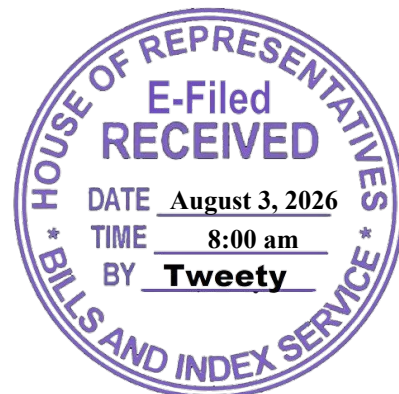




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10469



Introduced by Representative Ma. Victoria Co-Pilar

EXPLANATORY NOTE

Article VI, Section 28 of the Constitution mandates that taxation shall be uniform and equitable, and that Congress shall evolve a progressive system of taxation.

On 2018, Republic Act No. 10963 or the *Tax Reform for Acceleration and Inclusion (TRAIN) Law* significantly eased the tax burden on Filipino workers by exempting from income tax individuals earning up to PHP250,000 annually. The tax schedule may have been a relief at the time, but persistent inflation and the rising cost of basic necessities have substantially eroded the purchasing power of Filipino households. As a result, the current tax-exempt threshold finds itself incongruent to present-day economic realities.

While the costs of food, transportation, housing, healthcare, and other basic necessities kept rising, wage increases have barely served only to keep pace with inflation rather than improve workers' real purchasing power. In April 2026, the inflation rate in the country reached a staggering 7.2%, driven largely by compounding oil shocks that seem to persist due to conflicts outside the country's control and surging food and transport prices. Consequently, many low- and middle-income earners continue to pay taxes on income that are increasingly consumed by these very daily living expenses, despite experiencing little to no meaningful improvement in their actual financial capacity.

This representation then holds the view that there is an urgent need to realign the country's individual income tax schedule to ensure that it remains equitable, progressive, and responsive to the rising cost of living.

This bill seeks to restore the fairness and progressivity of the individual income tax system by amending the *National Internal Revenue Code of 1997, as amended*, increasing the tax-exempt annual income threshold from **PHP250,000 to PHP350,000** and correspondingly adjusting the graduated income tax schedule. The proposed amendment will allow Filipino workers to retain more of their hard-earned income, strengthen household purchasing power, and stimulate domestic consumption.

At a time when Filipino families continue to face elevated living costs, tax policy must adapt to economic realities. Increasing the income tax exemption threshold is simply a prudent, equitable, and timely reform that promotes tax fairness, protects the purchasing power of workers, and affirms the State's commitment to a progressive tax system that taxes citizens according to their true capacity to pay.

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

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A handwritten signature in black ink, appearing to be "S. Gandhi", written in a cursive style.



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HOUSE OF REPRESENTATIVES
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TWENTIETH CONGRESS
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HOUSE BILL NO. 10469

Introduced by Representative Ma. Victoria Co-Pilar

AN ACT
INCREASING THE AMOUNT OF TAXABLE INCOME EXEMPT FROM INCOME TAX
AND ADJUSTING THE GRADUATED INCOME TAX RATES ON INDIVIDUALS,
AMENDING FOR THE PURPOSE SECTION 24(A)(2)(a) OF REPUBLIC ACT NO. 8424,
OTHERWISE KNOWN AS 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. Short Title. This Act shall be known as the "Expanded Income Tax Exemption Act of 2026."

Sec. 2. Amendment. Section 24(A)(2)(a) 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.* —

(A) *Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines.* -

(1) 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:

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

Xxx

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

1 Over P8,000,000..... P2,202,500 + 35% of the excess over
2 P8,000,000

3 **TAX SCHEDULE EFFECTIVE JANUARY 1, 2027 AND ONWARDS:**

4 **NOT OVER P350,000..... 0%**

5 **OVER P350,000 BUT NOT OVER P400,000 15% OF THE EXCESS**
6 **OVER P350,000**

7 **OVER P400,000 BUT NOT OVER P800,000 P7,500 + 20% OF THE**
8 **EXCESS OVER P400,000**

9 **OVER P800,000 BUT NOT OVER P2,000,000 P87,500 + 25% OF THE**
10 **EXCESS OVER P800,000**

11 **OVER P2,000,000 BUT NOT OVER P8,000,000 P387,500 + 30% OF THE**
12 **EXCESS OVER P2,000,000**

13 **OVER P8,000,000..... P2,187,500 + 35% OF THE**
14 **EXCESS OVER P8,000,000**

15 xxx."

16 **Sec. 3. Implementing Rules and Regulations.** Within ninety (90) days from the effectivity of this
17 Act, the Secretary of Finance shall, upon the recommendation of the Commissioner of Internal
18 Revenue, promulgate the rules and regulations necessary for its effective implementation, including
19 the corresponding revision of the withholding tax tables on compensation income.

20 **Sec. 4. Repealing Clause.** All laws, decrees, executive orders, rules and regulations, issuances or
21 parts thereof inconsistent with this Act are hereby repealed or amended accordingly.

22 **Sec. 5. Separability Clause.** If any section or provision of this Act shall be declared invalid or
23 unconstitutional, the remaining sections or provisions of this Act shall not be affected by such
24 declaration and shall remain in force and effect.

25 **Sec. 6. Effectivity.** This Act shall take effect fifteen (15) days after its publication in the Official
26 Gazette or in at least one (1) newspaper of general circulation: Provided, That the online posting in
27 the website of Official Gazette shall be considered as sufficient publication under this section.

28 **Approved,**