

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

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. **3360**

HOUSE OF REPRESENTATIVES

RECEIVED

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Introduced by Representative Sharon S. Garin

EXPLANATORY NOTE

The 1987 Philippine Constitution provides that the rule of taxation be uniform and equitable. It was also a policy that the Congress shall evolve a progressive system of taxation. Sections 24 (2) and 27 (A) of the National Internal Revenue Code (NIRC) of 1997 provides for the rates of individual and corporate income tax, respectively. For nineteen (19) long years, such individual and corporate income tax rates remain unadjusted to inflation.

The current Philippine income tax brackets and tax rates are the highest personal income tax in the whole Association of Southeast Asian Nations (ASEAN) region. A study presented by the Tax Management Association of the Philippines (TMAP) shows that a Filipino taxpayer earning P500,000 annually is taxed at 32%. The comparative tax rates for equivalent income in other ASEAN countries are: Vietnam, 20%; Cambodia, 20%; Laos, 12%; Malaysia, 11%; Thailand, 10%; Singapore, 2%; and Brunei, no taxes.

The Bureau of Internal Revenue's annual report would show that taxes withheld from salaried workers were the single biggest-contributor group to the hike in its collections from 2013 to 2014, providing 2.5% (P31 billion) of the 9.7% (P118 billion) increase.

It is high time for the government addressed the built-in inequity of the personal and corporate income tax system. Maintaining the status quo is no longer acceptable for the working sector which has endured the impact of inflation through the years.

This bill seeks for the following adjustment in income tax rates to not over P21,613 is subject to 5%, for over P21,613 but not over P64, 839 will be subject to P1,080 plus 10% of the excess over P21,613, for over P64,839 but not over P151,290 shall be subject to P5,402 plus 15% of the excess over P64,839, for over P151,290 but not over P302, 581 shall be subject to P18,370 plus 20% of the excess over P151,290, for over P302,581 but not over P540,323 shall be subject to P48,628 plus 25% of the excess over P302,581, for over P540, 323 but not over P1,080, 645 shall be subject to P108,063 plus 30% of the

excess over P540,323 and for those income over P1,080,645 shall be subject to tax of P270,160 plus 32% of the excess over P1,080,645.

Insofar as the corporate income tax, this measure seeks to lower the current rate of thirty-five percent (35%) to twenty-five percent (25%).

It likewise proposes that within three (3) after the effectivity and three (3) years thereafter, the specific taxable amount shall be adjusted to its present value using the consumer price index as published by the National Statistics Office (NSO).

Once implemented, the lowered rates will benefit the low and middle-income earners.

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



SHARON S. GARIN
Party-list, AAMBIS OWA

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HOUSE BILL NO. 3360

Introduced by Representative Sharon S. Garin

AN ACT

**RESTRUCTURING THE INCOME TAXES IMPOSED ON INDIVIDUALS AND CORPORATIONS,
AMENDING FOR THE PURPOSE SECTIONS 24 (A) (2); 27 (A); 28 (A) (1) AND (B) (1); AND 35
(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) xxx

(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:

[Not over P10,000	5%]
[Over P10,000 but not over P30,000	P500+10% of the excess over P10,000]
[Over P30,000 but not over P70,000	P2,500+15% of the excess over P30,000]
[Over P70,000 but not over P140,000	P8,500+20% of the excess over P70,000]
[Over P140,000 but not over P250,000	P22,500+25% of the excess over P140,000]
[Over P250,000 but not over P500,000	P50,000+30% of the excess over P250,000]
[Over P500,000	P125,000+32% of the excess

over P500,000]

NOT OVER P21,613	5%
OVER P21,613 BUT NOT OVER P64,839	P1,080+10% OF THE EXCESS OVER P21,613
OVER P64,839 BUT NOT OVER P151,290	P5,402+15% OF THE EXCESS OVER P64,839
OVER P151,290 BUT NOT OVER P302,581	P18,370+20% OF THE EXCESS OVER P151,290
OVER P302,581 BUT NOT OVER P540,323	P48,628+25% OF THE EXCESS OVER P302,581
OVER P540,323 BUT NOT OVER P1,080,645	P108,063+30% OF THE EXCESS OVER P540,323
OVER P1,080,645	P270,160+32% OF THE EXCESS OVER P1,080,645

xxx

xxx

PROVIDED, FINALLY, THAT NOT LATER THAN THREE (3) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY THREE (3) YEARS THEREAFTER, EACH NET TAXABLE INCOME LEVEL AND NOMINAL TAX RATE HEREIN STATED SHALL BE ADJUSTED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL STATISTICS OFFICE (NSO).

(B) xxx

(C) xxx

(D) xxx."

SEC. 2. Section 27 (A) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 27. Rates of Income Tax on Domestic Corporations. –

- (A) *In General.* – Except as otherwise provided in this Code, an income tax of [thirty-five] TWENTY-FIVE percent [(35%)] (25%) is hereby imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation, as defined in Section 22 (B) of this Code and taxable under this Title as a corporation, organized in, or existing under the laws of the Philippines[: *Provided*, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%0)].

xxx

xxx

xxx

xxx

xxx

xxx

xxx

xxx

xxx

(B) xxx

(C) xxx

(D) xxx

(E) xxx.”

SEC. 3. Section 28 (A) (1) and (B) (1) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 28. Rates of Income Tax on Foreign Corporations. –

(A) *Tax on Resident Foreign Corporations.* -

- (1) *In General.* – Except as otherwise provided in this Code, a corporation organized, authorized, or existing under the laws of any foreign country, engaged in trade or business within the Philippines, shall be subject to an income tax equivalent to [thirty-five] TWENTY-FIVE percent [(35%)] (25%) of the taxable income derived in the preceding taxable year from all sources within the Philippines[: *Provided*, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%)].

xxx

xxx

xxx

(2) xxx

(3) xxx

(4) xxx

(5) xxx

(6) xxx

(7) xxx

(B) Tax on Nonresident Foreign Corporations. –

(1) *In General. – Except as otherwise provided in this Code, a foreign corporation not engaged in trade or business in the Philippines shall pay a tax equal to [thirty-five] TWENTY-FIVE percent [(35%) (25%)] of the gross income received during each taxable year from all sources within the Philippines, such as interests, dividends, rents, royalties, salaries, premiums (except reinsurance premiums), annuities, emoluments or other fixed or determinable annual, periodic or casual gains, profits and income, and capital gains, except gains subject to tax under subparagraph 5 (c)[: *Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%)*].*

(2) xxx

(3) xxx

(4) xxx

(5) xxx.”

SEC. 4. Section 35 of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

“SEC. 35. Allowance of Personal Exemption for Individual Taxpayer. –

(A) xxx

(B) xxx

xxx

xxx

xxx

PROVIDED, FURTHER, THAT NOT LATER THAN THREE (3) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY THREE (3) YEARS THEREAFTER, THE AMOUNTS OF BASIC PERSONAL EXEMPTION AND ADDITIONAL EXEMPTION FOR DEPENDENTS HEREIN STATED SHALL BE ADJUSTED TO PRESENT VALUES USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL STATISTICS OFFICE (NSO).

xxx

(C) xxx

(D) xxx."

SEC. 5. Implementing Rules and Regulations. – The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, promulgate upon the effectivity of this Act the necessary Rules and Regulations for its effective implementation.

SEC. 6. Separability Clause. – If any provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

SEC. 7. Repealing Clause. - All laws, acts, presidential decrees, executive orders, issuances, presidential proclamations, rules and regulations or parts thereof which are contrary to and inconsistent with any provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 8. Effectivity Clause. - This Act shall take effect fifteen (15) days after its complete publication either in the Official Gazette, or in at least two (2) newspapers of general circulation.

Approved,