P350,000
OVER P400,000 BUT NOT OVER P800,000	P7,500 + 20% OF THE EXCESS OVER P400,000
OVER P800,000 BUT NOT OVER P2,000,000	P87,500 + 25% OF THE EXCESS OVER P800,000
OVER P2,000,000 BUT NOT OVER P8,000,000	P387,500 + 30% OF THE EXCESS OVER P2,000,000
OVER P8,000,000	P2,187,500 + 35% OF THE EXCESS OVER P8,000,000

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.

1 Provided, That minimum wage earners as defined in Section 22(HH) of
2 this Code shall be exempt from the payment of income tax on their
3 taxable income: Provided, further, That the holiday pay, overtime pay,
4 night shift differential pay and hazard pay received by such minimum
5 wage earners shall likewise be exempt from income tax.

6 (b) Rate of Tax on Income of Purely Self-employed Individuals and/or
7 Professionals Whose Gross Sales or Gross Receipts and Other Non-
8 operating Income Does Not Exceed the Value-added Tax(VAT)
9 Threshold as Provided in Section 109(BB). – Self-employed individuals
10 and/or professionals shall have the option to avail of an eight percent
11 (8%) tax on gross sales or gross receipts and other non-operating
12 income in excess of [Two hundred fifty thousand pesos (P250,000)]
13 **THREE HUNDRED FIFTY THOUSAND PESOS (P350,000)** in lieu
14 of the graduated income tax rates under Subsection (A)(2)(a) of this
15 Section and the percentage tax under Section 116 of this Code.

16 (c) Rate of Tax for Mixed Income Earners. – Taxpayers earning both
17 compensation income and income from business or practice of
18 profession shall be subject to the following taxes:

19 (1) All Income from Compensation – The rate prescribed under
20 Subsection (A)(2)(a) of this Section.

21 (2) All Income from Business or Practice of Profession –

22 (a) If Total Gross Sales and/or Gross Receipts and Other Non-Operating
23 Income Do Not Exceed the VAT Threshold as Provided in Section
24 109(BB) of this Code. – The rates prescribed under Subsection
25 (A)(2)(a) of this Section on taxable income, or eight percent (8%)
26 income tax based on gross sales or gross receipts and other non-
27 operating income in lieu of the graduated income tax rates under
28 Subsection (A)(2)(a) of this Section and the percentage tax under
29 Section 116 of this Code.

30 (b) If Total Gross Sales and/or Gross Receipts and Other Non-operating
31 Income Exceeds the VAT Thresholds Provided in Section 109(BB) of
32 this Code. – The rates prescribed under Subsection (A)(2)(a) of this
33 Section.

34 (B) Rate of Tax on Certain Passive Income: -

35 xxx."

36
37 **SEC. 2. Separability Clause.** – If any provision or part of this Act is declared
38 invalid or unconstitutional, such declaration shall be confined in its operation to the

1 clause, sentence, paragraph, or part thereof directly involved in the case, whereas the
2 parts or provisions not affected thereby shall remain in full force and effect.

3
4 **SEC. 3. *Implementing Rules and Regulations.*** – Within ninety (90) days from
5 the effectivity of this Act, the Secretary of Finance, upon the recommendation of the
6 Commissioner of Internal Revenue, shall promulgate the necessary rules and
7 regulations for its effective implementation: Provided, that the non-issuance of
8 implementing rules and regulations shall not preclude the provisions of this Act from
9 taking effect with the prescribed periods provided herein.

10
11 **SEC. 4. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
12 complete publication in the Official Gazette or in a newspaper of general circulation.

13
14 *Approved,*