

EIGHTEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES  
*First Regular Session*

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**HOUSE OF REPRESENTATIVE**

H.B. No. 4455

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Introduced by **Representative TEODORICO T. HARESCO, JR.**

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**EXPLANATORY NOTE**

In 2007, the ASEAN Economic Community (AEC) was signed and some member-states started to lower their corporate income taxes. Thailand, for example, gradually reduced its corporate income tax rate from thirty percent (30%) in 2011 to twenty-three percent (23%) in 2012, and down to twenty percent (20%) in 2013. Recently, Vietnam also lowered its corporate income tax rate from twenty-five percent (25%) to twenty-two percent (22%) and further reduced it to twenty percent (20%).

According to Department of Finance Undersecretary Karl Kendrick T. Chua, "compared to other economies in the ASEAN, the Philippines imposes the highest corporate income tax (CIT) rate but is among those at the bottom in terms of collection efficiency. The Philippines currently imposes a CIT rate of 30 percent (30%) but with a tax collection efficiency of only 12.3 percent (12.3%), while Thailand's CIT rate is only 20 percent but it collects almost triple—a 30.5-percent efficiency rate—that represents 6.1 percent of its GDP [gross domestic product]."<sup>1</sup>

This bill seeks to amend Sections 27 and 28 of the National Internal Revenue Code of 1997, as amended, by gradually reducing the rate of corporate income tax over a three-year period beginning January 1, 2020, in order to be competitive with our neighboring countries.

  
**TEODORICO T. HARESCO, JR.**

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<sup>1</sup> <https://business.inquirer.net/243799/dof-press-minimum-corporate-income-tax>

HOUSE OF REPRESENTATIVES  
H.B. No. 4455

Introduced by **Representative TEODORICO T. HARESCO, JR.**

AN ACT  
LOWERING THE CORPORATE INCOME TAX RATE,  
AMENDING SECTIONS 27 AND 28 OF THE NATIONAL INTERNAL REVENUE CODE OF  
1997, AS AMENDED, AND FOR OTHER PURPOSES

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

**SECTION 1.** 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 percent (35%)~~] **TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1, 2020, TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1, 2021 AND TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2022**, 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%).~~].

XXX.”

**SEC. 2.** Section 28 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 percent (35%)~~] **TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1, 2020, TWENTY-SEVEN**



**PERCENT (27%) BEGINNING JANUARY 1, 2021 AND TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2022** of the table 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%)~~].

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“(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 percent (35%)]~~ **TWENTY-NINE PERCENT (29%) BEGINNING JANUARY 1, 2020, TWENTY-SEVEN PERCENT (27%) BEGINNING JANUARY 1, 2021 AND TWENTY-FIVE PERCENT (25%) BEGINNING JANUARY 1, 2022** 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 capital gains subject to tax under subparagraph 5(c) ~~[- Provided, That effective January 1, 2009, the rate of income tax shall be thirty percent (30%)].~~

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(5) **Tax on Certain Incomes Received by a Nonresident Foreign Corporation.** –

(a) xxx

(b) Intercorporate Dividends. – A final withholding tax at the rate of fifteen percent (15%) is hereby imposed on the amount of cash and/or property dividends received from a domestic corporation, which shall be collected and paid as provided in Section 57(A) of this Code, subject to the condition that the country in which the nonresident foreign corporation is domiciled, shall allow a credit against the tax due from the nonresident foreign corporation taxes deemed to have been paid in the Philippines equivalent to ~~[twenty percent (20%)]~~ **FOURTEEN PERCENT (14%)**, which represents the difference between the regular income tax of ~~[thirty five percent (35%)]~~ **TWENTY-NINE (29%) BEGINNING JANUARY 1, 2020** and the fifteen percent (15%) tax on dividends as provided in this subparagraph: *Provided, That effective January 1, [2009]* **2021**, the credit against the tax due shall be equivalent to ~~[fifteen percent (15%)]~~

**TWELVE PERCENT (12%), AND EFFECTIVE JANUARY 1, 2022, EQUIVALENT TO TEN PERCENT (10%),** which represents the difference between the regular income tax of ~~[thirty percent (30%)]~~ **TWENTY-SEVEN PERCENT (27%) AND TWENTY-FIVE PERCENT (25%), RESPECTIVELY,** and the fifteen percent (15%) tax on dividends.

XXX."

**SEC. 3. Implementing Rules and Regulations.** – The Secretary of Finance shall promulgate the necessary rules and regulations for the effective implementation of the provisions of this Act.

**SEC 4. *Repealing Clause.*** – All laws, decrees, orders, rules and regulations, or other issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

**SEC. 5. Separability Clause.** – If any portion or provision of this Act is declared unconstitutional, the remainder of this Act or any provision not affected thereby shall remain in force and effect.

**SEC. 6. *Effectivity.*** – This Act shall take effect on January 1, 2020 following its publication in the Official Gazette or in a newspaper of general circulation.

*Approved,*