

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

Twentieth (20th) Congress
Second Regular Session



House Bill No. **10364**

Introduced by HONORABLE LORETO "AMBEN" S. AMANTE
3rd Legislative District, Province of Laguna

AN ACT
EXPANDING THE BASE OF INCOME TAX EXEMPTION, AMENDING FOR
THE PURPOSE SECTION 24(A) OF THE NATIONAL INTERNAL REVENUE
CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

The Filipino working and middle-income class remains the backbone of the national economy. It is composed of salaried employees, professionals, skilled workers, public servants, and small entrepreneurs who contribute significantly to government revenues through personal income taxes while also driving domestic consumption and economic growth.

Under Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN) Law, the personal income tax structure was adjusted to provide relief to low-income earners. However, over time, the real value of these adjustments has been eroded by inflation and the rising cost of living. Increases in the prices of food, fuel, transportation, housing, utilities, healthcare, and education have significantly reduced the purchasing power of ordinary workers, while wage growth has not kept pace with inflation.

As a result, many middle-income earners who were previously intended to benefit from tax reforms are now effectively taxed on income that is largely consumed by basic necessities. This phenomenon, commonly referred to as "*bracket creep*," results in workers being pushed into higher tax brackets without a corresponding increase in their real purchasing power.

Current socioeconomic data also demonstrate that a substantial portion of Filipino households belong to the middle-income sector. Studies cited by the Philippine Institute for Development Studies (PIDS) estimate that around forty percent (40%) of Filipinos belong to the middle-income class. A family of five (5) is considered middle class if it earns approximately ₱23,381 to ₱140,284 monthly, or

roughly ₱25,000 to ₱150,000 based on updated price levels, translating to an annual income of ₱300,000 to ₱1,800,000¹. These households are concentrated among salaried workers, teachers, transport workers, small business owners, and professionals who consistently contribute to the tax base but often receive limited direct social assistance.

The middle class also performs a vital macroeconomic role. It sustains domestic demand, supports local industries, invests heavily in education and healthcare, and contributes to broader economic stability. Constraining disposable income through outdated tax thresholds weakens household consumption and reduces financial resilience.

In recognition of these realities, this measure seeks to expand the income tax exemption threshold from ₱250,000 to ₱500,000 beginning January 1, 2027. The proposed adjustment reflects present economic conditions and recognizes that the current exemption ceiling no longer corresponds to the actual cost of maintaining a modest and decent standard of living for Filipino families.

The proposed ₱500,000 exemption threshold represents a reasonable middle ground within the estimated income range of Filipino middle-class households. It is intended to provide meaningful relief to lower-middle and middle-income earners whose incomes are substantially consumed by essential living expenses. The adjustment likewise seeks to restore the original intent of income tax relief under the TRAIN Law by preserving the real value of exemptions against inflation and rising living costs.

By increasing the tax-exempt threshold and rationalizing the tax structure, the proposed reform aims to:

1. Restore the real value of income tax exemptions eroded by inflation;
2. Provide meaningful and immediate relief to working Filipinos;
3. Enhance equity and fairness in the tax system;
4. Strengthen domestic consumption as a driver of inclusive economic growth; and
5. Improve the financial resilience of Filipino households amid rising economic pressures.

This measure is consistent with the constitutional mandate that taxation shall be uniform and equitable, and that Congress shall evolve a progressive system of taxation.

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



HON. LORETO S. AMANTE

¹ Sandra Zialcita, "EXPLAINER: Who are the Filipino middle class?," CNN, April 25, 2020, <https://cnnphilippines.com/news/2020/4/25/explainer-who-are-the-Filipino-middle-class.html>.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

Twentieth (20th) Congress
Second Regular Session

House Bill No. **10364**

Introduced by HONORABLE LORETO "AMBEN" S. AMANTE
3rd Legislative District, Province of Laguna

AN ACT
EXPANDING THE BASE OF INCOME TAX EXEMPTION, AMENDING FOR
THE PURPOSE SECTION 24(A) OF 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. Title. - This Act shall be known as the "*Filipino Working Class Income Tax Relief Act of 2026.*"

Section 2. Declaration of Policy. - It is hereby declared the policy of the State to promote a just, equitable, and progressive system of taxation that is responsive to prevailing economic conditions and reflective of the capacity of taxpayers to pay.

The State recognizes the vital role of the Filipino working and middle-income class in national development as primary contributors to government revenues and as key drivers of domestic economic activity. As such, it shall ensure that tax policies do not unduly burden this sector, particularly in the face of rising costs of living and inflationary pressures.

Toward this end, the State shall:

- a. Adjust income tax thresholds and rates to reflect changes in the cost of living and preserve the real value of income;
- b. Provide meaningful tax relief to low- and middle-income earners to enhance their purchasing power and economic security;
- c. Promote fairness by ensuring that taxation is based on actual capacity to pay, taking into account essential living expenses;
- d. Support inclusive and sustainable economic growth by strengthening household consumption and financial resilience; and

- e. Continuously review and update the tax system to ensure that it remains equitable, efficient, and aligned with national development goals.

Section 3. Section 24 of the National Internal Revenue Code of 1997, as amended, is hereby 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) An income tax is hereby imposed:

“xxx

“xxx

“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: [12]

“(a) Tax Schedule Effective January 1, 2018 until December 31, 2022:

Not over P250,000.....	0%
Over P250,000 but not over P400,000.....	20% of the excess over P250,000
Over P400,000 but not over P800,000.....	P30,000 + 25% of the excess over P400,000
Over P800,000 but not over P2,000,000.....	P130,000 + 30% of the excess over P800,000

Over P2,000,000 but not over P8,000,000.....	P490,000 + 32% of the excess over P2,000,000
Over P8,000,000.....	P2,410,000 + 35% of the excess over P8,000,000

“Tax Schedule Effective January 1, 2023 [~~and onwards~~]
UNTIL DECEMBER 31, 2026:

Not over P250,000.....	0%
Over P250,000 but not over P400,000.....	15% of the excess over P250,000
Over P400,000 but not over P800,000.....	P22,500 + 20% of the excess over P400,000
Over P800,000 but not over P2,000,000.....	P102,500 + 25% of the excess over P800,000
Over P2,000,000 but not over P8,000,000.....	P402,500 + 30% of the excess over P2,000,000
Over P8,000,000.....	P2,202,000 + 35% of the excess over P8,000,000

**“TAX SCHEDULE EFFECTIVE JANUARY 1, 2027
ONWARDS:**

NOT OVER P500,000.....	0%
OVER P500,000 BUT NOT OVER P650,000.....	15% OF THE EXCESS OVER P500,000
OVER P650,000 BUT NOT	

OVER P1,300,000.....	P39,000 + 20% OF THE EXCESS OVER P650,000
OVER P1,300,000 BUT NOT OVER P3,200,000.....	P156,000 + 25% OF THE EXCESS OVER P1,300,000
OVER P3,200,000 BUT NOT OVER P12,800,000.....	P576,500 + 30% OF THE EXCESS OVER P3,200,000
OVER P12,800,000.....	P3,072,000 + 35% OF THE EXCESS OVER P12,800,000

"xxx"

Section 4. *Implementing Rules and Regulations.* - The Department of Finance (DOF) and the Bureau of Internal Revenue (BIR) shall promulgate the necessary rules and regulations to implement this Act within sixty (60) days from its effectivity.

Section 5. *Separability Clause.* - If any provision of this Act is declared unconstitutional or invalid, the remainder shall not be affected.

Section 6. *Repealing Clause.* - All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

Section 7. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,