



Republic of the Philippines
House of Representatives



20th CONGRESS
Second Regular Session

HOUSE BILL NO. 10375

Introduced by Hon. Charisse Anne C. Hernandez

EXPLANATORY NOTE

The Constitution mandates the State to promote a just and dynamic social order that ensures the prosperity and independence of the nation and frees the people from poverty through policies that provide an adequate standard of living and improve the quality of life for all.

For millions of Filipino workers, every payday is no longer enough to keep pace with the rising cost of living. While salaries have gradually increased over the years, so too have the prices of basic necessities. The cost of rice, meat, vegetables, fuel, transportation, electricity, water, housing, education, healthcare, and other essential goods and services continues to rise, leaving many families struggling to stretch their monthly budgets. What was once sufficient to support a family's daily needs now barely covers basic expenses, forcing many households to make difficult choices between food, education, healthcare, and savings.

Recognizing the need to provide tax relief, Congress enacted the Tax Reform for Acceleration and Inclusion (TRAIN) Law in 2018, which exempted from income tax annual taxable income not exceeding Two Hundred Fifty Thousand Pesos (₱250,000.00) and increased the tax-exempt ceiling for the Thirteenth (13th) Month Pay and Other Benefits to Ninety Thousand Pesos (₱90,000.00). At the time, these reforms provided meaningful relief to millions of Filipino taxpayers.

However, nearly a decade later, inflation and the continuously increasing cost of living have significantly diminished the value of these tax exemptions. The tax-free threshold of ₱250,000.00, which once afforded meaningful relief, no longer reflects the present economic realities faced by ordinary Filipino workers. Likewise, the ₱90,000.00 exemption on the Thirteenth (13th) Month Pay and Other Benefits has become increasingly inadequate as compensation packages evolve and year-end bonuses play a more significant role in helping families cope with rising expenses.

Every peso withheld as income tax is a peso that could otherwise be used to buy food for the family, pay school tuition and educational expenses, purchase medicines, settle utility bills, pay rent or housing amortizations, or build modest savings for emergencies. At a time when Filipino families continue to feel the effects of rising prices, government policy should ensure that hardworking taxpayers are able to retain a greater share of the income they have honestly earned.

This measure seeks to strengthen the purchasing power of Filipino taxpayers by increasing the tax-exempt annual taxable income threshold from Two Hundred Fifty Thousand Pesos (₱250,000.00) to Five Hundred Thousand Pesos (₱500,000.00), thereby reducing the income tax burden on low- and middle-income earners. It likewise proposes to increase the tax-exempt ceiling for the Thirteenth (13th) Month Pay and Other Benefits from Ninety Thousand Pesos (₱90,000.00) to Two Hundred Thousand Pesos (₱200,000.00), recognizing that year-end benefits have become an essential source of financial support for Filipino families during the holiday season and in preparing for school expenses, medical needs, home improvements, debt payments, and other important household obligations.

By allowing workers to take home more of their earnings, this measure seeks not only to provide immediate financial relief but also to stimulate household spending, strengthen domestic consumption, encourage economic activity, and improve the overall quality of life of Filipino families. More disposable income in the hands of consumers translates into stronger local businesses, greater economic resilience, and more inclusive growth.

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



CHARISSE ANNE C. HERNANDEZ
Representative
Lone District, Calamba City

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No. 10375

Introduced by Honorable Charisse Anne C. Hernandez

AN ACT
STRENGTHENING THE PURCHASING POWER OF FILIPINO TAXPAYERS BY
INCREASING THE TAX-EXEMPT ANNUAL TAXABLE INCOME THRESHOLD,
EXPANDING THE TAX-EXEMPT CEILING FOR THIRTEENTH (13TH) MONTH PAY
AND OTHER BENEFITS, AMENDING FOR THE PURPOSE SECTIONS 24(A)(2) AND
32(B)(7)(E) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED,
AND FOR OTHER PURPOSES

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

SECTION. 1. Short Title. This Act shall be known as the "**Dagdag Take-Home Pay Act**"

SEC. 2. Declaration of Policy. It is hereby declared the policy of the State to adopt a fair and equitable tax system that recognizes the effects of inflation on household income, protects the purchasing power of Filipino taxpayers, promotes inclusive economic growth, encourages consumer spending, and ensures that the tax burden imposed on individuals remains reasonable and consistent with prevailing economic conditions.

SEC. 3. Amendment to Section 24(A)(2) of the National Internal Revenue Code. Section 24(A)(2) 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. -

"XXX

"TAX SCHEDULED EFFECTIVE JANUARY 1, 2027 AND ONWARDS:

"NOT OVER ₱500,000.00

0%

**NOT "OVER ₱500,000.00 BUT ₱25,000.00 + 20% OF THE EXCESS OVER
OVER ₱800,000.00 ₱500,000.00**

SEC. 4. Amendment to Section 32 (B)(7)(e) of the National Internal Revenue Code. Section 32 (B)(7)(e) 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. 32. GROSS INCOME. -

“XXX

“(B) EXCLUSIONS FROM GROSS INCOME. -

“XXX

“(E) 13TH MONTH PAY AND OTHER BENEFITS. - GROSS BENEFITS RECEIVED BY OFFICIALS AND EMPLOYEES OF PUBLIC AND PRIVATE ENTITIES: PROVIDED, HOWEVER, THAT THE TOTAL EXCLUSION UNDER THIS SUBPARAGRAPH SHALL NOT EXCEED TWO HUNDRED THOUSAND PESOS (P200,000.00) WHICH SHALL COVER:

“XXX.”

SEC. 5. Separability Clause. If any provision of this Act is declared unconstitutional, the remainder shall continue to be in force.

SEC. 6. Repealing Clause. All laws inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 7. Effectivity. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,