

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10440



**Introduced by AKBAYAN Representatives PERCIVAL V. CENDAÑA,
JOSE MANUEL TADEO "CHEL" I. DIOKNO, and DADAH KIRAM ISMULA and
Dinagat Islands Representative KAKA BAG-AO**

**AN ACT INCREASING THE INCOME TAX EXEMPTION CEILING FOR
INDIVIDUAL TAXPAYERS TO FIVE HUNDRED THOUSAND PESOS
(PHP 500,000.00) ANNUALLY, AMENDING FOR THE PURPOSE SECTION
24(A)(2)(a) and (b) OF THE NATIONAL INTERNAL REVENUE CODE OF
1997, AS AMENDED**

EXPLANATORY NOTE

Section 28, Article VI of the 1987 Philippine Constitution mandates that the rule of taxation shall be uniform and equitable, and the Congress shall evolve a progressive system of taxation. While taxation remains indispensable to funding government programs and public services, it must not impose an undue burden on workers whose purchasing power has steadily declined due to inflation.

In line with this, Republic Act No. 10963, also known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law, has significantly reduced the tax burden on individual taxpayers by exempting annual taxable income not exceeding Two Hundred Fifty Thousand Pesos (Php 250,000.00) from income tax. At the time of its enactment, this threshold provided meaningful tax relief for low- and middle-income earners. However, persistent inflation, rising consumer prices, and increasing costs of basic necessities—including food, transportation, housing, education, healthcare, and utilities—have substantially eroded the real value of the existing exemption threshold.

In recent years, inflation has consistently diminished the purchasing power of Filipino households, compelling workers to devote a greater proportion of their income to essential expenditures. As a consequence, many taxpayers whose nominal incomes have increased merely to keep pace with inflation are nevertheless subjected to higher

income tax liabilities despite experiencing little or no corresponding improvement in their real standard of living. This phenomenon undermines the objective of maintaining a fair and progressive tax system.

This measure seeks to increase the annual income tax exemption threshold from Two Hundred Fifty Thousand Pesos (Php 250,000.00) to Five Hundred Thousand Pesos (Php 500,000.00). By adjusting the exemption to better reflect current economic realities, the proposed measure aims to preserve the purchasing power of Filipino workers, provide meaningful tax relief to low- and middle-income earners, and allow households to allocate a greater portion of their income toward essential goods, education, healthcare, housing, savings, and productive investments.

By modernizing the income tax exemption threshold, this bill reaffirms the State's commitment to a just, progressive, and responsive tax system that protects the welfare of Filipino workers while promoting inclusive economic growth.

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



PERCIVAL V. CENDAÑA
Akbayan Representative



JOSE MANUEL TADEO
"CHEL" I. DIOKNO
Akbayan Representative



DADA KIRAM ISMULA
Akbayan Representative



KAKA BAG-AO
Dinagat Islands Representative

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1997, AS AMENDED**

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

SECTION 1. Section 24 of 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) 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:

(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:

~~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
P2,202,500 + 35% of the excess over P8,000,000]~~

TAX SCHEDULE EFFECTIVE JANUARY 1, 2027 AND ONWARDS:

NOT OVER PHP 500,000.00 0%

**OVER PHP 500,000.00 BUT NOT OVER PHP 715,000.00
15% OF THE EXCESS OVER PHP 500,000.00**

**OVER PHP 715,000.00 BUT NOT OVER PHP 1,300,000.00.....
PHP 32,000.00 + 20% OF THE EXCESS OVER PHP 715,000.00**

**OVER PHP 1,300,000.00 BUT NOT OVER PHP 3,000,000.00
PHP 145,000.00 + 25% OF THE EXCESS OVER PHP
1,300,000.00**

**OVER PHP 3,000,000.00 BUT NOT OVER PHP 11,600,000.00
..... PHP 580,000.00 + 30% OF THE EXCESS OVER
PHP 3,000,000.00**

**OVER PHP 11,600,000.00 PHP 3,150,000.00 +
35% OF THE EXCESS OVER PHP 11,600,000.00**

xxx

(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 [~~Two~~] **FIVE** hundred [~~fifty~~] thousand pesos [~~(P250,000)~~] **(PHP 500,000.00)** 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.

SEC. 2. *Implementing Rules and Regulations.* - Within sixty (60) days after the effectivity of this Act, the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations for the effective implementation of this Act.

SEC. 3. *Separability Clause.* - If any provision of this Act is declared invalid or unconstitutional, the provisions not affected thereby shall continue to be in full force and effect.

SEC. 4. *Repealing Clause.* - All laws, executive orders, presidential decrees, presidential proclamations, letters of instruction, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed, modified, or amended accordingly.

SEC. 5. *Effectivity.* - This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in two (2) newspapers of general circulation in the Philippines.

Approved,