

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

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10678



Introduced by **REP. JAVIER MIGUEL L. BENITEZ**

EXPLANATORY NOTE

The 1987 Constitution mandates that taxation shall be uniform and equitable, and that Congress shall evolve a progressive system of taxation.¹ This bill gives effect to that constitutional command by updating the individual income tax schedule under Section 24(A)(2) of the National Internal Revenue Code, as amended, to reflect present economic realities and to protect low- and middle-income earners from tax burdens that have become heavier in real terms.

Under the Republic Act ("R.A.") No. 10963 (2017), or the Tax Reform for Acceleration and Inclusion Act, the first ₱250,000 of annual taxable income was effectively placed under a zero-percent rate, while the personal income tax schedule was further reduced beginning January 1, 2023 for individuals earning ₱8,000,000 and below.² These reforms were intended to increase disposable income and make the tax system more progressive. However, the ₱250,000 zero-rate threshold has remained fixed despite the cumulative rise in the cost of living. As of April 2026, the Philippine Statistics

¹ 1987 Philippine Constitution, Art. VI, Sec. 28(1)

² *TRAIN Law to Further Reduce Personal Income Taxes in 2023 Onwards*, Dep't of Fin. (Dec. 28, 2022), <https://www.dof.gov.ph/train-law-to-further-reduce-personal-income-taxes-in-2023-onwards/>.

Authority reported headline inflation at 7.2%, with food and non-alcoholic beverages, transport, and housing, water, electricity, gas, and other fuels among the top contributors to overall inflation.³ As of July 2022, inflation has eased to 6.2%, the third straight monthly decline since the April peak. Average inflation has run at 5% this year, above target, and the threshold has been frozen since 2018.

The effect is felt most sharply by workers and small earners whose income growth does not necessarily translate to real purchasing power. PSA data show that in 2023, the average annual income of Filipino families was ₱353,230.00, while average annual family expenditure reached ₱258,050.00.⁴ At the same time, minimum wage rates remain calibrated regionally, with the National Capital Region's current daily minimum wage ranging from ₱755.00 to ₱780.00, while Western Visayas rates range from ₱520.00 to ₱550.00.⁵ These figures show that many Filipino workers and families continue to operate within narrow margins, where additional take-home pay directly supports food, transportation, utilities, education, rent, medicines, and other basic household needs.

This bill therefore proposes to increase the income tax exemption ceiling from ₱250,000 to ₱350,000 annually, and correspondingly recalibrates the graduated tax brackets. The measure also updates the optional eight percent tax regime for qualified purely self-employed individuals and professionals by allowing the eight percent tax to apply only to gross sales or receipts and other non-operating income in excess of ₱350,000, instead of ₱250,000. This preserves parity between compensation earners and qualified self-employed individuals, while maintaining the simplified tax option for small professionals and micro-entrepreneurs whose gross receipts remain below the VAT threshold.

The bill does not abolish personal income taxation. It merely restores fairness at the point where income becomes taxable, ensuring that subsistence and modest earnings

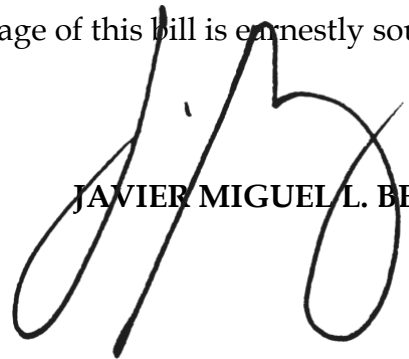
³ *Summary Inflation Report Consumer Price Index (2018=100)*, Philippine Statistics Authority (May 5, 2026), <https://psa.gov.ph/price-indices/cpi-ir/node/1684083369>.

⁴ Philippine Statistics Authority. *Family Income and Expenditure Survey: 2023*. <https://psa.gov.ph/statistics/income-expenditure/fies>

⁵ National Wages and Productivity Commission, DOLE. *Current Daily Minimum Wage Rates*. <https://nwpc.dole.gov.ph/ncr/>

are not prematurely absorbed by tax liability. Higher-income taxpayers remain subject to graduated rates, preserving the progressive structure of the tax system. By increasing disposable income for workers, professionals, and small earners, the measure can help strengthen household consumption, improve voluntary compliance, and reinforce the principle that taxation must be based on real ability to pay.

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



JAVIER MIGUEL L. BENITEZ

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Introduced by **REP. JAVIER MIGUEL L. BENITEZ**

AN ACT INCREASING THE INCOME TAX EXEMPTION CEILING FOR INDIVIDUAL TAXPAYERS TO THREE HUNDRED FIFTY THOUSAND PESOS (P350,000) 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. *Short Title* - This Act shall be known as the “*Expanded Income Tax Exemption Act of 2026*”.

SEC. 2. 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 Effective January 1, 2018 until December 31, 2022:

Xxx

Tax Schedule Effective January 1, 2023 [~~and onwards~~] **UNTIL DECEMBER 31, 2026:**

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]

TAX SCHEDULE EFFECTIVE JANUARY 1, 2027 AND ONWARDS:

NOT OVER P350,000.....	0%
OVER P350,000 BUT NOT OVER P400,000.....	15% OF THE EXCESS OVER P350,000
OVER P400,000 BUT NOT OVER P800,000.....	P7,500 + 20% OF THE EXCESS OVER P400,000
OVER P800,000 BUT NOT OVER P2,000,000.....	P87,500 + 25% OF THE EXCESS OVER P800,000

OVER P2,000,000 BUT NOT OVER P8,000,000 P387,500
+ 30% OF THE EXCESS OVER P2,000,000
OVER P8,000,000
P2,187,500 + 35% OF THE EXCESS OVER P8,000,000

x x x

(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) FOR INCOME EARNED BEGINNING TAXABLE YEAR 2027**, 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.”

“xxx”

SEC 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.

SEC. 4. *Repealing Clause.* – All laws, decrees, orders, rules, and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC 5. *Separability Clause.* – If any provision of this Act is declared unconstitutional or invalid, the remaining provisions not affected thereby shall continue to be in full force and effect.

SEC. 6. *Effectivity Clause.* – 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,