



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

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| DATE: | <u>03 AUG 2016</u> |
| TIME: | <u>2:51 PM</u> |
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SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2427

Introduced by Representative Paolo Everardo S. Javier

EXPLANATORY NOTE

The country's individual income taxpayers have lamentably suffered inequity on account of the tax system's inability to keep up with rising inflation rates for quite some time. From the effectivity of the National Internal Revenue Code (NIRC) of 1997 on January 1, 1998, the individual income tax rates have remained based on the 1998 Consumer Price Index (CPI) of 67.8%, which is less than half compared to the current CPI of 142%. This means that a working man's monthly pay of P10,000 back in 1998 is equivalent to P21,500, which should just be entirely taxed at the rate of 5% instead of a higher rate. Otherwise put, the tax on his salary should merely be P1,075.00 and not P1,650.00, leaving him with an additional monthly take home pay of P575.00 or P6,900.00 more disposable income on a yearly basis. This amount would undeniably help in keeping every ordinary Filipino family weather the current challenges it faces financially.

On the other hand, corporate income tax in our jurisdiction is 30% on taxable income, which lamentably is the highest and most burdensome among Association of South East Asian Nations (ASEAN) member-countries as the rates of our regional neighbors merely range from 17%-25%. For the Philippines to be a haven for business investments, it is a must that the corporate tax rate has to be lowered to 25%. Indeed, this is indispensable to making the country competitive once again.

Considering this unfair situation, it is just timely that individual and corporate income tax rates be fixed to make these more equitable and competitive, respectively, which was what Congress truly intended when the NIRC of 1997

was fashioned.

Accordingly, passage of the measure is earnestly sought.

A handwritten signature in black ink, featuring a large, stylized 'P' or 'B' shape with a horizontal line extending to the right.

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

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2427

Introduced by Honorable Representative Paolo Everardo S. Javier

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:*

1 **SECTION. 1.** Section 24 of the National Internal Revenue Code of 1997, as amended, is
2 hereby further amended to read as follows:

3
4
5 **“SEC. 24. Income Tax Rates. –**

6
7 (A) xxx

8
9 (1) xxx

10
11 (2) Rates of Tax on Taxable Income of Individuals. – The tax shall
12 be computed in accordance with and at the rates established in the
13 following schedule:

| | | |
|----|--------------------------------------|--------------------------|
| 14 | [Not over P10,000 | 5%] |
| 15 | [Over P10,000 but not over P30,000 | P500+10% of the excess |
| 16 | | over P10,000] |
| 17 | [Over P30,000 but not over P70,000 | P2,500+15% of the excess |
| 18 | | over P30,000] |
| 19 | [Over P70,000 but not over P140,000 | P8,500+20% of the excess |
| 20 | | |

| | | |
|---------------------------------------|--|----------------------------|
| | | 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 P21,500 | | 5% |
| OVER P21,500 BUT NOT OVER P64,500 | | P1,075+10% OF THE EXCESS |
| | | OVER P21,500 |
| OVER P64,500 BUT NOT OVER P150,500 | | P5,375+15% OF THE EXCESS |
| | | OVER P64,500 |
| OVER P150,500 BUT NOT OVER P301,000 | | P18,275+20% OF THE EXCESS |
| | | OVER P150,500 |
| OVER P301,000 BUT NOT OVER P537,500 | | P48,375+25% OF THE EXCESS |
| | | OVER P301,000 |
| OVER P537,500 BUT NOT OVER P1,075,000 | | P107,500+30% OF THE EXCESS |
| | | OVER P537,500 |
| OVER P1,075,000 | | P268,750+32% OF THE EXCESS |
| | | OVER P1,075,000 |

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.”

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

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4
5 **“SEC. 35. Allowance of Personal Exemption for Individual Taxpayer. –**

6
7 (A) xxx

8
9 (B) xxx

10
11 xxx

12
13 xxx

14
15 xxx

16
17 PROVIDED, FURTHER, THAT NOT LATER THAN THREE (3)
18 YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY
19 THREE (3) YEARS THEREAFTER, THE AMOUNTS OF BASIC
20 PERSONAL EXEMPTION AND ADDITIONAL EXEMPTION
21 FOR DEPENDENTS HEREIN STATED SHALL BE ADJUSTED
22 TO PRESENT VALUES USING THE CONSUMER PRICE
23 INDEX, AS PUBLISHED BY THE NATIONAL STATISTICS
24 OFFICE (NSO).

25
26 xxx

27
28 (C) xxx

29
30 (D) xxx.”

31
32
33 **SEC. 5.** Implementing Rules and Regulations. – The Secretary of Finance shall, upon
34 the recommendation of the Commissioner of Internal Revenue, promulgate upon the
35 effectivity of this Act the necessary Rules and Regulations for its effective
36 implementation.

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

42
43
44 **SEC. 7.** Repealing Clause. - All laws, acts, presidential decrees, executive orders,
45 issuances, presidential proclamations, rules and regulations or parts thereof which are

1 contrary to and inconsistent with any provisions of this Act are hereby repealed, amended
2 or modified accordingly.
3
4

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

Approved,