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**HOUSE OF REPRESENTATIVES**  
Quezon City

**SEVENTEENTH CONGRESS**  
First Regular Session

H. B. No. 1657

HOUSE OF REPRESENTATIVES

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Introduced by **HONORABLE BELLAFLOR J. ANGARA-CASTILLO**

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**EXPLANATORY NOTE**

Our Constitution mandates that the "rule of taxation shall be uniform and equitable," and that the "Congress shall evolve a progressive system of taxation" wherein the tax rates imposed must be based on the person's ability to pay. Unfortunately, individual income tax rates and brackets in the country have remained unchanged since 1997 even when the consumer price index has more than doubled while inflation rate has steadily risen. Both factors have substantially decreased the purchasing power of ordinary Filipinos.

Given our outdated and inequitable tax system, middle-income earners are already at the top tax bracket and are paying the same tax rate as the billionaires in the country. This phenomenon is called "bracket creep" where taxpayers who are not considered high earning are already pushed into high brackets. This bracket creep would lead to "fiscal drag" where people will not have any purchasing power left to contribute to the economy due to excessive taxation.

If we leave our brackets without provisions for indexation or automatic adjustment, at some point, even our young graduates who have just entered the workforce will fall into this highest bracket. If the status quo remains, the middle class will continue to be pulled down into lower-income groups despite an increase in their salaries because they are pushed up into higher tax brackets.


This bill, which aims to update and amend our tax system, is also in line with the Philippines' commitment to the ASEAN Economic Community (AEC) Blueprint that would transform ASEAN into a single market and production base. While the ASEAN Blueprint does not mandate member countries to amend their income tax schedules, it is highly expected that human capital would flow to where it could earn best. When the AEC Declaration was signed in 2007, some member-states began to lower their corporate and individual income tax rates, with further reductions in the subsequent years.

This bill also aims to make the tax table consistent with RA 9504 which exempts the income of the minimum wage earners from income taxes. Thus, this bill sets the lowest tax bracket at ₱70,000 taxable income taking into consideration the prevailing minimum wage.

At present, the Philippines has the second highest individual income tax rate in the region at 32 percent next to Thailand and Vietnam's 35 percent. In order for the Philippines to become more competitive in the region, attract human capital and prevent the migration of our own, it is imperative that we maintain the progressivity of our income tax system.

Our main objective is to build our middle class and help Filipino families—the foundation of our society. With bigger take-home pay, the family can spend more on their basic necessities, and can save more for their future. Taxation is not just a way for the government to raise revenue; it is also a means to build a more humane and just society, and to ensure upward mobility. In a highly unequal society like ours, genuine tax reform that ensures progressive taxation and income redistribution would promote social justice and would lead to greater equity and economic growth.

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

  
**BELLAFLOR J. ANGARA-CASTILLO**  
Representative  
Lone District, Province of Aurora

Introduced by HONORABLE BELLAFLOR J. ANGARA-CASTILLO

AN ACT  
AMENDING SECTION 24 OF THE NATIONAL INTERNAL REVENUE CODE  
OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 24(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 Citizen and Individual Resident Alien of the Philippines. -*

"(1) An income tax is hereby imposed:

"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:

"TAXABLE INCOME	TAX RATE
NOT OVER ₱70,000	0%
OVER ₱70,000 BUT NOT OVER ₱175,000	15%
OVER ₱175,000 BUT NOT OVER ₱350,000	₱26,250 + 20% OF EXCESS OVER ₱175,000
OVER ₱350,000 BUT NOT OVER ₱625,000	₱61,250 + 25% OF EXCESS OVER ₱350,000
OVER ₱625,000 BUT NOT OVER ₱1,250,000	₱130,000 + 30% OF EXCESS OVER ₱625,000
ABOVE ₱1,250,000	₱317,500 + 32% OF EXCESS OVER ₱1,250,000

"For married individuals, the husband and wife, subject to the provision of Section 51 (D) hereof, shall compute separately their individual income tax based on their respective total taxable income: *Provided*, That if any income cannot be definitely attributed to or identified as income exclusively earned or realized by

1 either of the spouses, the same shall be divided equally between the spouses for  
2 the purpose of determining their respective taxable income.

3  
4 *"Provided, also, That minimum wage earners as defined in Section 22*  
5 *(HH) of this Code shall be exempt from the payment of income tax on their*  
6 *taxable income: Provided, further, That the holiday pay, overtime pay, night shift*  
7 *differential pay and hazard pay received by such minimum wage earners shall*  
8 *likewise be exempt from income tax.*

9  
10 *"(3) ADJUSTMENTS IN THE TAX SCHEDULE SO THAT INFLATION*  
11 *WILL NOT RESULT IN TAX INCREASES.*

12  
13 *"(A) IN GENERAL. – FOR EVERY THREE (3) TAXABLE YEARS AFTER*  
14 *THE EFFECTIVITY OF THIS ACT, THE PRESIDENT OF THE PHILIPPINES*  
15 *SHALL PRESCRIBE A TAX SCHEDULE WHICH SHALL APPLY IN LIEU OF*  
16 *THE TAX SCHEDULE CONTAINED IN SUBSECTION (2).*

17  
18 *"(B) METHOD OF PRESCRIBING THE SCHEDULE. – THE SCHEDULE*  
19 *WHICH UNDER PARAGRAPH (A) IS TO APPLY IN LIEU OF THE SCHEDULE*  
20 *CONTAINED IN SUBSECTION (2), SHALL BE PRESCRIBED –*

21  
22 *"(1) BY INCREASING THE MINIMUM AND MAXIMUM PESO*  
23 *AMOUNTS FOR EACH RATE BRACKET FOR WHICH A TAX IS*  
24 *IMPOSED TO ITS PRESENT VALUE USING THE CONSUMER PRICE*  
25 *INDEX (CPI) FOR SUCH CALENDAR YEAR, AS PUBLISHED BY THE*  
26 *PHILIPPINE STATISTICS AUTHORITY (PSA): PROVIDED, THAT IN*  
27 *THE EVENT THAT SAID AUTHORITY SHALL CEASE TO PUBLISH*  
28 *SAID INDEX FIGURE, THEN ANY SIMILAR INDEX BY ANY OTHER*  
29 *DEPARTMENT, BUREAU OR OFFICE OF THE GOVERNMENT SHALL*  
30 *BE USED IN ITS PLACE;*

31  
32 *"(2) BY NOT CHANGING THE RATE APPLICABLE TO ANY*  
33 *RATE BRACKET AS ADJUSTED UNDER SUBPARAGRAPH (1); AND*

34  
35 *"(3) BY ADJUSTING THE AMOUNTS SETTING FORTH THE*  
36 *TAX TO THE EXTENT NECESSARY TO REFLECT THE*  
37 *ADJUSTMENTS IN THE RATE BRACKETS."*

38  
39 **SEC. 2. Implementing Rules and Regulations.** Within thirty (30) days from the effectivity of  
40 this law, the Secretary of Finance shall, upon the recommendation of the Commissioner of  
41 Internal Revenue, promulgate and publish the necessary rules and regulations for the  
42 effective implementation of this Act: *Provided, That, the failure of the Secretary of Finance to*  
43 *promulgate the said rules and regulations shall not prevent the implementation of this Act upon*  
44 *its effectivity.*

45  
46 **SEC. 3. Repealing Clause.** All laws, orders, issuances, circulars, rules and regulations or parts  
47 thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified  
48 accordingly.

49  
50 **SEC. 4. Separability Clause.** If any provision of this Act is declared unconstitutional or invalid,  
51 other parts or provisions hereof not affected thereby shall continue to be in full force and effect.

52  
53 **SEC. 5. Effectivity.** This Act shall become operative and apply on the taxable years beginning  
54 on or after January 1, 2017 following its publication in the Official Gazette or in at least two (2)  
55 newspapers of general circulation.

56  
57 Approved,