

Republic of the Philippines  
HOUSE OF REPRESENTATIVES

Quezon City, Metro Manila

SEVENTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 403

HOUSE OF REPRESENTATIVES

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Introduced by Representative Rodrigo A. Abellanos

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**EXPLANATORY NOTE**

For many years, our nation has been experiencing the migration of skilled labor looking for better-paying employment abroad. As movements to increase salary levels have shown to be minimally productive because of the opposition primarily of the private sector, it is necessary that the government seek other ways of making our countrymen's lives easier, thus making local employment more attractive. In this connection, this bill seeks to amend Section 24 of the National Internal Revenue Code of 1997, as amended, to address the bracket creep phenomenon resulting from inflation throughout the years since said law was passed.

Lower taxes, through the proposed income bracket adjustments, translate to higher 'take-home' pays for income-earners, easing some of the burden from our people and diminishing their need to look for employment outside the country.

To illustrate the impact of this income re-bracketing, let us take for example a call center agent with no dependents earning Php21,000 a month, net of all non-taxable compensation income. In the current income tax schedule, said call center agent pays an annual income tax of Php38,000:

<i>Total annual taxable income [Php21,000 x 12<sup>1</sup> months]</i>	=	<i>Php 252,000</i>
<i>Personal exemption</i>	=	<u><i>50,000</i></u>
<i>Net taxable income</i>	=	<i>202,000</i>
<i>Tax due [22,500 + 25% x (202,000 - 140,000)]</i>	=	<u><i>Php 38,000</i></u>
<i>Net take-home pay</i>	=	<u><i>Php 214,000</i></u>

With the proposed amendment, however, the same income yields a higher net take home pay by Php 8,100:

<i>Total annual taxable income [Php21,000 x 12 months]</i>	=	<i>Php 252,000</i>
<i>Personal exemption</i>	=	<u><i>50,000</i></u>
<i>Net taxable income</i>	=	<i>202,000</i>
<i>Tax due [17,000 + 20% x (202,000 - 140,000)]</i>	=	<u><i>Php 29,900</i></u>

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<sup>1</sup> Although the 13<sup>th</sup> month pay is mandatory for all regular employees, the illustration does not include it in the computation since RA 10653 exempts this from income tax for as long as it does not exceed Php82,000.

*Net take-home pay*

= Php 222,100

Our people are among the most vital resource. Let us ensure that they earn their just compensation, and that they are able to make the most out of it.

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



**RODRIGO A. ABELLANOSA**

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AN ACT  
RESTRUCTURING INCOME TAXES IMPOSED ON 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 Senate and the House of Representatives of the Philippines in Congress assembled:*

SECTION 1. *Short Title.* - This Act shall be known as the "*Individual Income Taxes Restructuring Act.*"

SEC. 2. *Amendments.* - 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:

[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 P20,000.....	5%
Over P20,000 but not over P60,000.....	P1,000+10% of the excess over P20,000
Over P60,000 but not over P140,000.....	P5,000+15% of the excess over P60,000

Over P140,000 but not over P280,000.....	P17,000+20% of the excess over P140,000
Over P280,000 but not over P500,000.....	P45,000+25% of the excess over P280,000
Over P500,000 but not over P1,000,000..	P100,000+30% of the excess over P500,000
Over P1,000,000 .....	P250,000+32% of the excess over P1,000,000

"xxx

"xxx.

SEC. 4. *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. 5. *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. 6. *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. 7. *Effectivity.* - This Act shall take effect on January 1, 2017, following its publication in at least two (2) newspapers of general circulation.

Approved,