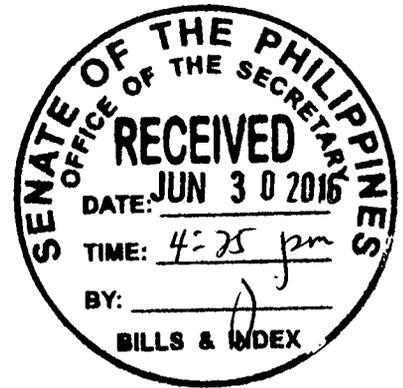


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE

Senate Bill No. 121

Introduced by Senator Juan Miguel F. Zubiri

AN ACT
AMENDING SECTION 24(A)(2) OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN
AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR
OTHER PURPOSES

EXPLANATORY NOTE

Well settled is the rule that taxes is the lifeblood of the government, the main source of revenue. The primary purpose of taxation is to generate funds for the State to finance the needs of the citizenry and to advance the common wealth. Our government chiefly relies on taxation to obtain the means to carry on its operation. However, our Constitution mandates that taxation shall be uniform and equitable and that Congress shall evolve a progressive system of taxation, one that is proportionate in character and must take into consideration the taxpayer's ability to pay for it in line with social justice and equity. But the reality at present, our income tax structure has been characterized as unfair and unequal as the burden of taxation heavily lies to the middle class, being the main work force of the society which automatically their taxes are withheld.

The Philippines has not adjusted its personal income tax system since 1998 even when inflation has eroded the income tax brackets. Although salary adjustments have been made to keep up with inflation, workers especially those in the middle income group are pushed into higher tax rate brackets and made to pay higher taxes. That scenario negates the principle of equity and progressivity as mandated and guaranteed by the Constitution. The current 32 percent personal income tax rate is higher than all of the ASEAN member countries next to Thailand and Vietnam's 35 percent. A taxable income of more than P500,000 will be taxed at 32 percent in the Philippines as against 20 percent in Vietnam, 11 percent in Malaysia and 10 percent in Thailand. It is imperative that we assess the current tax system on individuals to make them competitive and responsive and to prevent tax-induced labor migration in view of the ASEAN Economic Integration.

Thus, this bill proposes to amend Section 24 of the National Internal Revenue Code of 1997, as amended, by adjusting the individual tax brackets to reflect the effect of inflation. The net taxable income levels and nominal tax rates shall likewise be automatically indexed to inflation every six (6) years.

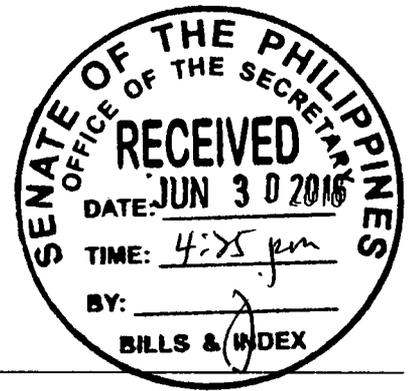
Needless to say, something needs to be done to remedy the current tax structure so it does not eat into the salary of workers but rather provide much needed economic relief to every hardworking Filipino. Providing more purchasing power to every household will also boost consumption spending and spur economic activities.

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

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

JUAN MIGUEL F. ZUBIRI

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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:

"SEC. 24. Income Tax Rates. -

"(A) 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:

[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]

P20,000 but not over P70,000	10%
OVER P70,000 but not over P200,000	P7,000 + 15% OF THE EXCESS OVER P70,000
OVER 200,000 but not over P500,000	P26,500 + 20% OF THE EXCESS OVER P200,000
OVER P500,000 but not over P1,000,000	P86,500 + 22% OF THE EXCESS OF P500,000
OVER P1,000,000	P196,500 + 25% OF THE EXCESS OF P1,000,000

"For married individuals, the husband and wife, subject to the provision of Section 51 (D) hereof, shall compute separately their individual income tax based on their respective total taxable income: Provided, That if any income cannot be definitely attributed to or identified as income exclusively earned or realized by either of the spouses, the same shall be divided equally between the spouses for the purpose of determining their respective taxable income.

"Provided, That minimum wage earners as defined in Section 22(HH) of this Code shall be exempt from the payment of income tax on their taxable income: provided, further, That the holiday pay, overtime pay, night shift differential pay and hazard pay received by such minimum wage earners shall likewise be exempt from income tax.

"PROVIDED, FINALLY, THAT NOT LATER THAN SIX (6) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY SIX (6) YEARS THEREAFTER, THE TAX RATES HEREIN STATED SHALL BE ADJUSTED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY (PSA)".

SECTION 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.

SECTION 3. 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.

SECTION 4. 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.

SECTION 5. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,