

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

H. B. No. 1656

HOUSE OF REPRESENTATIVES	
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REGISTRATION UNIT BILLS AND INDEX SERVICE	

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

EXPLANATORY NOTE

This bill seeks to amend Section 24 of the National Internal Revenue Code of 1997, as amended, by adjusting the individual income tax brackets and reducing the rates of individual income tax beginning January 1, 2017.

Article VI, Section 28 (1) of the 1987 Constitution provides that "the rule of taxation shall be uniform and equitable" and for Congress to "evolve a progressive system of taxation" wherein the tax rates imposed must be based on the person's ability to pay. However, after almost two decades, our individual income tax bracket has remained unchanged while the consumer price index (CPI) has more than doubled already. Bracket creep has pushed middle-income earners to higher tax brackets even without any "real" increase in their income. Our outdated, unfair and oppressive tax system has burdened our taxpayers for so long.

The bill is part of a twin measure to reduce the country's income tax rates for individuals and corporations in preparation for the Association of South East Asian Nations (ASEAN) Integration. 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. Next to Thailand and Vietnam, the Philippines have the highest top rate at 32-percent. 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 aims to lower income tax rates across-the-board, reducing the highest tax rate from 32 to 25 percent by 2019, and to compress the tax brackets from seven to five. Given the wage distortion due to the exemption from tax payment of minimum wage earners, this bill sets the lowest tax bracket at ₱70,000 taxable income taking into consideration prevailing minimum wage.

The measure also spreads the reduction over a period of three years in order to buffer the revenue impact of the individual income bracket adjustments and the reduction of individual income tax rates. It further provides for indexation or automatic adjustment of the tax schedule every three years using the CPI so that inflation will not result in tax increases.

It must be stressed that 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.

[Signature]
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)(2) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"(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	BEGINNING JANUARY 1, 2017	BEGINNING JANUARY 1, 2018	BEGINNING JANUARY 1, 2019
NOT OVER ₱70,000	0%	0%	0%
OVER ₱70,000 BUT NOT OVER ₱200,000	15%	13%	10%
OVER ₱200,000 BUT NOT OVER ₱500,000	₱30,000+ 20% of the excess over ₱ 200,000	₱26,000 + 18% of the excess over ₱200,000	₱20,000 + 15% of the excess over ₱200,000
OVER ₱500,000 BUT NOT OVER ₱1,000,000	₱90,000 + 25% of the excess over ₱500,000	₱80,000 + 23% of the excess over ₱500,000	₱65,000 + 20% of the excess over ₱500,000
OVER ₱1,000,000	₱215,000 + 32% of the excess over ₱1,000,000	₱195,000 + 28% of the excess over ₱1,000,000	₱165,000 + 25% of the excess over ₱1,000,000

1 "PROVIDED, THAT EVERY THREE (3) YEARS AFTER THE
2 EFFECTIVITY OF THIS ACT, THE PRESIDENT OF THE PHILIPPINES SHALL
3 ADJUST THE AMOUNTS HEREIN STATED TO ITS PRESENT VALUE USING
4 THE CONSUMER PRICE INDEX (CPI), AS PUBLISHED BY THE PHILIPPINE
5 STATISTICS AUTHORITY (PSA)."

6
7 "XXX
8 "XXX."

9
10 **SEC. 2. Implementing Rules and Regulations.** Within thirty (30) days from the effectivity of
11 this law, the Secretary of Finance shall, upon the recommendation of the Commissioner of
12 Internal Revenue, promulgate and publish the necessary rules and regulations for the
13 effective implementation of this Act: *Provided, That*, the failure of the Secretary of Finance to
14 promulgate the said rules and regulations shall not prevent the implementation of this Act upon
15 its effectivity.

16
17 **SEC. 3. Repealing Clause.** All laws, orders, issuances, circulars, rules and regulations or parts
18 thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified
19 accordingly.

20
21 **SEC. 4. Separability Clause.** If any provision of this Act is declared unconstitutional or invalid,
22 other parts or provisions hereof not affected thereby shall continue to be in full force and effect.

23
24 **SEC. 5. Effectivity.** This Act shall take effect on January 1, 2017 following its publication in the
25 Official Gazette or in at least two (2) newspapers of general circulation.

26
27 Approved,