

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

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10696



Introduced by REP. YSABEL MARIA J. ZAMORA

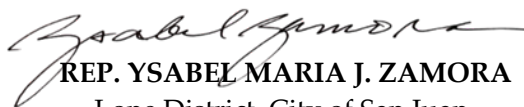
EXPLANATORY NOTE

In 2018, when Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Law was passed, the personal income tax exemption was set at Two Hundred Fifty Thousand Pesos (Php250,000.00). Over the past eight years cumulative inflation significantly eroded the purchasing power of Filipinos. As a result, One Hundred Pesos (Php100.00) in 2018 would only be able to buy an equivalent of Seventy-Four Pesos (Php74.00) to Seventy-Eight Pesos (Php78.00) worth of goods and services now. Thus, almost a decade after the passage of the law, it is now imperative to review whether the personal income tax exemption remains responsive to the needs of the majority of Filipinos.

This proposed measure seeks to increase the personal tax exemption to Three Hundred Fifty Thousand Pesos (Php350,000.00). President Ferdinand “Bongbong” R. Marcos Jr. has emphasized the urgency of enacting this measure in his 2026 State of the Nation Address (SONA). The proposal is expected to benefit at least 3.13 Million Filipino workers, including an additional 1.3 Million workers who will no longer be mandated to pay personal income tax. The Department of Finance estimates that this will increase the number of tax-exempt Filipino workers from at least 5.1 Million to 6.3 Million.¹

Amid heightened global economic uncertainties arising from international geopolitical tensions, this legislative proposal seeks to provide tangible relief to millions of Filipino families by allowing them to retain a larger part of their wages and increasing their disposable income.

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


REP. YSABEL MARIA J. ZAMORA
Lone District, City of San Juan

¹ <https://www.pna.gov.ph/articles/1280612>

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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 the 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) 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:

NOT OVER P350,000	0%
OVER P350,000 BUT NOT OVER P650,000 .	15% OF THE EXCESS OVER P350,000
OVER P650,000 BUT NOT OVER P1,300,000	P37,500 + 20% OF THE EXCESS OVER P650,000

OVER P1,300,000 BUT NOT OVER P3,200,000	P167,500 + 25% OF THE EXCESS OVER P1,300,000
OVER P3,200,000 BUT NOT OVER P12,800,000	P642,500 + 30% OF THE EXCESS OVER P3,200,000
OVER P12,800,000	P3,522,500 + 35% OF THE EXCESS OVER P12,800,000

xxxxx

(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 THREE hundred FIFTY thousand pesos (350,000), 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 Repealing Clause. – All laws, decrees, orders, rules, and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 4. 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. 5. Effectivity. – This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Approved,