

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Philippines

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10462



INTRODUCED BY REP. MARCELINO "MARCY" R. TEODORO

EXPLANATORY NOTE

In his 2026 State of the Nation Address, President Ferdinand R. Marcos, Jr. called upon Congress to enact meaningful tax relief measures for Filipino workers, particularly the middle class, recognizing that despite the country's economic gains, many Filipino families continue to grapple with the lingering effects of inflation, elevated fuel prices, and the rising cost of food, electricity, transportation, education, and other essential goods and services. The President emphasized that tax reform must promote growth, generate revenues, and advance equity toward socio-economic sustainability while allowing workers to retain a greater portion of their hard-earned income.

This measure fully supports that policy direction.

While Senate Bill No. 2338 proposes increasing the income tax exemption threshold from ₱250,000 to ₱350,000, prevailing economic realities justify a more responsive adjustment. Since the implementation of the TRAIN Law, inflation has significantly reduced the purchasing power of Filipino workers. Salary increases over the years have merely enabled many employees to cope with the rising cost of living rather than improve their standard of living.

For this reason, this measure proposes to further increase the annual income tax exemption threshold to ₱500,000, accompanied by the necessary adjustments to the graduated income tax brackets. Such an adjustment would provide more meaningful and immediate relief to millions of salaried workers who consistently shoulder the country's tax burden but are often ineligible for most forms of government assistance.

Far from diminishing government revenues, increasing taxpayers' disposable income is expected to stimulate household consumption, encourage savings and investments, improve business activity, and ultimately expand the tax base through increased economic productivity. Tax policy should not merely serve as a revenue-generating

mechanism; it must likewise promote inclusive growth, strengthen the middle class, and improve the quality of life of every Filipino.

To ensure that this reform remains relevant in the years ahead, the bill likewise proposes an automatic periodic adjustment of the income tax exemption threshold and tax brackets every three (3) years, based on cumulative inflation data published by the Philippine Statistics Authority or such other objective economic indicators as may be provided by law. This mechanism will prevent the erosion of taxpayers' purchasing power and eliminate the need for frequent legislative amendments brought about solely by inflation.

The bill further mandates the Department of Finance and the Bureau of Internal Revenue to periodically review the effectiveness of the revised tax schedule and submit recommendations to Congress to ensure that the country's income tax system remains equitable, competitive, fiscally sustainable, and responsive to changing economic conditions.

As the Philippines continues its journey toward becoming a stronger upper-middle-income economy, the benefits of economic growth must be genuinely felt by those whose productivity fuels the nation's development. Providing meaningful tax relief to Filipino workers is an investment in stronger families, a more resilient middle class, a more vibrant domestic economy, and a more prosperous nation.

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



HON. MARCELINO "MARCY" R. TEODORO
Representative
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AN ACT
INCREASING THE INCOME TAX-EXEMPT THRESHOLD FOR INDIVIDUAL
TAXPAYERS TO FIVE HUNDRED THOUSAND PESOS (P500,000), ADJUSTING
THE INDIVIDUAL INCOME TAX BRACKETS, PROVIDING FOR THEIR
AUTOMATIC INDEXATION TO INFLATION, AMENDING FOR THE
PURPOSE SECTION 24(A)(2) 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 assembled:

SECTION 1. Short Title. — This Act shall be known as the "Middle-Class Tax Relief
and Inflation Protection Act."

SEC. 2. Section 24(A)(2) of the National Internal Revenue Code of 1997, as amended,
is hereby amended to read as follows:

**"(2) Rates of Income Tax on Individual Citizen and Individual Resident Alien of
the Philippines.**— There shall be levied, collected, and paid upon the taxable income
of every individual citizen and resident alien a tax computed in accordance with the
following schedule:

Taxable Income	Tax Due
Not over P500,000	0%
Over P500,000 but not over P1,000,000	10% of the excess over P500,000
Over P1,000,000 but not over P2,500,000	P50,000 + 20% of the excess over P1,000,000
Over P2,500,000 but not over P8,000,000	P350,000 + 25% of the excess over P2,500,000

Taxable Income

Over P8,000,000

Tax DueP1,725,000 + 35% of the excess over
P8,000,000**SEC. 3. Automatic Adjustment of Tax-Exempt Threshold and Income Tax Brackets.**

— The tax-exempt threshold and the corresponding income tax brackets provided under Section 24(A)(2) of the National Internal Revenue Code of 1997, as amended, shall be automatically adjusted every three (3) years to reflect the cumulative percentage increase in the Consumer Price Index (CPI), as officially published by the Philippine Statistics Authority (PSA), since the immediately preceding adjustment.

The first adjustment shall take effect on the first day of the taxable year immediately following the expiration of three (3) years from the effectivity of this Act, and every three (3) years thereafter.

The Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue and using the official inflation data published by the Philippine Statistics Authority, shall issue the corresponding revenue regulations implementing the adjusted tax-exempt threshold and income tax brackets not later than ninety (90) days before the effective date of each adjustment.

The adjustments authorized under this Section shall be computed strictly in accordance with the formula prescribed herein using the official Consumer Price Index published by the Philippine Statistics Authority. The duty of the Secretary of Finance to implement such adjustments shall be purely ministerial and shall not include the authority to modify the formula, alter the computation, or otherwise vary the adjustments prescribed by this Act.

Any adjustment made pursuant to this Section shall not be construed as the imposition of a new tax or an increase in tax rates but shall merely preserve the real value of the tax-exempt threshold and the income tax brackets against inflation.

SEC. 4. Updating of Withholding Tax Tables. — Within sixty (60) days from the issuance of the revenue regulations implementing any adjustment under this Act, and in all cases prior to the effective date of such adjustment, the Bureau of Internal Revenue shall revise, publish, and disseminate the corresponding withholding tax tables, payroll guidelines, forms, and such other implementing issuances as may be necessary for the proper administration of this Act.

All employers, withholding agents, and other persons required by law to withhold taxes shall apply the updated withholding tax tables beginning on the effective date prescribed by the Bureau of Internal Revenue.

SEC. 5. Taxpayer Information and Education Campaign. — The Bureau of Internal Revenue, in coordination with the Department of Finance, the Department of Labor and Employment, and other appropriate government agencies, shall conduct a nationwide information and education campaign to ensure the effective implementation of this Act.

The campaign shall include the dissemination of explanatory materials, conduct of public consultations and seminars, publication of frequently asked questions, establishment of online taxpayer assistance platforms, and such other measures as may be necessary to ensure that taxpayers, employers, payroll administrators, and withholding agents are fully informed of their rights and obligations under this Act.

SEC. 6. Revenue Neutrality and Fiscal Sustainability Measures. — Within one (1) year from the effectivity of this Act, the Department of Finance shall submit to Congress recommendations to strengthen tax administration, improve tax compliance through digitalization, enhance enforcement against tax evasion, rationalize tax incentives where appropriate, and identify complementary revenue measures necessary to preserve fiscal sustainability without diminishing the benefits granted under this Act.

SEC. 7. Periodic Congressional Review of Implementation. — Within six (6) months after each automatic adjustment under this Act takes effect, and every three (3) years thereafter, the Department of Finance, through the Bureau of Internal Revenue, shall submit to the Senate and the House of Representatives a comprehensive report on the implementation of this Act.

The report shall include, among others:

- (a) the fiscal impact of the adjustments on national government revenues;
- (b) the effects on taxpayer welfare and disposable household income;
- (c) the impact on employment, investment, and economic growth;
- (d) the effectiveness of the inflation-adjustment mechanism in preserving the progressivity of the income tax system; and
- (e) recommendations for such legislative or administrative measures as may be necessary to further improve the implementation of this Act.

SEC. 8. Periodic Legislative Review of Income Tax Brackets. — Congress shall undertake a comprehensive review of the income tax brackets established under Section 24(A)(2) of the National Internal Revenue Code of 1997, as amended, at least

once every six (6) years, taking into consideration prevailing wage levels, inflation, changes in the cost of living, income distribution, economic growth, and other relevant socio-economic indicators.

For this purpose, the Department of Finance shall submit to Congress the necessary studies and recommendations to assist in determining whether further legislative adjustments to the income tax brackets or tax rates are warranted to preserve the progressivity, equity, and fairness of the Philippine income tax system.

SEC. 9. Implementing Rules and Regulations. — Within ninety (90) days from the effectivity of this Act, the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, shall promulgate the implementing rules and regulations necessary for the effective implementation of this Act.

SEC. 10. Repealing Clause. — All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly

SEC. 11. 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. 12. 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,