

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No. 10346



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

EXPLANATORY NOTE

In light of President Marcos Jr.'s State of the Nation Address (SONA), the Minimum Corporate Income Tax (MCIT) bill reflects the administration's commitment to fostering a fair and equitable tax system for micro and small enterprises. This bill seeks to advance the administration's commitment to a fair, equitable, and efficient tax system that promotes fiscal responsibility while encouraging a competitive business environment for micro and small enterprises.

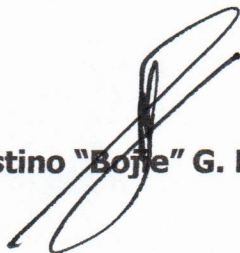
The National Internal Revenue Code (NIRC) imposes a minimum corporate income tax of two percent (2%) on gross income, aimed at ensuring that all corporations contribute to national revenue, particularly as the government seeks to enhance funding for public services and infrastructure.

The NIRC also authorizes the Secretary of Finance to suspend the tax for companies facing significant financial challenges, thereby promoting economic resilience. This flexibility ensures that the MCIT does not impose an undue burden on legitimately distressed enterprises, while allowing otherwise viable businesses to recover, preserve employment, and continue their operations.

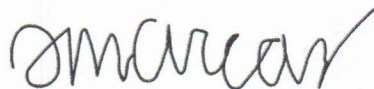
This legislation aligns with the administration's broader economic goals, emphasizing support for businesses while ensuring fiscal responsibility and sustainable growth.

Finally, this legislation strikes a prudent balance between the need to ensure adequate government revenues and the imperative of maintaining a business climate that encourages investment, expansion, and job creation. By combining fiscal discipline with appropriate safeguards for businesses experiencing genuine financial distress, the proposed measure supports sustainable economic growth, responsible governance, and the long-term development objectives of the nation.

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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AN ACT
RATIONALIZING CORPORATE TAXATION BY ABOLISHING THE MINIMUM
CORPORATE INCOME TAX, AMENDING FOR THE PURPOSE SECTION 27 OF
THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

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

SECTION 1. Section 27 of the National Internal Revenue Code,
as amended, is hereby further amended as follows:

SEC. 27. Rates of Income Tax on Domestic Corporations. –

(A) In General. - xxx

(B) xxx

(C) xxx

(D) xxx

(E) Minimum Corporate Income Tax on Domestic
Corporations. -

(1) Imposition of Tax. – UNTIL DECEMBER 31, 2026, A minimum
corporate income tax of two percent (2%) of the gross income as of
the end of the taxable year, as defined herein, is hereby imposed on a
corporation taxable under this Title, beginning on the fourth taxable
year immediately following the year in which such corporation
commenced its business operations, when the minimum income tax is
greater than the tax computed under Subsection (A) of this Section for
the taxable year: Provided, That effective July 1, 2020 until June 30,
2023, the rate shall be one percent (1%). **PROVIDED FURTHER,**
THAT BEGINNING JANUARY 1, 2027, MICRO AND SMALL

1 **TAXPAYERS, AS DEFINED UNDER SECTION 21(B) OF THIS**
2 **CODE, ORGANIZED AS A PARTNERSHIP OR CORPORATION**
3 **SHALL NOT BE IMPOSED UNDER THIS SUBSECTION, AND, IN**
4 **LIEU THEREOF, THE TAX COMPUTED UNDER SUBSECTION (A)**
5 **OF THIS SECTION SHALL APPLY.**

6 **(2) Carry Forward of Excess Minimum Tax.** - Any excess of the
7 minimum corporate income tax over the normal income tax as
8 computed under Subsection (A) of this Section shall be carried forward
9 and credited against the normal income tax for the three (3)
10 immediately succeeding taxable years.

11 **(3) Relief from the Minimum Corporate Income Tax Under**
12 **Certain Conditions.** - The Secretary of Finance is hereby authorized
13 to suspend the imposition of the minimum corporate income tax on any
14 corporation which suffers losses on account of prolonged labor dispute,
15 or because of force majeure, or because of legitimate business
16 reverses.

17 The Secretary of Finance is hereby authorized to promulgate, upon
18 recommendation of the Commissioner, the necessary rules and
19 regulation that shall define the terms and conditions under which he
20 may suspend the imposition of the minimum corporate income tax in a
21 meritorious case.

22 **(4) Gross Income Defined.** - For purposes of applying the minimum
23 corporate income tax provided under Subsection (E) hereof, the term
24 '**gross income**' shall mean gross sales less sales returns, discounts
25 and allowances and cost of goods sold. '**Cost of goods sold**' shall
26 include all business expenses directly incurred to produce the
27 merchandise to bring them to their present location and use.

28 For a trading or merchandising concern, '**cost of goods sold**' shall
29 include the invoice cost of the goods sold, plus import duties, freight in
30 transporting the goods to the place where the goods are actually sold
31 including insurance while the goods are in transit.

32 For a manufacturing concern, '**cost of goods manufactured and**
33 **sold**' shall include all costs of production of finished goods, such as
34 raw materials used, direct labor and manufacturing overhead, freight
35 cost, insurance premiums and other costs incurred to bring the raw
36 materials to the factory or warehouse.

37 In the case of taxpayers engaged in the sale of service, '**gross income**'
38 means gross receipts less sales returns, allowances, discounts and cost
39 of services. '**Cost of services**' shall mean all direct costs and expenses
40 necessarily incurred to provide the services required by the customers
41 and clients including (A) salaries and employee benefits of personnel,

1 consultants and specialists directly rendering the service and (B) cost
2 of facilities directly utilized in providing the service such as depreciation
3 or rental of equipment used and cost of supplies: Provided, however,
4 That in the case of banks, '**cost of services**' shall include interest
5 expense.

6 (F) xxx

7 (G) xxx."

8
9 **SEC. 2. *Separability Clause.*** – If any provision or part of this Act is declared
10 invalid or unconstitutional, such declaration shall be confined in its operation to the
11 clause, sentence, paragraph, or part thereof directly involved in the case, whereas the
12 parts or provisions not affected thereby shall remain in full force and effect.

13
14 **SEC. 3. *Implementing Rules and Regulations.*** – Within ninety (90) days from
15 the effectivity of this Act, the Secretary of Finance, upon the recommendation of the
16 Commissioner of Internal Revenue, shall promulgate the necessary rules and
17 regulations for its effective implementation: Provided, that the non-issuance of
18 implementing rules and regulations shall not preclude the provisions of this Act from
19 taking effect with the prescribed periods provided herein.

20
21 **SEC. 4. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
22 complete publication in the Official Gazette or in a newspaper of general circulation.

23
24 *Approved,*