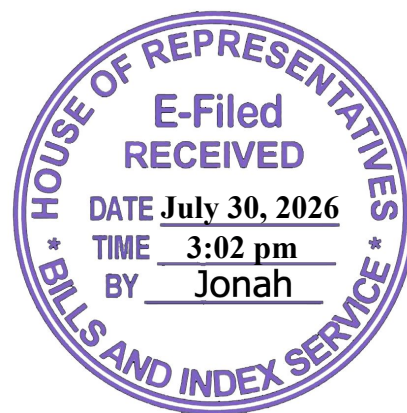


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10451



Introduced by: **REP. TOBIAS “TOBY” M. TIANGCO**

EXPLANATORY NOTE

This measure seeks to increase the annual income tax exemption threshold for individual taxpayers from ₱250,000.00 to ₱350,000.00, thereby expanding the number of workers who may retain a greater portion of their earnings. The succeeding tax computations and base tax amounts shall likewise be correspondingly adjusted to preserve the continuity and progressivity of the individual income tax system.

Article VI, Section 28(1) of the 1987 Constitution states that “The rule of taxation shall be uniform and equitable. The Congress shall evolve a progressive system of taxation.”

This constitutional mandate requires the tax system to distribute the burden of taxation fairly and equitably and recognizes the responsibility of Congress to maintain a progressive system that takes into account taxpayers' capacity to pay and prevailing economic conditions.

Congress has long recognized the need to protect workers earning at or near subsistence levels from income taxation. Under Republic Act No. 9504 (An Act Amending the NIRC), approved on June 17, 2008, minimum wage earners were expressly exempted from the payment of income tax on their taxable income. The law likewise exempted the holiday pay, overtime pay, night shift differential pay, and hazard pay received by minimum wage earners from income tax.

Thus, the statutory income tax exemption for minimum wage earners has been part of Philippine tax policy for approximately *eighteen (18) years*. The policy reflects the legislative recognition that workers receiving minimum wages should be allowed to retain their income for their basic needs rather than have a portion thereof reduced by income tax.

Thereafter, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law, further expanded this income tax relief. Under Section 24 of the National Internal Revenue Code, as amended by the TRAIN Law, individual taxpayers with annual taxable income not exceeding Two Hundred Fifty Thousand Pesos (₱250,000.00) became subject to a zero percent (0%) income tax rate beginning January 1, 2018. Although the rates applicable to the succeeding income brackets were subsequently reduced beginning January 1, 2023, the ₱250,000 tax-exempt threshold has remained unchanged.

More than eight (8) years have passed since the ₱250,000 threshold took effect. During this period, the prices of goods and services have substantially increased, diminishing the purchasing power of workers' income and reducing the real economic value of the tax relief originally granted in 2018.

According to the Philippine Statistics Authority (PSA), in its “*Summary Inflation Report Consumer Price Index (2018=100): June 2026*,” released on July 7, 2026, the country's headline inflation rate stood at 6.4 percent in June 2026, from 6.8 percent in May 2026. The PSA further reported that the average inflation rate for the period January to June 2026 was 4.8 percent.

The PSA identified food and non-alcoholic beverages, housing, water, electricity, gas and other fuels, and transportation as the three largest contributors to the country's June 2026 headline inflation. These are expenditures that directly affect the everyday budgets of Filipino workers and their families.

The effect of rising prices is even more pronounced among lower-income households. According to the PSA's “*Summary Inflation Report Consumer Price Index for the Bottom 30% Income Households (2018=100): June 2026*,” inflation for households belonging to the bottom thirty percent (30%) income group stood at 8.0 percent in June 2026, while their average inflation rate for January to June 2026 was 5.5 percent.

The foregoing figures demonstrate that inflation imposes a proportionately heavier burden on Filipinos with fewer financial resources, as a larger share of their income is devoted to food, transportation, housing, utilities, and other necessities.

The deterioration in purchasing power is likewise evident from the Consumer Price Index. Based on PSA data for June 2026, using 2018 as the base year of 100, the national CPI reached approximately 135.4. In practical terms, the same basket of goods and services valued at ₱100.00 in the 2018 base year would cost approximately ₱135.40 in June 2026.

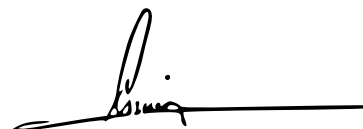
The PSA explains that the purchasing power of one peso relative to the 2018 base year is approximately ₱0.74. This means that the ₱250,000 tax-exempt threshold fixed when the TRAIN Law took effect in 2018 no longer possesses the same real purchasing value today.

Accordingly, raising the annual tax-exempt threshold to ₱350,000.00 is a reasonable and measured adjustment to account for the erosion in purchasing power since the TRAIN Law took effect. It does not merely create a new tax privilege; rather, it seeks to restore and preserve the real value of the income tax relief previously granted by Congress.

A Filipino worker earning ₱350,000.00 in annual taxable income today *does not enjoy the same purchasing capacity* that the nominal amount would have represented several years ago. An increasing portion of household income is being absorbed by food, housing, electricity, transportation, healthcare, education, and other essential expenses.

Increasing the threshold will provide meaningful tax relief, improve workers' disposable income, help preserve household purchasing power, and ensure that the individual income tax system remains responsive to inflation and present economic realities.

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



TOBIAS “TOBY” M. TIANGCO
Representative
Lone District, Navotas City

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10451

Introduced by: **REP. TOBIAS “TOBY” M. TIANGCO**

AN ACT INCREASING THE ANNUAL INCOME TAX EXEMPTION THRESHOLD FOR INDIVIDUAL TAXPAYERS TO THREE HUNDRED FIFTY THOUSAND PESOS (₱350,000.00), AMENDING FOR THE PURPOSE SECTION 24(A)(2)(a) AND SECTION 24(A)(2)(b) 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 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) x x x

“(2) Rates of Tax on Taxable Income of Individuals. — Beginning January 1 of the taxable year immediately following the effectivity of this Act, the tax shall be computed in accordance with and at the rates established in the following schedule:

(a)

Taxable Income	Tax Due
Not over ₱350,000	0%
Over ₱350,000 but not over ₱400,000	15% of the excess over ₱350,000
Over ₱400,000 but not over ₱800,000	₱7,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱87,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱387,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,187,500 + 35% of the excess over ₱8,000,000

“x x x

“(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 **Three Hundred Fifty Thousand Pesos (P350,000.00)**, 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 from the effectivity of this Act, the Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate the necessary rules and regulations to implement the provisions of this Act.

SEC. 3. Repealing Clause. – All laws, decrees, orders, rules, and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 4. Separability Clause. – If any provision of this Act is declared unconstitutional or invalid, the remaining provisions not affected thereby shall continue to be in full force and effect.

SEC. 5. Effectivity. – This Act shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,