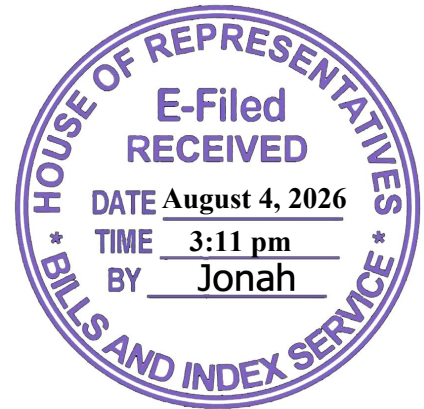


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10577



Introduced by **HON. BRIAN RAYMUND S. YAMSUAN**

AN ACT
INCREASING THE INCOME TAX EXEMPTION CEILING FOR INDIVIDUAL
TAXPAYERS TO FOUR HUNDRED FIFTY THOUSAND (P450,000.00)
ANNUALLY, AMENDING FOR THE PURPOSE SECTION 24(A)(2)(A) AND (b) OF
THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

The Constitution mandates that Congress evolve a progressive system of taxation.¹ Pursuant to this, Congress enacted the National Internal Revenue Code, which provides for income tax rates that increase as the person's taxable income increases. Currently, the law provides that individuals with an annual taxable income of P250,000 and below are exempt from income tax.² As such, those earning around P20,800 a month do not have to pay income tax.

In 2017, when the Tax Reform for Acceleration and Inclusion (TRAIN) Law was passed providing for the current tax exemption ceiling, the ceiling covered those in the low income and lower-middle income sectors.³ However, over the years, the range of family income belonging to the different economic classes have also changed. Some who were previously classified as being part of the middle middle- income class in 2017 eventually belonged to the lower-middle income class in 2021.⁴ The purchasing

¹ 1987 CONST., Art. VI, Sec. 28.

² Tax Code, Sec. 24(A)(2).

³ Albert, Santos, Vizmanos. (2018). Defining and Profiling the Middle Class. *Philippine Institute for Development Studies – Policy Notes No. 2018-18*. Available at <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidspn1818.pdf>.

⁴ Albert, Briones, and Rivera. (2024). New Wealth Creation for Expanding and Transforming the Middle-Class in the Philippines. *Philippine Institute for Development Studies*. Available https://pidswebs.pids.gov.ph/CDN/document/22DPRMKickOff_Albert.pdf.

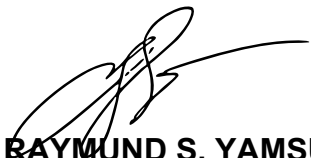
power of the Philippine peso has also depreciated. What previously cost P1,000 in 2018 would cost over PhP1,300 for the same goods today.⁵

In addition, the effects of inflation, while felt by all Filipinos, are harder to bear for low-income families who spend the majority of their income on food, transportation, and other basic necessities.⁶ As the prices of goods and services increase, lower-income households experience a decline in purchasing power and an inability to meet the increasing costs. Notably, there have also been inflation spikes since the passage of the TRAIN Law, particularly in the years 2018 and 2022.⁷

This demonstrates that the current tax exemption ceiling no longer protects those most vulnerable to income poverty, particularly the low income and lower-middle income class.⁸ Specifically, lower-middle income families face the risk of falling into poverty due to unforeseen and sudden economic shocks, such as a family member losing employment or medical emergencies.

This measure aims to make our tax law more responsive to the changing economic times and the value of the Philippine Peso by increasing the tax exemption ceiling for individual taxpayers from P250,000 to P450,000. This would cover individuals earning P37,500 each month, as opposed to exempting only those earning around P20,800 a month. Under this revised ceiling, those earning P450,000 a year can save up to P32,500 annually or over P2,700 a month. This higher take-home pay for ordinary Filipinos would significantly ease their burden, allow for greater spending on food and basic necessities, and ultimately support the most vulnerable sectors of our society.

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



BRIAN RAYMUND S. YAMSUAN
Representative
2nd District of Parañaque

⁵ Fuentes, Balaoing. (2026). Peso purchasing power drops to 73 cents from 2018 level. *ABS-CBN News*. Available at <https://www.abs-cbn.com/news/business/2026/5/5/peso-purchasing-power-drops-to-73-cents-from-2018-level-1205>.

⁶ PIDS expert says inflation hits low-income Filipinos hardest amid rising prices. *Philippine Institute for Development Studies*. Available <https://www.pids.gov.ph/details/resource/media-engagement/pids-expert-says-inflation-hits-low-income-filipinos-hardest-amid-rising-prices>.

⁷ Punongbayan, J. C. B. (2025). Supply and demand components of Philippine inflation, 2001–2024. *Applied Economics Letters*, 1–7. <https://doi.org/10.1080/13504851.2025.2487241>

⁸ Albert, Santos, Vizmanos. (2018). Defining and Profiling the Middle Class. *Philippine Institute for Development Studies – Policy Notes No. 2018-18*. Available at <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidspn1818.pdf>.

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AN ACT
INCREASING THE INCOME TAX EXEMPTION CEILING FOR INDIVIDUAL
TAXPAYERS TO FOUR HUNDRED FIFTY THOUSAND (P450,000) ANNUALLY,
AMENDING FOR THE PURPOSE 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. 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) xxxx

(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:

NOT OVER P450,000.....	0%
OVER P450,000 BUT NOT OVER P720,000	15% OF THE EXCESS OVER P450,000
OVER P720,000 BUT NOT OVER P1,440,000	P40,500 + 20% OF THE EXCESS OVER P720,000
OVER P1,440,000 BUT	P184,500 + 25% OF THE

NOT OVER P3,600,000	EXCESS OVER P1,440,000
OVER P3,600,000 BUT NOT OVER P14,400,000	P724,500 + 30% OF THE EXCESS OVER P3,600,000
OVER P14,400,000	P3,964,500 + 35% OF THE EXCESS OVER P14,400,000

XXXX

(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 **FOUR** hundred **FIFTY** thousand pesos (**P450,000**) 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.

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. Separability Clause.- If any provision of this Act is declared unconstitutional, the remainder hereof not otherwise affected shall remain in full force and effect.

SEC. 4. Repealing Clause. - All laws, decrees, executive orders, rules, regulations, and other issuances or parts thereof which are contrary to or inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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

Approved,