

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City Metro Manila

SEVENTEENTH CONGRESS
First Regular Session

House Bill 2544

HOUSE OF REPRESENTATIVES	
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Introduced by **REP. ENRICO A. PINEDA** and **REP. MICHAEL ODYLON L. ROMERO**

Explanatory Note

Personal income tax rates were pegged a generation and four presidents ago, when prices of goods were half theirs today. The 1997 peso is worth 45 centavos at present, meaning a basket goods in 1997 will cost more than double today.

This succinctly illustrates why tax rates should be adjusted now, to account for inflation. When the current personal income tax rates were imposed almost two decades ago, one of the key considerations used was the peso's purchasing power of that time.

With that yardstick, lawmakers then knew what would be the fair and just tax bite, which when deducted from income would leave the earner a decent wage, while it was provided that the purpose of taxation is not to bankrupt the payer but for him to make a contribution for the common good but one that is commensurate with his income.

Such careful calibration is needed because taxation, when it becomes excessive, punishes industry and deters honest wealth creation. A wise man had used a more colorful language in warning against aggressive revenue-taking, comparing high taxes to legalized robbery.

If taxpayers, however, feel they are robbed, regularly every end of the month, which is when taxes withheld are taken from paychecks as the law has provided, they then may have a basis to feel so. The culprit, however, is understandably known to them – outdated tax rates.

The 1987 Constitution, however, states that they should be immune from excessive taxation. “The rule of taxation shall be uniform and equitable,” the basic law commands. It then orders Congress to “evolve a progressive system of taxation.”

The latter simply means that tax rates imposed must be based on the person's ability to pay. Sadly, the tax brackets used in computing individual taxes have long ceased to pass that important test. Our highest top rate of 32 percent does not only contravene the exhortation of the Constitution, it also goes against global practices in which taxes are tempered to encourage growth.

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 shrink the number of tax brackets from seven to five. It sets the lowest tax bracket at P70,000 taxable incomes, safely placing minimum wage workers in the no-tax zone.

To shield the government from whatever fiscal disturbance this measure would cause, it spreads out the reduction over three years. It also provides for indexation or automatic adjustment of the tax schedule every 5 years using the CPI as basis – to prevent tax rates from being fossilized due to government aversion to adjust them.

Hence, we appeal Congress to pass this urgent bill on a timely manner.



ENRICO A. PINEDA



MICHAEL ODYLON L. ROMERO

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Introduced by **REP. ENRICO A. PINEDA** and **REP. MICHAEL ODYLON L. ROMERO**

AN ACT
PRESCRIBING NEW RATES OF TAX ON TAXABLE INCOME OF
INDIVIDUALS, AMENDING FOR THE PURPOSE SECTION 24 OF THE
NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR
OTHER PURPOSES

Be it enacted by the House of Representatives 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:

"Sec. 24. Income Tax Rates. -

"(A) Rates of Income Tax on Individual Citizen and Individual Resident Alien of the Philippines. -

(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 P70,000	0%	0%	0%
OVER 70,000 BUT NOT OVER P200,000	15%	13%	10%
OVER P200,000 BUT NOT OVER P500,000	P30,000 + 20% of the excess over P200,000	P26,000 + 18% of the excess over P200,000	P20,000 + 15% of the excess over P200,000
OVER P500,000 BUT NOT OVER P1,000,000	P90,000 + 25% of the excess over P500,000	P80,000 + 23% of the excess over P500,000	P65,000 + 20% of the excess over P500,000
OVER P1,000,000	P215,000 + 32% of the excess over P1,000,000	P195,000 + 28% of the excess over P1,000,000	P165,000 + 25% of the excess over P1,000,000

PROVIDED, THAT EVERY FIVE YEARS (5) YEARS AFTER THE EFFECTIVITY OF THIS ACT, THE PRESIDENT OF THE PHILIPPINES SHALL ADJUST THE

AMOUNTS HEREIN STATED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX (CPI), AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY (PSA).”

"[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 250,000	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]"

“XXX
“XXX.

SEC. 2. *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. 3. *Repealing Clause.* All laws, orders, issuances, circulars, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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

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

Approved,