

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

TWENTIETH CONGRESS
Second Regular Session

House Bill No. 10630



Introduced by: **REPRESENTATIVE ERIC L. OLIVAREZ**

EXPLANATORY NOTE

Article VI, Section 28 (1) of the 1987 Constitution provides that the rule of taxation shall be uniform and equitable, and that Congress shall evolve a progressive system of taxation. While taxes are indispensable in funding essential government services, the tax system must likewise ensure that the burden of taxation remains equitable, reasonable and responsive to prevailing economic conditions.

Under Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law, individuals earning not more than Two Hundred Fifty Thousand Pesos (₱250,000.00) annually are exempt from income tax. However, since the enactment of the law in 2017, inflation has significantly diminished the real value of this threshold, causing many workers whose salaries merely kept pace with inflation to become subject to higher taxes despite experiencing no real increase in purchasing power.

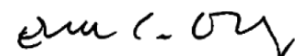
Increasing the tax-exempt threshold to Three Hundred Fifty Thousand Pesos (₱350,000.00) will provide immediate and meaningful tax relief to millions of Filipino workers, allowing them to retain a larger portion of their earnings to meet the rising costs of food, transportation, electricity, housing, healthcare, and education.

The measure is likewise expected to stimulate domestic consumption, strengthen household finances, improve productivity, and support sustained economic growth through increased consumer spending.

To ensure that the law remains responsive to changing economic conditions, this measure likewise provides for a periodic review of the exemption threshold based on cumulative inflation, changes in the cost of living, and the purchasing power of the peso.

This measure is likewise consistent with the government's policy direction of providing tax relief to Filipino workers by increasing the income tax exemption threshold to Three Hundred Fifty Thousand Pesos (PhP 350,000.00).

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


ERIC L. OLIVAREZ

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**“AN ACT
INCREASING THE ANNUAL INCOME TAX-EXEMPT THRESHOLD
OF INDIVIDUAL TAXPAYERS TO THREE HUNDRED FIFTY
THOUSAND PESOS (P350,000), AMENDING FOR THE PURPOSE
SECTION 24(A)(2)(A) 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 "*Expanded
Income Tax Exemption Act of 2026.*"

SECTION 2. Declaration of Policy. - It is the policy of the State to promote
a just, equitable, and progressive tax system that enhances the purchasing
power of Filipino workers while ensuring fiscal sustainability.

Recognizing the continuing effects of inflation, rising prices of essential
commodities, transportation, electricity, housing, healthcare, and education, the
State shall provide meaningful tax relief to wage earners and middle-income
households by increasing the income tax exemption threshold, thereby
improving disposable income, stimulating domestic consumption, and
supporting inclusive economic growth.

SECTION 3. Amendment of Section 24(A)(2)(A). - Section 24(A)(2)(A) of
the National Internal Revenue Code of 1997, as amended, is hereby amended to
read as follows:

“SEC. 24. Income Tax Rates.

**(A) Rates of Income Tax on Individual Citizens and Individual
Resident Aliens.**

(1) x x x

(2) Rates of Tax on Taxable Income.

**The tax shall be computed in accordance with the following
schedule:**

Taxable Income	Tax Due
Not over ₱350,000	0%
Over ₱350,000 but not over ₱400,000	15% of the excess over ₱350,000
Over ₱400,000 but not over ₱800,000	₱7,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱87,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱387,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,187,500 + 35% of the excess over ₱8,000,000

The exemption granted to minimum wage earners under existing laws shall continue to apply.

The foregoing tax rates shall apply beginning on the first taxable year commencing after the effectivity of this Act.

SECTION 4. Periodic Adjustment. - Beginning January 1, 2031, and every five (5) years thereafter, the Secretary of Finance, upon recommendation of the Commissioner of Internal Revenue and after consultation with the Department of Economy, Planning, and Development (DEPDev) and the Philippine Statistics Authority (PSA), shall recommend to Congress appropriate adjustments to the income tax exemption threshold and tax brackets based on cumulative inflation and changes in purchasing power.

SECTION 5. Implementing Rules and Regulations. - Within sixty (60) days from the effectivity of this Act, the Secretary of Finance, upon recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations for its effective implementation.

SECTION 6. Repealing Clause. - All laws, executive orders, rules and regulations, or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 7. Separability Clause. - If any provision of this Act is declared unconstitutional or invalid, the remaining provisions shall remain in full force and effect.

SECTION 8. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved.