

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10674



Introduced by: **REP. SALVADOR A. PLEYTO, SR.**

EXPLANATORY NOTE

Article II, Section 5 of the Philippine Constitution enshrines the principle that the maintenance of a just and dynamic social order shall guarantee the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services and promote a rising standard of living.

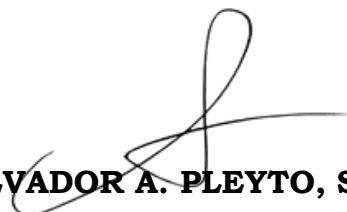
Over the years, the continuous escalation of the cost of living—driven by inflationary pressures on basic commodities, utility fees, housing, and healthcare expenses—has significantly eroded the purchasing power of the Filipino workforce. While the enactment of Republic Act No. 10963 (otherwise known as the TRAIN Law) provided commendable relief by restructuring personal income taxes, the economic landscape has drastically shifted. The current tax-exemption ceiling of Two Hundred Fifty Thousand Pesos (P250,000) annually, established years ago, no longer reflects the economic realities faced by ordinary wage earners and middle-class families today.

An obvious mismatch currently exists between fixed personal exemption thresholds and contemporary living costs, forcing low- and middle-income earners to shoulder heavy tax burdens that eat deeply into funds required for basic survival and family welfare.

Raising the tax exemption ceiling to Four Hundred Eighty Thousand Pesos (P480,000) annually corrects this imbalance. It ensures that the working class is granted genuine fiscal breathing room, directly injecting much-needed liquidity into households, stimulating domestic consumption, and fostering a fairer, more equitable progressive tax system.

Furthermore, this adjustment aligns the 8% preferential tax option for self-employed individuals and professionals under Section 24(A)(2)(b) with the updated baseline, protecting small-scale entrepreneurs and independent practitioners from premature taxation.

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


SALVADOR A. PLEYTO, SR.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10674

Introduced by: **REP. SALVADOR A. PLEYTO, SR.**

**AN ACT INCREASING THE INCOME TAX EXEMPTION CEILING FOR
INDIVIDUAL TAXPAYERS TO FOUR HUNDRED EIGHTY THOUSAND PESOS
(P480,000) 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 the House of Representatives of the Philippines in
Congress assembled:*

Section 1. *Short Title.* – Section 24(A)(2)(a) and (b) 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) x x x

"(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:

Range of Taxable Income	Basic Tax Due	Plus Percentage (%)	Over Excess Of
Not over P480,000	P0	0%	—
Over P480,000 but not over P800,000	P0	15%	P480,000
Over P800,000 but not over P2,000,000	P48,000	20%	P800,000
Over P2,000,000 but not over P5,000,000	P288,000	25%	P2,000,000
Over P5,000,000 but not over P8,000,000	P1,038,000	30%	P5,000,000

Range of Taxable Income	Basic Tax Due	Plus Percentage (%)	Over Excess Of
Over P8,000,000	P1,938,000	35%	P8,000,000

“xxx

"(b) Rate of Tax on 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. — 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 Eighty Thousand Pesos (P480,000) 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. Separability Clause. — If any provision of this Act is declared unconstitutional or invalid, the other parts or provisions not affected thereby shall continue to be in full force and effect.

SEC. 3. Repealing Clause. — All laws, executive orders, presidential decrees, proclamations, rules, regulations, or parts thereof contrary to or inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SEC. 4. Effectivity. — This Act shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,