



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Twentieth Congress
Second Regular Session

HOUSE BILL NO. 10877



Introduced by Representative Bambi B. Emano

AN ACT
INCREASING THE INCOME TAX EXEMPTION CEILING FOR INDIVIDUAL
TAX PAYERS TO THREE HUNDRED SIXTY THOUSAND PESOS (P360,000.00)
ANNUALLY, AMENDING FOR THE PURPOSE SECTION 24(A)(2)(a) and (b) OF
THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

Pursuant to Article VI, Section 28(1) of the 1987 Philippine Constitution, which mandates that "the rule of taxation shall be uniform and equitable" and directs Congress to "evolve a progressive system of taxation," this bill refines the individual income tax structure to enhance equity and progressivity. This constitutional imperative has been upheld in jurisprudence emphasizing taxation according to the ability to pay.

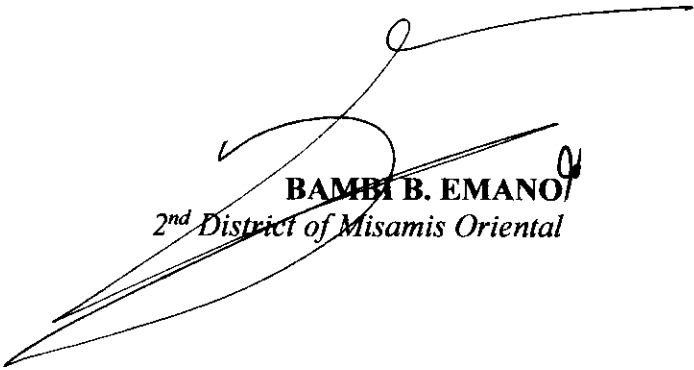
Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN) Law, updated the personal income tax brackets in 2017 and set the exemption threshold for individual taxpayers at P250,000 annually. While this adjustment was intended to align tax rates with income levels at the time, the real value of the exemption has lost purchasing power due to inflation. The rising cost of living, driven by increases in food, fuel, utilities, and transportation expenses, has significantly reduced the purchasing power of ordinary Filipino workers. At the same time, wages have not kept pace with these increases. As a result, many low- and middle-income earners now face tax liabilities that strain their already limited take-home pay.

This measure operationalizes the constitutional social justice principles under Article II, Section 10 by exempting incomes up to **P360,000** annually (P30,000 monthly), thereby protecting middle- and low-income workers. This proposed increase aims to restore the real value of the exemption while promoting constitutional uniformity within classes and ensuring

that the tax system remains equitable and responsive to the current economic conditions of our countrymen.

Lastly, this allows our workers to retain more of their income for their families, household consumption, and daily needs, thereby improving their financial security and helping them cope with the rising cost of living.

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



BAMBI B. EMANO
2nd District of Misamis Oriental



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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) xxx

(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, 2022;

xxx

Tax Schedule Effective January 1, 2023 [and onwards] UNTIL DECEMBER 31, 2026.

xxx

TAX SCHEDULE EFFECTIVE JANUARY 1, 2027 AND ONWARDS

TAXABLE INCOME	INCOME TAX DUE
NOT OVER ₱360,000	0%
OVER ₱360,000 BUT NOT OVER ₱500,000	15% OF THE EXCESS OVER ₱360,000
OVER ₱500,000 BUT NOT OVER ₱800,000	₱22,500 + 20% OF THE EXCESS OVER ₱500,000
OVER ₱800,000 BUT NOT OVER ₱2,000,000	₱102,500 + 25% OF THE EXCESS OVER ₱800,000
OVER ₱2,000,000 BUT NOT OVER ₱8,000,000	₱402,500 + 30% OF THE EXCESS OVER ₱2,000,000
OVER ₱8,000,000	₱2,202,500 + 35% OF THE EXCESS OVER ₱8,000,000

Section 2. 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 receipts and other non-operating income in excess of **THREE HUNDRED SIXTY THOUSAND PESOS (P360,000)** 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.

Section 3. Periodic Review and Recommendation for Amendment. – To ensure the tax system remains perpetually equitable and responsive to economic conditions, the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, Department of Economy, Planning and Development, Bangko Sentral ng Pilipinas , shall conduct a

comprehensive review of the income tax exemption thresholds and brackets every five (5) years based on the current market trend and cumulative Consumer Price Index (CPI) as published by the Philippine Statistics Authority. Following this review, the Secretary of Finance shall submit to Congress a formal recommendation for the possible amendment of this Act to prevent "bracket creep" and protect the purchasing power of taxpayers.

Section 4. Transitory Provision. – The revised income tax exemption ceiling and tax schedules provided in this Act shall take effect and be applied to all income earned beginning January 1 of the year following the effectivity of this Act. For the current taxable year, the tax rates and exemptions under Republic Act No. 10963, otherwise known as the TRAIN Law, shall continue to apply until the new schedule is fully implemented.

Section 5. 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.

Section 6. Repealing Clause. – All laws, decrees, orders, rules, and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

Section 7. Effectivity Clause. – This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Approved,