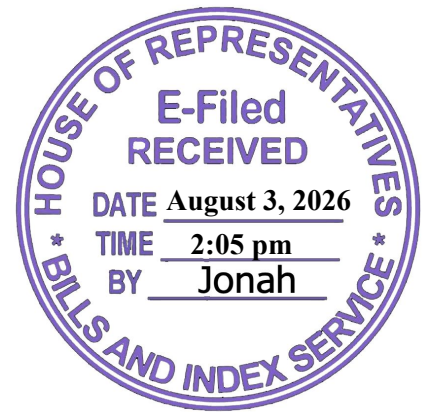


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10505



Introduced by:

HON. CHRISTOPHERSON "COCO" M. YAP

AN ACT

INCREASING THE INCOME TAX EXEMPTION THRESHOLD FOR INDIVIDUAL TAXPAYERS TO FIVE HUNDRED THOUSAND PESOS (₱500,000.00), AMENDING FOR THIS PURPOSE SECTION 24(A)(2)(a) AND SECTION 24(A)(2)(b) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The present income tax schedule under Section 24(A)(2)(a) of the National Internal Revenue Code of 1997, as amended, imposes a zero percent (0%) income tax rate only on the first Two Hundred Fifty Thousand Pesos (₱250,000.00) of taxable income. The first ₱250,000.00 of taxable income is treated as exempt from income tax under the tax reforms introduced by Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion (TRAIN) Act."

The cost of basic goods and services, housing, transportation, education, health care, and other necessities has substantially increased since the current threshold was established. Increasing the exemption threshold to Five Hundred Thousand Pesos (₱500,000.00) will provide individual taxpayers with greater disposable income and help ensure that income needed for basic living expenses is not subject to income tax. The Supreme Court has recognized that income tax exemptions and adjustments may be intended to limit the amount of income subject to tax, thereby enabling individuals to meet basic necessities and retain more disposable income.

This measure therefore proposes that the first ₱500,000.00 of the taxable income of individual taxpayers be subject to a zero percent (0%) income tax rate. It likewise

adjusts the succeeding tax brackets to maintain a clear and administrable graduated income tax schedule.

In view of the foregoing, **ug sa ngalan sa SERBISYONG TINUORAY**, the undersigned respectfully requests the immediate passage of this measure.


CHRISTOPHERSON "COCO" M. YAP
Representative, Second District of Southern Leyte

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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 Individual Income Tax Exemption Act.*”

SECTION 2. Amendment of Section 24(A)(2)(a) of the National Internal Revenue Code of 1997, as amended. — It shall be the policy of the State to:

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

(a) 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:

TAXABLE INCOME	INCOME TAX
Not over ₱500,000	0%
Over ₱500,000 but not over ₱800,000	15% of the excess over ₱500,000

Over ₱800,000 but not over ₱2,000,000	₱45,000 plus 20% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱285,000 plus 25% of the excess over ₱2,000,000
Over ₱8,000,000	₱1,785,000 plus 30% of the excess over ₱8,000,000

For married individuals, the husband and wife, subject to the provisions of Section 51(D) of this Code, shall compute separately their individual income tax based on their respective total taxable income: Provided, That if any income cannot be definitely attributed to or identified as income exclusively earned or realized by either of the spouses, the same shall be divided equally between the spouses for the purpose of determining their respective taxable income.

Minimum wage earners, as defined in Section 22(HH) of this Code, shall remain exempt from the payment of income tax on their taxable income. Their holiday pay, overtime pay, night shift differential pay, and hazard pay shall likewise remain exempt from income tax.

SECTION 3. Amendment of Section 24(A)(2)(b) of the National Internal Revenue Code of 1997, as amended. —

For purposes of the eight percent (8%) income tax option under Section 24(A)(2)(b) of the National Internal Revenue Code of 1997, as amended, the amount of taxable income exempt from income tax shall be increased from Two Hundred Fifty Thousand Pesos (₱250,000.00) to Five Hundred Thousand Pesos (₱500,000.00).

Accordingly, Section 24(A)(2)(b) of the National Internal Revenue Code of 1997, as amended, shall be read as follows:

(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 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 Five Hundred Thousand Pesos (₱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.*

SECTION 4. Implementing Rules and Regulations (IRR). — Within ninety (90) days from the effectivity of this Act, the Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate the rules and regulations necessary for its effective implementation.

The implementing rules and regulations shall include the necessary adjustments to withholding-tax tables, income tax return forms, tax-computation procedures, and other administrative requirements affected by this Act.

SECTION 5. Separability Clause. — If any provision of this Act is declared invalid or unconstitutional, the other provisions not affected thereby shall remain in full force and effect.

SECTION 6. Repealing Clause. — All laws, decrees, executive orders, rules, regulations, and other issuances, or parts thereof, inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 7. Effectivity. — This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation. It shall apply to taxable income earned beginning January 1 of the calendar year following its effectivity.

Approved,