

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
20TH CONGRESS
Second Regular Session

House Bill No. 10510



Introduced by: **REP. JOEL R. CHUA**

EXPLANATORY NOTE

The 1987 Constitution declares that the State shall promote a just and dynamic social order that improves the quality of life, raises the standard of living, and frees the people from poverty through sound economic and social policies. It likewise mandates that the rule of taxation shall be uniform and equitable, and that Congress shall evolve a progressive system of taxation. These constitutional principles recognize that the tax system must not only generate revenues for the government but must also be fair, responsive, and sensitive to the economic realities faced by Filipino taxpayers.

In 2017, Congress enacted Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law, which increased the income tax exemption threshold from ₱10,000 to ₱250,000 annually. The reform was intended to provide meaningful tax relief to Filipino workers by allowing them to keep more of their earnings. At the time, the increase reflected prevailing wage levels and the cost of living, and significantly improved the disposable income of millions of taxpayers.

Nearly a decade has passed since the enactment of the TRAIN Law. During this period, the country has experienced unprecedented economic challenges, including the COVID-19 pandemic and sustained increases in the prices of basic necessities. Although nominal wages have gradually increased, the purchasing power of Filipino families has been steadily eroded by rising living costs. Consequently, many workers whose annual incomes now exceed ₱250,000 are not necessarily better off than those who benefited from the original exemption under the TRAIN Law.

The existing income tax exemption ceiling no longer reflects present-day economic conditions. Taxpayers with modest incomes are increasingly brought into the taxable bracket despite continuing financial pressures brought about by inflation and the higher cost of everyday living. Updating the exemption threshold is therefore necessary to preserve the intent of the TRAIN Law.

This measure proposes to increase the income tax exemption ceiling from ₱250,000 to ₱350,000 annually and to correspondingly adjust the graduated income tax brackets. It likewise increases the exemption threshold for self-employed individuals

and professionals who avail of the eight percent (8%) income tax option. These adjustments provide much-needed tax relief while ensuring that the tax system remains progressive, equitable, and responsive to current economic realities. At a time when many Filipinos continue to grapple with the rising cost of living, providing reasonable tax relief is both a matter of fairness and sound economic policy.

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

A handwritten signature in black ink, consisting of a large, stylized 'J' and 'C' with a horizontal line extending from the top of the 'C'.

JOEL R. CHUA

Representative, 3rd District, Manila

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AN ACT INCREASING THE INCOME TAX EXEMPTION CEILING FOR INDIVIDUAL TAXPAYERS TO THREE HUNDRED FIFTY THOUSAND PESOS (PHP 350,000) ANNUALLY, THEREBY AMENDING SECTION 24(A)(2)(a) AND (b) OF 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. Declaration of State Policy - Pursuant to Article II, Section 9 of the 1987 Constitution, which mandates the State to promote a just and dynamic social order that improves the quality of life for all, and Article VI, Section 28(1), which requires that the rule of taxation shall be uniform and equitable and that Congress shall evolve a progressive system of taxation, it is hereby declared the policy of the State to provide meaningful tax relief to Filipino taxpayers by ensuring that income tax exemptions remain fair, equitable, and responsive to prevailing economic conditions.

Section 2. 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 P400,00020% 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~~

~~(b) 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]~~

NOT OVER P350,0000%

**OVER P350,000 BUT NOT OVER P560,000.....15% OF
THE EXCESS OVER P350,000**

**OVER P560,000 BUT NOT OVER P1,120,000 P31,500
+ 20% OF THE EXCESS OVER P560,000**

**OVER P1,120,000 BUT NOT OVER P2,800,000.....P143,500 +
25% OF THE EXCESS OVER P1,120,000**

**OVER P2,800,000 BUT NOT OVER P11,200,000..... P563,500 +
30% OF THE EXCESS OVER P2,800,000**

**OVER P11,200,000..... P3,083,500
+ 35% OF THE EXCESS OVER P11,200,000**

*“(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~~] **THREE** hundred fifty thousand pesos [~~(P250,000)] (P350,000), 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 3. *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.

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

Section 5. *Repealing Clause* – All laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

Section 6. *Effectivity* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.