

# Proposed Reforms on the Personal Income Tax<sup>\*</sup>

## I. INTRODUCTION

The last major amendment of the Philippine personal income tax (PIT) system was made under Republic Act (RA) No. 8424, otherwise known as the National Internal Revenue Code (NIRC) of 1997, which was approved on December 11, 1997 and took effect on January 1, 1998. Since then or for almost two (2) decades now, the present income tax system remains unchanged. It is for this reason that several tax bills are filed in Congress to amend pertinent sections of the NIRC of 1997, as amended. The proposed restructuring of the PIT is also seen to make the country competitive vis-à-vis its neighbors in the light of the ASEAN economic integration.

Fifty (50) House Bills (HBs) are now filed in Congress which seek to amend the PIT schedule by adjusting net taxable income (NTI) brackets and tax rates for purposes of computing the income tax under Section 24(A) of the NIRC of 1997, as amended, the provisions on basic personal and additional exemption (PAE) allowances under Section 35 and exclusions and deductions from gross income under Sections 32(B) and 34 of the same Tax Code, among others.

This paper presents and evaluates the proposals under the various bills with the end view of coming up with a comprehensive reform package for the PIT system.

## II. BACKGROUND INFORMATION:

### A. Present PIT Regime

Under Section 24(A)(1) of the NIRC of 1997, as amended, the present PIT schedule is as follows:

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<sup>\*</sup> Prepared by Donaldo M. Boo, Chief Tax Specialist, assisted by Roselyn C. Domo, Supvg. Tax Specialist and Robert D. Aspa, Tax Specialist II, Direct Taxes Branch, NTRC.

<i>Net Taxable Income</i>	<i>Tax Rate</i>
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

The schedule has seven (7) tax brackets with marginal tax rates ranging from 5% to 32%. The tax base is net taxable income which is equivalent to gross income less allowable deductions and personal and additional exemptions (PAE). Personal exemption amounts to PhP50,000 while additional exemption amounts to PhP25,000 per dependent not to exceed four (4) pursuant to RA 9504 approved in June 2008.

For compensation income earners (CIEs), only premium payments for health and/or hospitalization insurance not exceeding PhP2,400 per year are allowed as deductions provided family income does not exceed PhP250,000. This is in addition to PAE. Self-employed individuals and professionals (SEPs), on the other hand, in addition to PAE, have the following allowable deductions:

1. Ordinary and necessary trade, business or professional expenses;
2. Interests,
3. Taxes;
4. Losses;
5. Bad debts;
6. Depreciation;
7. Charitable and other contributions;
8. Research and development;
9. Pension trusts; and
10. Premium payments on health and/or hospitalization insurance not to exceed P2,400.

An optional standard deduction (OSD) of 40% of gross sales or gross receipts is allowed in lieu of Items 1 to 9 above.

For CIEs, the following are excluded from gross income, hence, are tax-exempt:

1. 13<sup>th</sup> month pay and other benefits not exceeding PhP82,000 pursuant to RA 10653 approved in February 2015;
2. GSIS, SSS, Medicare, and Pag-ibig contributions, and union dues of individuals; and

3. Others as enumerated in Section 32 (B) of the NIRC of 1997, as amended such as proceeds of life insurance, retirement benefits, pensions, among others.

The following employee *de minimis* benefits are likewise non-taxable:

1. Monetized unused vacation leave credits for private employees not exceeding 10 days;
2. Monetized unused vacation and sick leave credits for government officials and employees;
3. Medical allowance for dependents of PhP750 per semester or PhP125 per month;
4. Rice subsidy of PhP1,500 or one sack of rice monthly;
5. Uniform allowance of PhP5,000;
6. Medical assistance not exceeding PhP10,000 annually;
7. Laundry allowance not exceeding PhP300 per month or PhP3,600 per year;
8. Employees achievement awards not exceeding PhP10,000;
9. Gifts given during Christmas and major anniversary celebrations not exceeding PhP5,000 per employee per annum;
10. Daily meal allowance for overtime work and night shift not exceeding 25% of basic minimum wage; and
11. Collective bargaining agreements (CBA) and productivity incentives not exceeding PhP10,000.

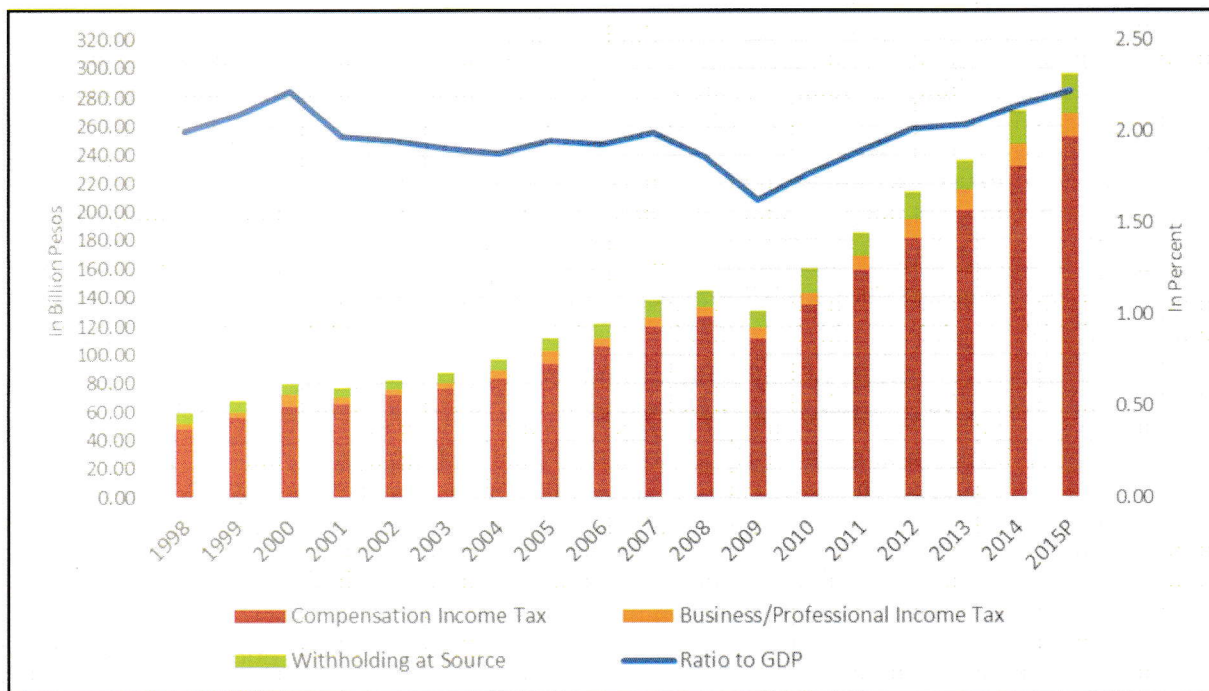
Minimum wage earners (MWEs) are exempt from the payment of the income tax on their compensation income. Their holiday pay, overtime pay, night shift differential pay and hazard pay are likewise exempt from the income tax pursuant to RA 9504 enacted in 2008.

## **B. PIT Collection Performance, 1998-2015**

The PIT on CIEs and SEPs is a major revenue source of the government. It accounted for 14% of total national government (NG) revenue, 20% of BIR total collection and 2.02% of GDP, on the average, from 1998 to 2015.

From 1998 to 2015, income tax collection from the PIT continuously grew from PhP59 billion to PhP295 billion except in 2009 when collection declined due to the exemption of MWEs and the increased PAE via RA 9504. CIEs contributed, on the average, the bulk or 86% of the total PIT collection while SEPs (including withholding tax at source) shared only 14% from 2010-2015. (**Figure 1**)



**Figure 1. PIT Collection, 1998-2015**

### C. Problems/Issues on Present PIT

As mentioned earlier, the PIT schedule remains unadjusted for almost two decades now which resulted in the *bracket creep phenomenon*. This is a situation in which inflation pushes taxpayers into higher tax brackets, hence, higher tax liabilities even though purchasing power has not really increased. As a consequence of the non-adjustment of the taxable income brackets through the years, new entrants in the labor force will already fall in the fourth to fifth bracket of the tax schedule or be taxed at 20% to 25%. Moreover, ordinary workers earning PhP500,000 or around PhP42,000 monthly are similarly taxed as millionaires or even billionaires at the top rate of 32%.

Compared to ASEAN member countries, the Philippines has the second highest top rate of 32% next to Thailand and Vietnam with 35%. On the other hand, Singapore, Cambodia and Myanmar impose 20%; Lao PDR, 24%; Malaysia, 26% and Indonesia, 30%. Hong Kong has 17% top rate. The PhP500,000 taxable income in the Philippines which is subject to the topmost tax rate of 32% is taxed at 2% in Singapore; 10% in Thailand; 15% in Indonesia; 20% in Cambodia and 24% in Lao PDR. Hence, the Philippines remains uncompetitive with its ASEAN peers.

The present PIT system is complicated as characterized by numerous exclusions and exemptions (e.g. *de minimis* benefits, 13<sup>th</sup> month pay and other benefits) which significantly erode the tax base. *De minimis* benefits to employees vary, hence, beneficial to those granted with huge amounts of *de minimis* benefits. Also, the 13<sup>th</sup>



month pay exempt ceiling of PhP82,000 is quite high which is to the benefit of high salaried personnel.

Minimum wage (MW) varies among and within regions ranging from PhP225 (Region IV-B) to PhP491(NCR) per day. The differences in MW make the exemption of MWEs violative of the uniformity and equity principles of taxation. For instance, an MWE with a daily MW of PhP491 at the National Capital Region (NCR) is exempt whereas another worker earning the same amount in adjacent region where MW is lower, is taxable.

The exemption of MW also serves as a disincentive to MWEs to be more productive and aim to earn higher income for fear of paying higher tax as a consequence thereof. Under the present system, a PhP1 difference above MW will already subject the entire income of the worker to tax. Hence, they would prefer to remain as MWEs. This can also be a source of leakage as it is possible that MWEs would prefer to be classified as such and may merely be provided with cash allowances in the form of exempt *de minimis* benefits.

There is also inequity between CIEs and SEPs, with the former contributing 86% of the collection and the latter, only 14%. The NTRC estimated a 55% tax gap among the SEPs from 2010-2015. This stems from the self-assessment system of SEPs wherein the government relies on their voluntary disclosure of their income and expenses for income tax purposes. In the absence of effective safeguard against the non-reporting or under declaration of income (or overstatement of expenses) these could lead to massive tax leakages. Verification of reported income and expenses is difficult in view of lack of information among SEPs due to bank secrecy law.

### III . VARIOUS BILLS FILED IN CONGRESS

As mentioned earlier, there are 50 bills filed in Congress which seek to amend the PIT system, the features of which are summarized in **Annex A**.

The bills aim to reform the present PIT system in order to ease the tax burden of low and middle-income earners and provide them additional money which they can use to provide for family and living expenses.

At the outset, it should be mentioned that among the various bills, HBs 4688 and 4774 are to be implemented as a package along with other tax measures on estate and donor's tax, value-added tax (VAT), excise tax on petroleum and automobiles and tax administration measures. This paper however is limited only on PIT proposals under these bills, the features of which are as follows:

### *A. On the PIT Schedule*

1. Eight (8) HBs intend to address the bracket creep issue by adjusting to inflation the present taxable income brackets while retaining the 5% - 32% tax rates. As proposed, the taxable income brackets are at least doubled to account for inflation since the last amendment of the PIT schedule under RA 8424. These are HBs 20 & 3360, 35 & 466, 403 & 3259, 1945, and 2427.
2. Four (4) HBs, namely HBs 103, 1601 & 1604, and 1950 propose five-bracket PIT schedules with top marginal tax rate of 25% imposed on taxable income of over PhP3,000,000; over PhP2,500,000; and PhP1,200,000, respectively.
3. Eighteen (18) HBs propose varying amounts of taxable income to be tax-exempt or zero-rated, namely:
  - a. HBs 57, 333 & 1536 – Not over PhP396,000;
  - b. HB 411 – Not over PhP360,000;
  - c. HB 4134 – Not over PhP350,000;
  - d. HBs 1601 & 1604 – Not over PhP300,000;
  - e. HBs 4688, 4696 and 4774 – Not over PhP250,000;
  - f. HB 103 – Not over PhP249,000;
  - g. HBs 1656, 1657, 2347, 2544 – Not over PhP70,000;
  - h. HBs 137 and 295 – Not over PhP30,000;
  - i. HB 39 – Minimum Wage.
4. Two (2) bills namely HBs 562 & 1696 effectively exempt taxable income amounting to PhP20,000 as the proposed tax schedule starts with taxable income bracket of PhP20,000 to PhP70,000 which are taxable at 15% during the first year of implementation.
5. Three (3) bills namely HBs 4696, 4688 and 4774 propose a gradual reduction in income tax rates over a two (2) year period while seven (7) HBs propose gradual reduction of income tax rates over three (3) years. These are HBs 137 & 295, 562 & 1696, 1656 and 2347 & 2544.
6. HB 39 proposes a tax schedule in which the taxable income brackets for purposes of computing the income tax correspond to the “minimum wage plus a certain amount”. As proposed under the bill, the 13<sup>th</sup> month pay, earned sick, vacation and other leave credits convertible to cash, separation pay, and retirement pay received by MWEs shall also be exempt from the income tax.
7. Lastly, HBs 4688 and 4774 seek to impose on SEPs with gross sales/receipts (GS/R) below the VAT threshold of (PhP3 million) a tax of 8% of GS/R in lieu of VAT and percentage tax. On the other hand, those with GS/R above the threshold shall be taxed as corporations as to applicable tax rate, minimum income tax and allowable deductions.



***B. On Basic PAE Allowances***

1. HBs 103 and 1950 propose to increase basic personal exemption allowance from PhP50,000 to PhP150,000 while HB1326 proposes to adjust it to PhP100,000. On the other hand, HBs 363, 1326, and 3734 propose to increase additional exemption allowance from PhP25,000 to PhP50,000 for each qualified dependent not exceeding four (4).
2. HB 103 also seeks to allow a taxpayer to claim personal exemption allowance for his/her spouse who is not gainfully employed and exclusively living with him/her.
3. On the other hand, HB 997 proposes to include legitimated children and parents who are not gainfully employed as qualified dependents. In addition, it seeks to remove the limit in the number of qualified dependents and allow a legal guardian to a person with disability (PWD) to claim additional exemption allowance.
4. HB 1522 likewise seeks to include elderly parents with no means of support as qualified dependents while HB 2140 proposes for a higher amount of additional exemption allowance of PhP100,000 for each dependent who is a PWD.
5. HB 3327 seeks to entitle the parent or legal guardian of children with special needs (CSNs) to a deduction from taxable income equivalent to PhP50,000 to account for expenses made for the CSNs, such as tuition fee and therapy, among others.
6. On the other hand, HBs 183, 362, 1803, and 4299 seek to increase the age ceiling of a qualified dependent from 21 to 23 years old, for purposes of claiming the PhP25,000 additional exemption allowance by an individual taxpayer. This is to take into consideration the additional two (2) years of basic education in relation to K to 12 curriculum of the Department of Education (DepEd).
7. Lastly, HBs 1601 & 1604, 4688 and 4774 seek to repeal the provisions on PAE and integrate them in the tax-exempt thresholds in their respective proposed tax schedules.

***C. On Indexation to Inflation***

1. Twenty-one (21) HBs seek to automatically adjust the amounts stated in the proposed tax schedule to present values using Consumer Price Index (CPI), as published by the Philippine Statistics Authority (PSA) or, if applicable, similar indices published by other departments, bureaus or offices of the government. These are:



- a. HBs 20, 35, 57, 333, 466, 1656, 1657, 2347, 2427, and 3360 – every three (3) years;
  - b. HBs 39, 2544, 4688, 4696 and 4774 - every five (5) years; and
  - c. HBs 103, 1536, 1601, 1604, 1945, and 1950 - every six (6) years.
2. Moreover, HBs 466, 2427, and 3360 seek to automatically adjust the amounts of PAE allowances to their present value using CPI every three (3) years, while HBs 103 and 1950, every six (6) years.

#### ***D. On Minimum Wage Earners***

HBs 57, 333 & 1536, 4688, 4696 and 4774 seek to lift the exemption of MWEs and integrate said MW in the tax-exempt thresholds in their respective proposed tax schedules.

#### ***E. On Exclusions from Gross Income***

1. HBs 1000, 2599 and 3668 seek to add overtime pay among the exclusions in the computation of gross income of the taxpayer for income tax purposes while HB 1002 proposes the exclusion of night shift differential pay.
2. On the other hand, HB 2600 proposes the exemption from the income tax of 13<sup>th</sup> month pay regardless of the amount. The bill therefore seeks to remove the tax-exempt ceiling of PhP82,000 under RA 10653. It likewise provides that gross benefits such as productivity incentives and Christmas bonus not exceeding PhP82,000 shall be exempt from the income tax, with a provision on automatic indexation every three (3) years of the amount to its present value using the CPI, after its effectivity.
3. Meanwhile, HB 2601 seeks to exclude performance-based bonus (PBB) granted to qualified government personnel from their gross income for income tax purposes.
4. Lastly, HBs 333 and 57 propose to remove GSIS/SSS, Philhealth and Pag-IBIG contributions and union dues of individual taxpayers from the list of items excluded from gross income and integrate the same in the tax-exempt threshold in their respective proposed tax schedules.

#### ***F. On Allowable Items of Deductions***

1. HB 1660 seeks the deductibility of tertiary education tuition fees and allied expenses from the gross income of individual taxpayers for income tax purposes, amounting to not more than Forty Thousand Pesos (PhP40,000) for the taxpayer himself or for each dependent not exceeding four (4). The bill

provides that tertiary education shall include post-secondary courses from higher educational and technical and vocational institutions.

2. It likewise seeks to provide Home Mortgage Interest Relief (HMIR) to qualified taxpayers by allowing them to deduct any interest actually paid during a taxable year from any loan obtained for the purpose of acquiring or constructing a family home. The loan shall refer to a housing loan obtained from any reputable bank operating in the Philippines, including loans from Pag-IBIG Fund and cooperatives duly organized and registered with the Cooperative Development Authority (CDA), provided that loan amount does not exceed PhP3,000,000.
3. HB 1272 seeks to allow individual taxpayers to claim health maintenance expenses as an item of deduction from gross income for income tax purposes. Such expenses may include professional medical fees, consultation fees, and medicines provided that such expenses are supported by official receipts, medical certificates and doctor's prescriptions.
4. Meanwhile, HB 4134 proposes that CIEs be allowed to deduct from their gross income educational expenses of not more than PhP20,000 each person for themselves or their children provided that the deduction shall not be for more than two (2) persons. It also seeks to allow CIEs to deduct medical expenses from their gross income a total amount of PhP20,000 for themselves or their dependents. The bill also seeks to provide women income earners with at least one (1) child less than eighteen (18) years of age a tax credit of PhP20,000.
5. On the other hand, HBs 57, 333 & 1536, 4688 and 4774 propose to remove the deductibility from the gross income of individual taxpayers, premium payments on health and/or hospitalization insurance and integrate the same in the tax-exempt threshold in their respective proposed tax schedules.

#### ***G. On Philippine Charity Sweepstakes and Lotto Winnings***

HBs 3436, 4688 and 4774 propose to remove the exemption of Philippine Charity Sweepstakes and lotto winnings from 20% final withholding tax (FWT) under Section 24(B)(1) of the NIRC of 1997, as amended.

#### ***H. On Proposed Reduction of Fringe Benefits Tax (FBT)***

HBs 57, 333 & 1536, 4688 and 4774 seek to reduce the FBT from 32% to 30% and to levy the same even on fringe benefits granted to rank and file employees. In the case of HB 4774, the reduction will be effective July 2017, 2018 and 2019 provided that in 2020 and onwards the fringe benefits will form part of the gross income of the employee subject to the regular income tax rates.

***I. On Preferential Tax Treatment of Employees of RHQs/ROHQs, OBUs and Petroleum Contractors and Subcontractors***

HBs 4688 and 4774 seek to remove the preferential income tax of 15% of gross income of employees of RHQs/ROHQs, OBUs and petroleum contractors and subcontractors.

**IV. COMMENTS AND OBSERVATIONS**

***A. On the Proposed PIT Schedule***

***A.1. On Indexation to Inflation of Taxable Income Brackets and Retaining the 5%-32% Tax Rates***

1. HBs 20, 35, 403, 466, 1945, 2427, 3259, and 3360 propose the indexation to inflation of the taxable income brackets while retaining the present 5% -32% marginal tax rates. It should be noted that the change in CPI from 1998, the year when RA 8424 took effect up to 2016 was about 112%. Hence, the taxable income brackets should be increased by 112% or more than double the amounts to maintain their real value when they were first set in 1998.
2. It is observed that under the bills, the proposed inflation-indexed amounts for the first taxable income bracket are adjusted to varying levels ranging from PhP20,000 to PhP25,000 and the top taxable income bracket, from PhP1 million to PhP1.1 million. This could be attributed to the differences in the dates used by the authors of the bills or some of the amounts could have been rounded off for easier computation.
3. Also, when compared to other ASEAN countries' peso equivalents, the proposed top taxable income levels of PhP1 million or PhP1.1 million are subject to lower income tax rates of: (a) 2% or 3.5% in Singapore; (b) 10% in Cambodia; (c) 15% in Laos; (d) 15% or 20% in Thailand; (e) 20% in Myanmar; (f) 21% in Malaysia; and (g) 25% in Indonesia and Vietnam. Thus, by just merely indexing the taxable income brackets to inflation, the Philippines will still impose the highest marginal tax rate of 32% among its ASEAN peers. Consequently, the Philippines' PIT will remain uncompetitive and may encourage tax-induced migration by Filipino workers. It may be worth mentioning that while the PIT tax schedule was last revised in 1998, the PhP500,000 highest taxable income on which the top marginal rate is imposed was set way back in 1950 pursuant to RA 590. Thus, mere doubling of the taxable income level may not be sufficient if the real value of the amount is to be retained when it was set in 1950.



***A.2. On Proposed Five-Bracket Tax Schedule with Highest Marginal Tax Rate of 25%***

1. HBs 103, 1601 & 1604, and 1950 propose five-bracket PIT schedules with top tax rate of 25% imposed on taxable income of over PhP3,000,000; over PhP2,500,000; and PhP1,200,000, respectively.
2. It is noted that the proposed top taxable income of over PhP3 million prescribed under HB 103 will be subject to the highest marginal income tax rates levied by other ASEAN countries, except Singapore and Thailand in which applicable tax rates of 11.5% and 30% will be imposed on the same taxable income, respectively. For HBs 1601 & 1604, the proposed top income bracket of over PhP2.5 million will be subject to the highest marginal income tax rates levied by other ASEAN countries, except Laos, Singapore and Thailand where the applicable tax rates of 20%, 7% and 25% will be imposed to the same amount, respectively. For HB 1950, the taxable income amounting to PhP1.2 million shall be imposed with the following marginal income tax rates in other ASEAN countries: (a) 3.5% in Singapore; (b) 10% in Cambodia; (c) 15% in Laos; (d) 20% in Thailand; (e) 24% in Malaysia; and (f) 25% in Indonesia, Myanmar, and Vietnam.

***A.3. On Proposed Exemption of Certain Income Threshold***

1. All ASEAN member-countries, except for Indonesia, Vietnam and the Philippines impose zero percent (0%) on certain income threshold in their respective tax schedules. As shown in **Annex B**, the ASEAN member countries exempt the following peso equivalent amounts: Malaysia - PhP56,084; Myanmar, Lao PDR, and Cambodia - around PhP73,000 to PhP74,000; Thailand - PhP211,693; and Singapore - PhP700,344.
2. It may be worth mentioning that the Philippines first imposed a zero rate in its tax schedule in 1982 via Batas Pambansa (BP) Bilang 135 (approved December 18, 1981 and took effect on January 1, 1982). However, when RA 8424 was implemented in 1998, the first taxable income bracket of not over PhP10,000 is subject to a 5% rate.
3. In HB 333, the proposed zero-rated taxable income amounts to PhP396,000. According to the author of the bill, the exempt threshold is equivalent to the prevailing family living wage of PhP1,086 per day multiplied by 365 days. The bill also proposes to repeal the income tax exemption of MWEs and integrate their MW with the PhP396,000 exempt threshold. Various exclusions and deductions are likewise proposed to be subsumed to the said threshold. The provision for PAE, however, is retained.

4. On the other hand, in HB 411, taxable income of PhP360,000 is exempt. However, if taxable income exceeds the threshold, the entire amount will be subject to 10%-32%. Unlike all other bills which apply the marginal tax rates on the excess of certain amounts, HB 411 applied the rates directly to the corresponding taxable amount.
5. Moreover, HB 411 does not propose any amendment to other provisions of the NIRC of 1997, as amended. This means that the exclusions, PAE, allowable deductions and exemption of MWEs are retained. Therefore, the proposed exempt threshold of PhP360,000 is net of the PAE, other allowable exemptions and deductions. This will exempt a number of CIEs and consequently result in huge revenue loss on the part of the government.
6. On the part of the SEPs, the proposed exempt threshold will significantly erode the already narrow tax base. At present, they are contributing less income tax to government coffers than the CIEs. With the proposal, many of the SEPs will be tax-free.
7. In the case of HB 4134, the proposed tax exempt threshold of PhP350,000 is also on top of the PAE and other allowable exemptions and deductions. The bill even proposes additional allowable deductions such as educational and medical expenses of the taxpayer. The proposals will definitely have huge revenue implications.
8. In contrast, HBs 4688 and 4774 seek to repeal MWEs' exemption, PAE and certain exclusions and deductions and integrate them all in the PhP250,000 exempt threshold. In particular, under HB 4688, deductions under special laws, 13<sup>th</sup> month pay and other benefits not exceeding PhP82,000, premiums payments on health and/or hospitalization insurance are proposed to be removed. HB 4774 has the same features as HB 4688 except for 13<sup>th</sup> month pay and other benefits not exceeding PhP82,000 which are proposed to be retained. These will greatly simplify the present PIT system.

#### ***A.4. On Gradual Reduction of Income Tax Rates Over Two (2) Years or Three (3) Years***

The proposed gradual reduction of income tax rates over a two or three-year period will cushion the revenue impact on the government than an outright reduction. A longer gradual reduction is more preferable from revenue viewpoint.

#### A.5. Incorporating the Minimum Wage Level into Income Tax Schedule

1. **HB 39** seeks to restructure the PIT schedule by replacing the net taxable income brackets with “*minimum wage plus X amounts;*” exempting the amount of “*minimum wage;*” and subjecting to the tax, the excess of the minimum wage plus X amount in the lower end of the income bracket. As earlier mentioned, minimum wage in the Philippines varies between and among regions, provinces, cities, and municipalities. As such, the administration of the PIT shall be complicated. (**Table 1**).

**Table 1. REGIONAL DAILY MINIMUM WAGE RATES**  
(In Pesos)  
(As of August 2016)

REGION	Non-Agriculture		Agriculture			
	Lowest	Highest	Plantation		Non-Plantation	
			Lowest	Highest	Lowest	Highest
NCR	PhP454.00	PhP491.00	PhP454.00	PhPP454.00	PhP454.00	PhP454.00
CAR	265.00	285.00	255.00	285.00	255.00	285.00
I	227.00	253.00	233.00	233.00	227.00	227.00
II	300.00	300.00	280.00	280.00	280.00	280.00
III	313.00	364.00	298.00	334.00	298.00	334.00
IV-A	285.00	378.50	275.00	353.50	275.00	333.50
IV-B	225.00	285.00	230.00	235.00	230.00	235.00
V	248.00	265.00	248.00	248.00	248.00	248.00
VI	256.50	298.50	266.50	266.50	256.50	256.50
VII	295.00	353.00	275.00	335.00	275.00	335.00
VIII	260.00	260.00	241.00	241.00	235.00	235.00
IX	280.00	280.00	255.00	255.00	235.00	235.00
X	303.00	318.00	291.00	306.00	291.00	306.00
XI	317.00	317.00	307.00	307.00	307.00	307.00
XII	275.00	275.00	257.00	257.00	257.00	257.00
XIII	275.00	275.00	275.00	275.00	275.00	275.00
ARMM	265.00	265.00	255.00	255.00	255.00	255.00

Source: National Wages and Productivity Commission Website. *Summary of Current Regional Daily Minimum Wage Rates*. <[http://www.nwpc.dole.gov.ph/pages/statistics/stat\\_current\\_regional.pdf](http://www.nwpc.dole.gov.ph/pages/statistics/stat_current_regional.pdf)>, viewed on October 13, 2016.

2. Aside from complexities in tax administration, the proposed income tax schedule will perpetuate the inequities in the tax treatment of individual taxpayers as a result of the exemption of MWEs. For instance, one worker could be exempt and the other, taxable even if they have the same income, depending on the place of their work, or both can be exempt even if they earn different amounts of income. Thus, it is recommended



that the exemption of MWEs be lifted and MW be integrated into the exempt threshold in a progressive PIT schedule.

#### ***A.6. On Proposed Taxation of SEPs***

1. HBs 4688 and 4774 seek to impose on SEPs with gross sales/receipts (GS/R) below the proposed VAT threshold of PhP3 million a tax of 8% of GS/R in lieu of VAT and percentage tax. On the other hand, those with GS/R above the threshold shall be taxed as corporations as to applicable tax rate, minimum income tax and allowable deductions except for OSD. Under the bills, OSD for SEPs shall be reduced from 40% to 20% of GS/R. Moreover, allowable deductions shall be limited to those provided under the Tax Code while those granted under special laws shall be removed.
2. The proposed tax based on GS/R is simpler and easier to administer than the net income tax system where the cost of goods sold or cost of services, deductions and exemptions need to be determined and substantiated. The proposed tax regime is seen to enhance taxpayers' compliance. In 2015, there were only 647,505 SEPs tax filers or 26% of 2,497,698 BIR-registered SEPs as of the year. With the simplified tax system, it is anticipated that more SEPs will be encouraged to file and pay income tax.
3. It is noted however that under present system, barangay micro business enterprises (BMBEs) are exempt from income tax pursuant to RA 9178. These are business entities or enterprises engaged in the production, processing or manufacturing of products or commodities, including agro-processing, trading and services, whose total assets including those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, are not more than PhP3 million. Under the proposal, they will be taxed at 8% of GS/R. Based on available statistics, out of 900,914 business enterprises in 2015, around 806,600 were micro enterprises which will be greatly affected by the proposal.
4. On the other hand, those with GS/R of more than PhP3 million will be taxed at regular corporate tax rate (CIT) of 30% of net taxable income or at the minimum corporate income tax (MCIT) of 2% of gross income whichever is higher. The proposal is seen to be a big jump in the tax from 8% of GS/R especially for professionals with minimal cost of service and other direct costs. Hence, this may encourage these professionals to keep their gross receipts within the threshold and discourage them from expanding.

5. Based on the foregoing, it is suggested that all SEPs be given the option to select between the 8% tax on GS/R and the progressive PIT schedule with exempt threshold. Small entrepreneurs will remain exempt while other SEPs will be taxed based on their ability to pay. They will also have the option to choose the 8% tax on GS/R which is simpler and easier to comply with.

***B. On the Proposed Amendments to Current Provisions on Basic PAE Allowances***

1. Similar with the proposed restructuring of the PIT schedule, the government will incur revenue losses on the proposed increase in PAE allowances for individual taxpayers. Also, claiming personal exemption for non-working spouse or including financially incapable parents and legal guardians of PWDs or CSNs in the definition of dependents for purposes of claiming additional exemption allowances may complicate the PIT and lead to tax leakages if not efficiently monitored. The additional work for the tax machinery will also increase tax administration cost.
2. It is noted that the government through the Department of Social Welfare and Development (DSWD) is currently implementing its Social Pension Program which provides indigent senior citizens Php500 monthly subsidy based on the Expanded Senior Citizens Act of 2010<sup>1</sup>. Qualified senior citizens under this program are those of age 65 years and above who are frail, sickly or with disability, are not receiving any pension, and have no source of income or regular support from their relatives. In lieu of the proposal, the expansion of the coverage of the Social Pension Program to benefit senior citizens who are 60 years of age and above and are incapable of self-support is suggested.
3. In some of the bills, the PAE along with certain exemptions and deductions are proposed to be subsumed in the tax-exempt thresholds in their respective proposed tax schedules. Such proposals will greatly simplify the PIT system; hence, these are supported.
4. On the proposed increase in the age ceiling of qualified dependents from 21 to 23 years old in view of the K to 12 Program pursuant to RA 10533, otherwise known as the “Enhanced Basic Education Act of 2013”, it may be noted that the proposal may become irrelevant already with the proposed integration of the PAE into the tax-exempt threshold in the proposed PIT schedules in a number of bills.

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<sup>1</sup> For the calendar year 2015, a total of 877,198 social pensioners or 93.36% of the 939,609 target eligible senior citizens ages 65 and above benefitted from the program (Source: 2015 DSWD Annual Report). It can be estimated that the total social pension benefits amounting to Php5.3 billion were distributed to the beneficiaries for 2015.



***C. On the Indexation of Taxable Income Brackets and PAE Allowances to Present Value Using CPI***

1. The rationale of inflation indexation is to remove from the purview of taxation the effect of inflation on income. It can be applied to all the parameters of the PIT structure such as taxable income bracket, PAE and other fixed deductions because inflation erodes their value in constant terms. Ideally, the indexing of such parameters to inflation aims to restore the effective tax rate of taxpayers to the same level with the effective tax rate during the year when such amounts were set.
2. The proposal to adjust the taxable income levels once every three, five or six years as proposed in a number of bills based on the three, five or six-year cumulative inflation rate as the case may be is laudable. This will be the first time that such a provision shall be introduced to the Philippine PIT schedule. In the light of the “bracket creep” phenomenon, the proposed inflation adjustment provision on PIT structure is supported as it relieves Congress from revising the same from time to time.
3. At present, jurisdictions which have indexing provision to automatically offset the inflationary impact on their respective PIT structures include Canada, Chile, Israel, Mexico, Taiwan and United States of America, among others. (**Annex C**).
4. On the adjustment to inflation of PAE levels, it may be noted that this was introduced in the Philippines in 1981 by virtue of Presidential Decree (PD) No. 1773, which provided that upon the recommendation of the Secretary of Finance, the President shall automatically adjust not more than once every three (3) years, the amount of PAE taking into account, among others, the movement in CPI, level of minimum wage and bare subsistence level. The provision on inflation adjustment of PAE, however, was repealed under RA 8424 or the Tax Reform Act of 1997 but set the basic personal exemption at PhP20,000 for single taxpayers, PhP25,000 for head of family and PhP32,000 for married taxpayers. Said amounts were last adjusted in 2008 through RA 9504 to a uniform amount of PhP50,000 regardless of the status of the taxpayer. The additional exemption allowance, on the other hand, was increased from PhP8,000 to PhP25,000 for each qualified dependent not exceeding four (4).

***D. On Proposed Exclusions from Gross Income of Taxpayer for Income Tax Purposes***

1. The proposed exclusion of overtime pay and night shift differential pay from gross income, thus, exempting them from income tax will further erode the tax base and affect the progressivity of the tax system. The proposal may also pose administrative burden on the part of taxing authority especially in ascertaining the amount of night shift differential pay that will be entitled to the incentive in the case of workers in airline and navigation companies, manufacturing



companies and health workers, security agencies, etc. as they alternately work on day shift and night shift.

2. On the proposed exclusion of 13<sup>th</sup> month pay and other benefits regardless of amount, it may be noted that the tax exempt ceiling of PhP82,000 is already sufficient and benefitting a great number of CIEs. Removing the cap will further erode the tax base and will only benefit high salaried taxpayers, who have the capacity to pay the tax for the amounts in excess of PhP82,000. Hence, the status quo is recommended.
3. The proposed automatic indexation to inflation every three (3) years of the exempt ceiling will make the threshold amount more realistic and reflective of the inflation rate in view of the length of time that it took the Congress to adjust the same. It may be noted that more than two (2) decades lapsed until the cap has been adjusted from PhP30,000 set in 1994 via RA 7833 to PhP82,000 in 2015 via RA 10653. It is suggested however that there should be uniformity in the periods of indexation of all amounts to inflation.
4. The proposed exclusion of PBB from gross income of the taxpayer may be considered on the ground that this is given by the government in recognition of the exemplary work of its personnel in carrying out their duties. In view, however, of its revenue implication and the fact that the PIT shall be significantly reduced, its current inclusion in the PhP82,000 ceiling is recommended.

#### ***E. On Additional Allowable Deductions from Gross Income of Taxpayer***

1. The proposal to allow qualified taxpayers to deduct from their gross income for income tax purposes, interests paid from any loan obtained for purposes of acquiring first family home may be reconsidered in the light of its revenue implication and it might not actually benefit the low income taxpayers but rather the high and middle income earners. This will also be contrary to the thrust of the government to simplify the PIT system. If the intention is to help Filipino families acquire their first family homes, it need not be through the proposed home mortgage interest relief but instead in the form of direct assistance through various housing assistance programs of different government agencies.
2. Similarly, the proposal to allow educational expenses as deduction from individual taxpayer's gross income is not supported. The proposal would complicate the existing tax system especially among CIEs who are subject to withholding tax. It would be cumbersome to include a deduction that is not fixed or varies for every individual. Moreover, the use of taxation to address the problems in the access to education is not the most practical solution. A more direct assistance is the provision of grants-in-aid and scholarships to poor but deserving students enrolled in public and private HEIs or increase the budgetary

support of the government for SUCs to enable them to increase the number of beneficiaries of their student assistance programs.

3. Allowing medical expenses incurred by individual taxpayers as deduction from gross income is likewise not supported. The provision of the government for 100% Philhealth coverage is seen to be a more direct way of providing the taxpayers access to health benefits rather than through taxation.
4. The proposed exemption of all allowances and benefits granted to public school teachers, including those in SUCs from income tax will constitute “class legislation” and runs counter to the policy of taxing similarly situated taxpayers equally. The proposal is also biased against the teachers in the private educational institutions and individuals whose jobs are deemed equally noble like health workers and uniformed personnel, among others.

#### ***F. On Lifting of Exemption of Lotto Winnings***

1. The proposed lifting of the exemption of Philippine Charity Sweepstakes and lotto winnings from 20% final withholding tax (FWT) under Section 24(B)(1) of the NIRC of 1997, as amended is deemed appropriate. If hard earned money are taxable, the more that these easily earned money should be taxed. It is worthy to mention that the biggest jackpot prize in lotto amounting to PhP741 million was allegedly taxed by the US government because the winner is a US citizen but was tax-free in the Philippines.
2. Using 2016 payouts by the PCSO to its lotto games amounting to PhP16.12 billion, estimated revenue gain from imposing a 20% final tax on such winnings or earnings would amount to around PhP3.2 billion.
3. It is worth mentioning however that under RA 1169 or the PCSO Charter, a 5% prize fund tax is being paid to the BIR in lieu of the income tax. Hence, with the proposed imposition of the 20% FWT on lotto winnings, the 5% prize fund tax is recommended to be withdrawn. In 2016, the PCSO remitted to the BIR a prize fund tax amounting to PhP1.07 billion.

#### ***G. On Lowering the FBT Rate to Thirty (30%) Percent and Make Fringe Benefits Part of Gross Income of Employees***

1. The proposal will be most welcomed by employers as there will be a reduction in the FBT liability. Consequently, the amount of deductions from their gross income for such ordinary and necessary business expense shall also be reduced.
2. As regards the provision under the bill for CY 2020 and onwards where fringe benefits shall form part of the individual taxpayer’s gross income subject to

regular income tax rates, the same will free employers from the tax while employees receiving such form of incentives shall shoulder the tax liability corresponding to such benefit. Such inclusion will push taxpayers to higher income tax brackets.

3. The collection from the FBT amounted to around PhP4.2 billion in 2015. The tax was sourced from total fringe benefits amounting to PhP10.0 billion granted by employers to 99,726 employees.

***J. On Preferential Tax Treatment of Employees of RHQs/ROHQs, OBUs and Petroleum Contractors and Subcontractors***

HBs 4688 and 4774 seek to remove the preferential income tax of 15% of gross income of employees of RHQs/ROHQs, OBUs and petroleum contractors and subcontractors. The proposal is supported for simplicity and uniformity in the tax treatment of nonresident alien individuals not engaged in trade or business in the Philippines. This will enhance revenue productivity of the income tax.

### **III. CONCLUSION AND RECOMMENDATION**

The various bills filed in Congress which seek to restructure the PIT system have their own salient features. Some bills propose changes in the PIT schedule only while others propose adjustments only in the PAE. A few others seek to reform the current exclusions and deductions from gross income of the taxpayers while others attempt to simplifying the PIT structure and address the problems and issues in the current PIT system.

As of this writing, a Substitute Bill is being crafted by a Technical Working Group, hopefully to come up with a comprehensive PIT reform package. As agreed by the members of the House Committee on Ways and Means during the deliberation of the bills before the Holy Week break, all proposed tax reforms should be taken as a package. Thus, the proposed reduction in the PIT shall be offset by other revenue enhancing measures and that there shall be no piecemeal enactment of the PIT reform.





## Annex A. PRESENT AND PROPOSED PIT STRUCTURES UNDER THE 17<sup>TH</sup> CONGRESS

### I. Present Tax Schedule

Section 24(A), NIRC of 1997, as Amended	Tax Schedule			
	<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>
	Not over PhP10,000	5%		
	Over PhP10,000 but not over 30,000	PhP500	10%	PhP10,000
	Over PhP30,000 but not over 70,000	2,500	15%	30,000
	Over PhP70,000 but not over 140,000	8,500	20%	70,000
	Over PhP140,000 but not over 250,000	22,500	25%	140,000
	Over PhP250,000 but not over 500,000	50,000	30%	250,000
	Over PhP500,000	125,000	32%	500,000

### II. Proposals on PIT System

#### A. Proposed PIT Schedules

##### 1. HBs Proposing Inflation-Adjusted Taxable Income Brackets While Retaining Current Progressive Tax Rates of 5-32%

HB No. / Title / Author	Salient Features			
<b>1. HB 20</b> - An Act Restructuring the Income Tax Imposed on Individuals, Amending for the Purpose Section 24 of the National Internal Revenue Code of 1997, as Amended (By Reps. Romero “Miro” Quimbo, Francis A. Abaya and Rozzano Rufino Biazon)	<b>A. Tax Schedule</b>			
	<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>
	Not over PhP21,613	5%		
	Over PhP21,613 but not over 64,839	PhP1,080	10%	PhP21,613
	Over PhP64,839 but not over 151,290	5,402	15%	64,839
	Over PhP151,290 but not over 302,581	18,370	20%	151,290
	Over PhP302,581 but not over 540,323	48,628	25%	302,581
	Over PhP540,323 but not over 1,080,645	108,063	30%	540,323
	Over PhP1,080,645	270,160	32%	1,080,645
	<b>B. Other Features</b>			
<b>2. HB 3360</b> - 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	■ For both bills, adjustment to present value of taxable income levels and tax base amounts every three (3) years using CPI, as published by the PSA. For <b>HB 3360</b> , the amount of			

HB No. / Title / Author	Salient Features			
Revenue Code of 1997, as Amended (By Rep. Sharon S. Garin)	personal and additional exemption allowances shall also be adjusted to present value using CPI every three (3) years.			
3. HB 35 - An Act Restructuring the Income Taxes Imposed on Individuals and Corporations, Amending for the Purpose Sections 24 (A) (2); 27 (A); and 28 (A) (1) And (B) (1) of the National Internal Revenue Code of 1997, as Amended (By Rep. Raul V. del Mar)	A. Tax Schedule			
	Taxable Income	Tax	Plus	Of the excess over
	Not over Php20,500	5%		
	Over Php20,500 but not over 61,500	Php1,025	10%	Php20,500
	Over Php61,500 but not over 143,500	5,125	15%	61,500
	Over Php143,500 but not over 287,000	17,425	20%	143,500
	Over Php287,000 but not over 512,500	46,125	25%	287,000
	Over Php512,500 but not over 1,025,000	102,500	30%	512,500
	Over Php1,025,000	256,250	32%	1,025,000
	B. Other Features			
	▪ For both bills, there shall be an adjustment to present value of taxable income levels and nominal tax rates every three (3) years using CPI, as published by the PSA.			
	▪ For HB 466, the amount of personal and additional exemption allowances shall also be adjusted to present value using CPI every three (3) years.			
4. HB 466 - An Act Restructuring the Income Tax Imposed on Individuals, Amending for the Purpose Sections 24 (A) (2) and 35 (B) of the National Internal Revenue Code of 1997, as Amended (By Rep. Raneo E. Abu)				
5. HB 403 - 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 (By Rep. Rodrigo A. Abellanosa)	A. Tax Schedule			
	Taxable Income	Tax	Plus	Of the excess over
	Not over Php20,000	5%		
	Over Php20,000 but not over 60,000	Php1,000	10%	Php20,000
	Over Php60,000 but not over 140,000	5,000	15%	60,000
	Over Php140,000 but not over 280,000	17,000	20%	140,000
	Over Php280,000 but not over 500,000	45,000	25%	280,000
	Over Php500,000 but not over 1,000,000	100,000	30%	500,000
	Over Php1,000,000	250,000	32%	1,000,000
6. HB 3259 - An Act Adjusting the Income Brackets and Rates of Tax Imposed on Taxable Income of Individuals, Amending for this Purpose Section 24 of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes (By Rep. Emmeline Y. Aglipay-Villar)				

HB No. / Title / Author	Salient Features			
<b>7. HB 1945</b> - An Act Adjusting the Levels of Net Taxable Income and Nominal Tax Rates for Purposes of Computing the Individual Income Tax, Amending Section 24 (A) (2) of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes (By Rep. Vilma Santos-Recto)	<b>A. Tax Schedule</b>			
	<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>
	Not over PhP25,000	5%		
	PhP25,000 to 65,000	PhP1,250	10%	PhP25,000
	PhP65,000 to 150,000	5,250	15%	65,000
	PhP150,000 to 300,000	18,000	20%	150,000
	PhP300,000 to 540,000	48,000	25%	300,000
	PhP540,000 to 1,100,000	108,000	30%	540,000
	PhP1,100,000	276,000	32%	1,100,000
	<b>B. Other Feature</b>			
	<ul style="list-style-type: none"> <li>Adjustment to present value of the net taxable income levels and nominal tax rates herein stated every six (6) years using the CPI, as published by the PSA</li> </ul>			
<b>8. HB 2427</b> – 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 (By Rep. Paolo Everardo S. Javier)	<b>A. Tax Schedule</b>			
	<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>
	Not over PhP21,500	5%		
	Over PhP21,500 but not over 64,500	PhP1,075	10%	PhP21,500
	Over PhP64,500 but not over 150,500	5,375	15%	64,500
	Over PhP150,500 but not over 301,000	18,275	20%	150,500
	Over PhP301,000 but not over 537,500	48,375	25%	301,000
	Over PhP537,500 but not over 1,075,000	107,500	30%	537,500
	Over PhP1,075,000	268,250	32%	1,075,000
	<b>B. Other Features</b>			
	<ul style="list-style-type: none"> <li>Adjustment to present value of the net taxable income levels and nominal tax rates herein stated every three (3) years using the CPI, as published by the PSA.</li> <li>The amount of personal and additional exemption allowances shall also be adjusted to present value using CPI every three (3) years.</li> </ul>			



2. *HBs Proposing Five-Bracket Tax Schedules with Highest Marginal Tax Rate of 25%*

HB No. / Title / Author	Salient Features			
<b>1. HB 103</b> - An Act Instituting Income Tax Reform for Individual Taxpayers, Amending for this Purpose Section 24(A)(2) and 35(A) of the National Internal Revenue Code of 1997, as Amended, and For Other Purposes (By Hon. Angelina “Helen” D.L. Tan, M.D.)	<b>A. Tax Schedule</b>			
	<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>
	Not over PhP249,000	Exempt		
	Over PhP249,000 but not over 1,000,000	PhP25,000	10%	PhP249,000
	Over PhP1,000,000 but not over 2,000,000	90,000	15%	1,000,000
	Over PhP2,000,000 but not over 3,000,000	240,000	20%	2,000,000
	Over PhP3,000,000	440,000	25%	3,000,000
<b>2. HBs 1601 &amp; 1604</b> – An Act Adjusting the Level of Net Taxable Income and Nominal Tax Rates for Purposes of Promoting the Individual Income Tax, Amending Section 24(A)(2) of the National Internal Revenue Code of 1997, As Amended, and for Other Purposes (By Rep. Teddy Brawner Baguilat)	<b>B. Other Features</b>			
	<ul style="list-style-type: none"> <li>Adjustment to present value of net taxable income levels and tax rates and personal exemption every six (6) years using CPI, as published by the PSA.</li> <li>Increasing the amount of personal exemption to PhP150,000.</li> <li>Allows for a working spouse to claim a personal exemption allowance for his/ her spouse who is not gainfully employed, has no gross income, and has not filed a return; provided, that the said non-working spouse is exclusively living the taxpayer.</li> </ul>			
	<b>A. Tax Schedule</b>			
	<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>
	Not over PhP300,000	Exempt		
	Over PhP300,000 but not over 600,000	10%		PhP300,000
	Over PhP600,000 but not over 1,000,000	50,000	15%	600,000
	Over PhP1,000,000 but not over 2,500,000	120,000	20%	1,000,000
	Over PhP2,500,000	220,000	25%	2,500,000
	<b>B. Other Features</b>			
	<ul style="list-style-type: none"> <li>Adjustment to present value of net taxable income levels and tax rates every six (6) years using CPI, as published by the PSA.</li> <li>Repeal PAE allowances provided under Section 35(A), (B), and (C) of the NIRC of 1997, as amended.</li> </ul>			

HB No. / Title / Author	Salient Features			
3. <b>HB 1950</b> - An Act Instituting Income Tax Reform for Individual and Corporate Taxpayers, Amending for this Purpose Sections 24(A)(2), 27(A) and 35(A) of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes ( <b>By Rep. Vilma Santos-Recto</b> )	<b>A. Tax Schedule</b>			
	<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>
	Not over PhP300,000	5%		
	Over PhP300,000 but not over 600,000	PhP15,000	10%	PhP300,000
	Over PhP600,000 but not over 900,000	45,000	15%	600,000
	Over PhP900,000 but not over 1,200,000	90,000	20%	900,000
	Over PhP1,200,000	150,000	25%	1,200,000
<b>B. Other Features</b>				
<ul style="list-style-type: none"> <li>Adjustment to present value of taxable income levels, nominal tax rates, and personal exemption every six (6) years using CPI, as published by the PSA.</li> <li>Increasing the amount of personal exemption to PhP150,000.</li> </ul>				

### 3. *HBs Single Tax Schedule with Tax-Exempt Threshold at Varying Amounts*

#### a. *HBs Proposing Single Tax Schedule*

HB No. / Title / Author	Salient Features			
1. <b>HB 57</b> – An Act Restructuring the Income Brackets and Rates of Tax Imposed on Taxable Income of Individuals, Amending for the Purpose Sections 24, 32, 33, 34, and 35 of the 1997 National Internal Revenue Code of the Philippines, as Amended ( <b>By ACT Teachers Party-List Rep. Antonio L. Tinio and Rep. Francisca L. Castro</b> )	<b>A. Tax Schedule</b>			
	<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>
	Not Over PhP396,000	Exempt		
	Over PhP396,000 but not over 640,000		10%	PhP396,000
	Over PhP640,000 but not over 1,000,000	PhP24,400	15%	640,000
	Over PhP1,000,000 but not over 1,650,000	78,400	20%	1,000,000
	Over PhP1,650,000 but not over 2,700,000	208,400	25%	1,650,000
	Over PhP2,700,000 but not over 5,000,000	470,900	30%	2,700,000
	Over PhP5,000,000	805,000	35%	5,000,000
	<b>B. Other Features:</b>			
	▪ Repeal income tax exemption of MWEs under Section 24 of the NIRC of 1997, as amended.			

HB No. / Title / Author	Salient Features																												
	<ul style="list-style-type: none"><li>▪ Adjustment to present value of taxable income levels and tax base amounts every three (3) years using CPI, as published by the PSA.</li><li>▪ 13th month pay and other benefits, and contributions made to GSIS, SSS, Medicare and Pag-IBIG, and union dues of individuals are no longer considered as excludible items from gross income.</li><li>▪ Reduces the fringe benefits tax (FBT) rate to thirty (30%) percent and made the same applicable to all employees (including rank-and-file)</li><li>▪ Disallows premiums payment on health and/or hospitalization insurance as a deductible item from the gross income of individuals</li><li>▪ Introduces a new section in the Tax Code which allows 40% Optional Standard Deduction from the gross income of an individual taxpayer.</li></ul>																												
2. <b>HB 333 &amp; 1536</b> – An Act Restructuring the Income Brackets and Rates of Tax Imposed on Taxable Income of Individuals, Amending for the Purpose Sections 24, 32, 33, 34 and 35 of the 1997 National Internal Revenue Code of the Philippines, as Amended <b>(By Rep. Carlos Isagani T. Zarate, and Rep. Rodrigo A. Abellanos, respectively)</b>	<p><b>A. Tax Schedule</b></p> <table><tr><th><i>Taxable Income</i></th><th><i>Tax</i></th><th><i>Plus</i></th><th><i>Of the excess over</i></th></tr><tr><td>Not over PhP396,000</td><td>Exempt</td><td></td><td></td></tr><tr><td>Over PhP396,000 but not over 640,000</td><td>-</td><td>10%</td><td>PhP396,000</td></tr><tr><td>Over PhP640,000 but not over 1,000,000</td><td>24,400</td><td>15%</td><td>640,000</td></tr><tr><td>Over PhP1,000,000 but not over 1,650,000</td><td>78,400</td><td>20%</td><td>1,000,000</td></tr><tr><td>Over PhP1,650,000 but not over 2,700,000</td><td>208,400</td><td>25%</td><td>1,650,000</td></tr><tr><td>Over PhP2,700,000</td><td>470,900</td><td>30%</td><td>2,700,000</td></tr></table> <p><b>B. Other Features</b></p> <ul style="list-style-type: none"><li>▪ Repeal income tax exemption of MWEs under Section 24 of the NIRC of 1997, as amended.</li><li>▪ Adjustment to present value of amounts stated in the proposed tax schedule using CPI, as published by the PSA: (1) for HB 333 - every three (3) years; and (2) for HB 1536 - every six (6) years.</li><li>▪ Reduces the fringe benefits tax (FBT) rate to thirty (30%) percent and made the same applicable to all employees (including rank-and-file)</li><li>▪ Disallows premiums payment on health and/or hospitalization insurance as a deductible item from the gross income of individuals</li></ul>	<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>	Not over PhP396,000	Exempt			Over PhP396,000 but not over 640,000	-	10%	PhP396,000	Over PhP640,000 but not over 1,000,000	24,400	15%	640,000	Over PhP1,000,000 but not over 1,650,000	78,400	20%	1,000,000	Over PhP1,650,000 but not over 2,700,000	208,400	25%	1,650,000	Over PhP2,700,000	470,900	30%	2,700,000
<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>																										
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HB No. / Title / Author	Salient Features																																											
	<ul style="list-style-type: none"><li>Introduces a new section in the Tax Code which allows 40% Optional Standard Deduction from the gross income of an individual taxpayer</li><li>For <b>HB 333</b>, removal of the 13th month pay and other benefits, and contributions made to GSIS, SSS, Medicare and Pag-IBIG, and union dues of individuals from the list of items excluded from gross income</li></ul>																																											
3. <b>HB 411</b> - An Act Amending Section 24 of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes (By Rep. Tobias “Toby” M. Tiangco)	<b>A. Tax Schedule</b> <table><tr><th><i>Taxable Income</i></th><th><i>Tax</i></th></tr><tr><td>Not over Php360,000</td><td>0%</td></tr><tr><td>Over Php360,000 but not over 600,000</td><td>10%</td></tr><tr><td>Over Php600,000 but not over 960,000</td><td>20%</td></tr><tr><td>Over Php960,000 but not over 1,440,000</td><td>25%</td></tr><tr><td>Over Php1,440,000 but not over 1,920,000</td><td>30%</td></tr><tr><td>Over Php1,920,000</td><td>32%</td></tr></table>				<i>Taxable Income</i>	<i>Tax</i>	Not over Php360,000	0%	Over Php360,000 but not over 600,000	10%	Over Php600,000 but not over 960,000	20%	Over Php960,000 but not over 1,440,000	25%	Over Php1,440,000 but not over 1,920,000	30%	Over Php1,920,000	32%																										
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Over Php1,920,000	32%																																											
4. <b>HB 4134</b> - An Act Amending Sections 24, 34 and 110 of Republic Act No. 8424, Otherwise Known as the “National Internal Revenue Code of 1997, as Amended, Reducing the Income Tax Liabilities of Individuals and for Other Purposes (By Rep. Kaka Bag-ao)	<b>A. Tax Schedule</b> <table><tr><th><i>Taxable Income</i></th><th><i>Tax</i></th><th><i>Plus</i></th><th><i>Of the excess over</i></th></tr><tr><td>Not over Php350,000</td><td>NONE</td><td></td><td></td></tr><tr><td>Over Php350,000 but not over 400,000</td><td>18%</td><td></td><td>Php350,000</td></tr><tr><td>Over Php400,000 but not over 500,000</td><td>Php9,000</td><td>20%</td><td>400,000</td></tr><tr><td>Over Php500,000 but not over 600,000</td><td>29,000</td><td>22%</td><td>500,000</td></tr><tr><td>Over Php600,000 but not over 700,000</td><td>51,000</td><td>24%</td><td>600,000</td></tr><tr><td>Over Php700,000 but not over 800,000</td><td>75,000</td><td>26%</td><td>700,000</td></tr><tr><td>Over Php800,000 but not over 900,000</td><td>101,000</td><td>28%</td><td>800,000</td></tr><tr><td>Over Php900,000 but not over 1,000,000</td><td>129,000</td><td>30%</td><td>900,000</td></tr><tr><td>Over Php1,000,000</td><td>159,000</td><td>32%</td><td>1,000,000</td></tr></table> <b>B. Other Features</b> <ul style="list-style-type: none"><li>Entitling compensation income earners (CIEs) to deduct from their gross income educational expenses of not more than Php20,000 each person for himself/herself or his/her children provided that the deduction shall not be for not more than two (2) persons.</li><li>Entitling CIEs to deduct medical expenses from his/her gross income in an amount of not more than Php20,000 for himself/herself or his/her dependents.</li></ul>				<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>	Not over Php350,000	NONE			Over Php350,000 but not over 400,000	18%		Php350,000	Over Php400,000 but not over 500,000	Php9,000	20%	400,000	Over Php500,000 but not over 600,000	29,000	22%	500,000	Over Php600,000 but not over 700,000	51,000	24%	600,000	Over Php700,000 but not over 800,000	75,000	26%	700,000	Over Php800,000 but not over 900,000	101,000	28%	800,000	Over Php900,000 but not over 1,000,000	129,000	30%	900,000	Over Php1,000,000	159,000	32%	1,000,000
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HB No. / Title / Author	Salient Features			
	<ul style="list-style-type: none"><li>Grant women income earners with at least one (1) child less than eighteen (18) years of age a tax credit of PhP20,000.</li></ul>			
5. HBs 1601 & 1604	Please refer to page 21 of this Annex.			
6. HB 103	Please refer to page 20 of this Annex.			
7. HB 1657 – An Act Amending Section 24 of the National Internal Revenue Code of 1997, As Amended, and for Other Purposes (By Rep. Bellaflor J. Angara-Castillo)	<b>A. Tax Schedule</b>			
	<i>Taxable Income</i>	<i>Tax</i>	<i>Plus</i>	<i>Of the excess over</i>
	Not over PhP70,000	0%		
	Over PhP70,000 but not over 175,000	15%		
	Over PhP175,000 but not over 350,000	PhP26,250	20%	PhP175,000
	Over PhP350,000 but not over 625,000	61,250	25%	350,000
	Over PhP625,000 but not over 1,250,000	130,000	30%	625,000
	Over PhP1,250,000	317,500	32%	1,250,000
	<b>B. Other Feature</b>			
	<ul style="list-style-type: none"><li>The President shall adjust the minimum and maximum amounts for each rate bracket to present value using the CPI or similar index by other department, bureau or office of the government every three (3) years.</li></ul>			

**b. HBs Proposing Gradual Reduction of Income Tax Rates Over Two (2) Years**

HB No. / Title / Author	Salient Features							
1. <b>HB 4696</b> – An Act Amending Section 24 of Republic Act No. 8424 Otherwise Known as “The National Internal Revenue Code of 1997” as Amended, And For Other Purposes” ( <b>By Rep. Luis Raymund “Lray” F. Villafuerte</b> )	<b>A. Tax Schedules</b>							
	<b>Tax Schedule 2018</b>				<b>Tax Schedule 2019</b>			
	<b>Taxable Income</b>	<b>Tax</b>	<b>Plus</b>	<b>Of the excess over</b>	<b>Taxable Income</b>	<b>Tax</b>	<b>Plus</b>	<b>Of the excess over</b>
	Not Over PhP250,000	0%			Not Over PhP250,000	0%		
	Over PhP250,000 but not over 400,000	-	20%	PhP250,000	Over PhP250,000 but not over 400,000	-	15%	PhP250,000
	Over PhP400,000 but not over 800,000	PhP30,000	25%	400,000	Over PhP400,000 but not over 800,000	PhP22,500	20%	400,000
	Over PhP800,000 but not over 2,000,000	130,000	30%	800,000	Over PhP800,000 but not over 2,000,000	102,500	25%	800,000
	Over PhP2,000,000 but not over 5,000,000	490,000	32%	2,000,000	Over PhP2,000,000 but not over 5,000,000	402,500	30%	2,000,000
	Over PhP5,000,000	1,450,000	35%	5,000,000	Over PhP5,000,000	1,302,500	35%	5,000,000

HB No. / Title / Author	Salient Features																																																																
	<p><b>B. Other Features</b></p> <ul style="list-style-type: none"><li>▪ Removal of the income tax exemption of minimum wage earners.</li><li>▪ Adjustment by the Secretary of Finance of the taxable income levels every five (5) years after considering among others the effect on the same of the five-year cumulative inflation rate.</li></ul>																																																																
<p><b>2. HB 4688</b> – An Act Amending Sections 22, 24, 31, 32, 34, 35, 79, 106, 107, 108, 110, 148 and title VI of Republic Act No. 8424 Otherwise Known as “The National Internal Revenue Code of 1997”, As Amended, And for Other Purposes (By Rep. Joey Sarte Salceda)</p>	<p><b>A. Tax Schedules</b></p> <table><tr><th colspan="4">Tax Schedule 2018</th><th colspan="4">Tax Schedule 2019</th></tr><tr><th>Taxable Income</th><th>Tax</th><th>Plus</th><th>Of the excess over</th><th>Taxable Income</th><th>Tax</th><th>Plus</th><th>Of the excess over</th></tr><tr><td>Not Over PhP250,000</td><td>0%</td><td></td><td></td><td>Not Over PhP250,000</td><td>0%</td><td></td><td></td></tr><tr><td>Over PhP250,000 but not over 400,000</td><td>-</td><td>20%</td><td>PhP250,000</td><td>Over PhP250,000 but not over 400,000</td><td>-</td><td>15%</td><td>PhP250,000</td></tr><tr><td>Over PhP400,000 but not over 800,000</td><td>PhP30,000</td><td>25%</td><td>400,000</td><td>Over PhP400,000 but not over 800,000</td><td>PhP22,500</td><td>20%</td><td>400,000</td></tr><tr><td>Over PhP800,000 but not over 2,000,000</td><td>130,000</td><td>30%</td><td>800,000</td><td>Over PhP800,000 but not over 2,000,000</td><td>102,500</td><td>25%</td><td>800,000</td></tr><tr><td>Over PhP2,000,000 but not over 5,000,000</td><td>490,000</td><td>32%</td><td>2,000,000</td><td>Over PhP2,000,000 but not over 5,000,000</td><td>402,500</td><td>30%</td><td>2,000,000</td></tr><tr><td>Over PhP5,000,000</td><td>1,450,000</td><td>35%</td><td>5,000,000</td><td>Over PhP5,000,000</td><td>1,302,500</td><td>35%</td><td>5,000,000</td></tr></table> <p><b>B. Other Features</b></p> <ul style="list-style-type: none"><li>▪ Removal of the income tax exemption of minimum wage earners;</li><li>▪ Removal of the exemption of Philippine Charity Sweepstakes and lotto winnings from income tax;</li><li>▪ Removal of preferential income tax rate of 15% of gross income of those employed by RHQs/ROHQs, OBUs and petroleum contractors and subcontractors;</li><li>▪ Removal of deductions from gross income allowed under special laws;</li><li>▪ Removal from the list of excludible income 13<sup>th</sup> month pay and other benefits;</li><li>▪ Reduction of the rate of fringe benefit tax from 32% to 30% effective January 1, 2019 and the concomitant increase in the divisor in determining the grossed-up monetary value from 68% to 70%;</li><li>▪ Removed the exemption of fringe benefits which are authorized and exempted from tax under special law;</li><li>▪ Removal of optional standard deduction (OSD) for corporations;</li></ul>	Tax Schedule 2018				Tax Schedule 2019				Taxable Income	Tax	Plus	Of the excess over	Taxable Income	Tax	Plus	Of the excess over	Not Over PhP250,000	0%			Not Over PhP250,000	0%			Over PhP250,000 but not over 400,000	-	20%	PhP250,000	Over PhP250,000 but not over 400,000	-	15%	PhP250,000	Over PhP400,000 but not over 800,000	PhP30,000	25%	400,000	Over PhP400,000 but not over 800,000	PhP22,500	20%	400,000	Over PhP800,000 but not over 2,000,000	130,000	30%	800,000	Over PhP800,000 but not over 2,000,000	102,500	25%	800,000	Over PhP2,000,000 but not over 5,000,000	490,000	32%	2,000,000	Over PhP2,000,000 but not over 5,000,000	402,500	30%	2,000,000	Over PhP5,000,000	1,450,000	35%	5,000,000	Over PhP5,000,000	1,302,500	35%	5,000,000
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HB No. / Title / Author	Salient Features
	<ul style="list-style-type: none"> <li>▪ Removal of premium payments on health and/or hospitalization insurance of an individual taxpayer as deduction from gross income;</li> <li>▪ Deletion of Section 35 on the NIRC of 1997, as amended and thereby removing personal and additional exemption;</li> <li>▪ Deletion of Subsection D and F of Section 79 on regarding withholding of personal exemption; and</li> <li>▪ Indexation every five years.</li> </ul>

*c. HBs Proposing Gradual Reduction of Income Tax Rates Over Three (3) Years*

HB No. / Title / Author	Salient Features									
<b>1. HB 137</b> – An Act Amending Sections 24 and 27 of Republic Act 8424, as Amended, Otherwise Known as the National Internal Revenue Code of 1997 <b>(By Rep. Victoria Isabel G. Noel)</b>	<b>A. Tax Schedules</b>									
		Beginning January 1, 2017			Beginning January 1, 2018			Beginning January 1, 2019		
	Taxable Income	Tax	Plus	Of the excess over	Tax	Plus	Of the excess over	Tax	Plus	Of the excess over
	Not over PhP30,000	Exempt			Exempt			Exempt		
	Over PhP30,000 but not over 70,000	PhP2,500	15%	PhP30,000	PhP2,500	13%	PhP30,000	PhP2,500	10%	PhP30,000
	Over PhP70,000 but not over 200,000	8,500	20%	70,000	7,700	18%	70,000	6,500	15%	70,000
	Over PhP200,000 but not over 500,000	34,500	25%	200,000	30,600	23%	200,000	26,000	20%	200,000
	Over PhP500,000 but not over 1,000,000	109,500	30%	500,000	99,600	25%	500,000	86,000	22%	500,000
	Over PhP1,000,000	259,500	32%	1,000,000	224,600	28%	1,000,000	196,000	25%	1,000,000
<b>2. HB 295</b> - An Act Amending Sections 24 and 27 Of Republic Act 8424, as Amended, Otherwise Known as the National Internal Revenue Code of 1997 <b>(By Reps. Horacio P. Suansing, Jr. and Estrellita B. Suansing)</b>										

HB No. / Title / Author	Salient Features									
3. <b>HB 562 and HB 1696-</b> An Act Amending Section 24 of The National Internal Revenue Code of 1997, as Amended, and for Other Purposes <b>(By Rep. Winston “Winnie” Castelo and Rep. Maximo B. Rodriguez, Jr., respectively)</b>	<b>A. Tax Schedules</b>									
	Taxable Income	Beginning January 2, 2015			Beginning January 1, 2016			Beginning January 1, 2017		
		Tax	Plus	Of the excess over	Tax	Plus	Of the excess over	Tax	Plus	Of the excess over
	PhP20,000 but not over PhP70,000	15%			13%			10%		
	Over PhP70,000 but not over 200,000	PhP10,500	20%	PhP70,000	PhP9,100	18%	PhP70,000	PhP7,000	15%	PhP70,000
	Over PhP200,000 but not over 500,000	36,500	25%	200,000	32,500	23%	200,000	26,500	20%	200,000
	Over PhP500,000 but not over 1,000,000	111,500	30%	500,000	101,500	25%	500,000	86,500	22%	500,000
	Over PhP1,000,000	261,500	32%	1,000,000	226,500	28%	1,000,000	196,500	25%	1,000,000
4. <b>HB 1656</b> - An Act Amending Section 24 of The National Internal Revenue Code of 1997, as Amended, and for Other Purposes <b>(By Hon. Bellaflor J. Angara-Castillo);</b>	<b>A. Tax Schedules</b>									
	Taxable Income	Beginning January 1, 2017			Beginning January 1, 2018			Beginning January 1, 2019		
		Tax	Plus	Of the excess over	Tax	Plus	Of the excess over	Tax	Plus	Of the excess over
	Not over PhP70,000	0%			0%			0%		
	Over PhP70,000 but not over 200,000	15%			13%			10%		
	Over PhP200,000 but not over 500,000	PhP30,000	20%	PhP200,000	PhP26,000	18%	PhP200,000	PhP20,000	15%	PhP200,000
	Over PhP500,000 but not over 1,000,000	90,000	25%	500,000	80,000	23%	500,000	65,000	20%	500,000
	Over PhP1,000,000	215,000	32%	1,000,000	195,000	28%	1,000,000	165,000	25%	1,000,000
	<b>B. Other Feature</b>									
	▪ Adjustment by the President of the Philippines the amounts herein stated to its present value using the CPI as published by the PSA: (a) <b>HB 1656 and 2347</b> , every three (3) years; and (b) <b>HB 2544</b> , every five (5) years.									
5. <b>HB 2544-</b> 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 <b>(By Rep. Enrico A. Pineda and Rep. Michael Odylon L. Romero)</b>										

HB No. / Title / Author	Salient Features																																																																						
6. <b>HB 2347-</b> An Act Amending Section 24 of the National Internal Revenue Code of 1997, as Amended, and for Other Purposes <b>(By Rep. Gloria Macapagal-Arroyo)</b>	<p><b>A. Tax Schedules</b></p> <table><thead><tr><th></th><th colspan="3">Beginning January 1, 2017</th><th colspan="3">Beginning January 1, 2018</th><th colspan="3">Beginning January 1, 2019</th></tr><tr><th>Taxable Income</th><th>Tax</th><th>Plus</th><th>Of the excess over</th><th>Tax</th><th>Plus</th><th>Of the excess over</th><th>Tax</th><th>Plus</th><th>Of the excess over</th></tr></thead><tbody><tr><td>Not over PhP70,000</td><td>0%</td><td></td><td></td><td>0%</td><td></td><td></td><td>0%</td><td></td><td></td></tr><tr><td>Over PhP70,000 but not over 200,000</td><td>15%</td><td></td><td></td><td>13%</td><td></td><td></td><td>10%</td><td></td><td></td></tr><tr><td>Over PhP200,000 but not over 500,000</td><td>PhP30,000</td><td>20%</td><td>PhP200,000</td><td>PhP26,000</td><td>18%</td><td>PhP200,000</td><td>PhP20,000</td><td>15%</td><td>PhP200,000</td></tr><tr><td>Over PhP500,000 but not over 1,000,000</td><td>90,000</td><td>25%</td><td>500,000</td><td>80,000</td><td>23%</td><td>500,000</td><td>65,000</td><td>25%</td><td>500,000</td></tr><tr><td>Over PhP1,000,000</td><td>215,000</td><td>32%</td><td>1,000,000</td><td>195,000</td><td>28%</td><td>1,000,000</td><td>165,000</td><td>25%</td><td>1,000,000</td></tr></tbody></table> <p><b>B. Other Feature</b></p> <ul style="list-style-type: none"><li>▪ Adjustment by the President of the Philippines the amounts herein stated to its present value using the CPI as published by the PSA every three (3) years.</li></ul>		Beginning January 1, 2017			Beginning January 1, 2018			Beginning January 1, 2019			Taxable Income	Tax	Plus	Of the excess over	Tax	Plus	Of the excess over	Tax	Plus	Of the excess over	Not over PhP70,000	0%			0%			0%			Over PhP70,000 but not over 200,000	15%			13%			10%			Over PhP200,000 but not over 500,000	PhP30,000	20%	PhP200,000	PhP26,000	18%	PhP200,000	PhP20,000	15%	PhP200,000	Over PhP500,000 but not over 1,000,000	90,000	25%	500,000	80,000	23%	500,000	65,000	25%	500,000	Over PhP1,000,000	215,000	32%	1,000,000	195,000	28%	1,000,000	165,000	25%	1,000,000
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Over PhP500,000 but not over 1,000,000	90,000	25%	500,000	80,000	23%	500,000	65,000	25%	500,000																																																														
Over PhP1,000,000	215,000	32%	1,000,000	195,000	28%	1,000,000	165,000	25%	1,000,000																																																														
7. <b>HB 4774 –</b> An Act Amending Sections 6, 22, 24, 25, 31, 33, 34, 79, 84, 86, 99, 106, 107, 108, 109, 113, 116, 148, 149, 155, 232, 237 and 288; Creating New Sections 148-A, 237-A, 264-A and 264-B; and Repealing Sections 35 and 62 All Under Republic Act No. 8424, Otherwise Known as “The National Internal Revenue Code of 1997” <b>(By Rep. Dakila Carlo E. Cua)</b>	<p><b>A. Tax Schedules</b></p> <p>1. On Compensation Income Earners. –</p> <p>Tax Schedule Effective July 1, 2017 And Taxable Years 2018 And 2019</p> <table><tbody><tr><td>Not Over P250,000</td><td>0%</td></tr><tr><td>Over P250,000 But Not Over P400,000</td><td>20% Of The Excess Over P250,000</td></tr><tr><td>Over P400,000 But Not Over P800,000</td><td>P30,000 + 25% Of The Excess Over P400,000</td></tr><tr><td>Over P800,000 But Not Over P2,000,000</td><td>130,000 + 30% Of The Excess Over P800,000</td></tr><tr><td>Over P2,000,000 But Not Over P5,000,000</td><td>490,000 + 32% Of The Excess Over P2,000,000</td></tr><tr><td>Over P5,000,000</td><td>P1,450,000 + 35% Of The Excess Over P5,000,000</td></tr></tbody></table> <p>Tax Schedule Effective January 1, 2020 And Onwards</p> <table><tbody><tr><td>Not Over P250,000</td><td>0%</td></tr><tr><td>Over P250,000 But Not Over P400,000</td><td>15% Of The Excess Over P250,000</td></tr><tr><td>Over P400,000 But Not Over P800,000</td><td>P22,500 + 20% Of The Excess Over P400,000</td></tr><tr><td>Over P800,000 But Not Over P2,000,000</td><td>P102,500 + 25% Of The Excess Over P800,000</td></tr><tr><td>Over P2,000,000 But Not Over P5,000,000</td><td>P402,500 + 30% Of The Excess Over P2,000,000</td></tr><tr><td>Over P5,000,000</td><td>P1,302,500 + 35% Of The Excess Over P5,000,000</td></tr></tbody></table>	Not Over P250,000	0%	Over P250,000 But Not Over P400,000	20% Of The Excess Over P250,000	Over P400,000 But Not Over P800,000	P30,000 + 25% Of The Excess Over P400,000	Over P800,000 But Not Over P2,000,000	130,000 + 30% Of The Excess Over P800,000	Over P2,000,000 But Not Over P5,000,000	490,000 + 32% Of The Excess Over P2,000,000	Over P5,000,000	P1,450,000 + 35% Of The Excess Over P5,000,000	Not Over P250,000	0%	Over P250,000 But Not Over P400,000	15% Of The Excess Over P250,000	Over P400,000 But Not Over P800,000	P22,500 + 20% Of The Excess Over P400,000	Over P800,000 But Not Over P2,000,000	P102,500 + 25% Of The Excess Over P800,000	Over P2,000,000 But Not Over P5,000,000	P402,500 + 30% Of The Excess Over P2,000,000	Over P5,000,000	P1,302,500 + 35% Of The Excess Over P5,000,000																																														
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Over P5,000,000	P1,302,500 + 35% Of The Excess Over P5,000,000																																																																						



HB No. / Title / Author	Salient Features						
	<p>Provided, that after 2020, the taxable income levels in the above schedules shall be adjusted once every five (5) years through rules and regulations issued by the Secretary of Finance, upon recommendation of the Commissioner, after considering among others, the effect on the same of the five-year cumulative inflation rate.</p> <p>2. On Self-Employed and Professionals</p> <table border="1" data-bbox="745 438 1861 542"> <tr> <th>Amount of Gross Sales/Receipts</th><th>Tax Rate</th></tr> <tr> <td>Not exceeding VAT threshold of Php3 million</td><td>8% of gross sales/revenues*</td></tr> <tr> <td>Above VAT threshold of Php3 million</td><td>30% of net taxable income or 2% of gross income**</td></tr> </table> <p>* This is in lieu of income tax, VAT, and percentage tax.  ** Taxed in the same manner as corporations in terms of applicable tax rate, minimum income tax, and allowable deductions.</p> <p><b>B. Other Features</b></p> <ol style="list-style-type: none"> <li>Exempt annual taxable income of Php250,000 and below</li> <li>The top tax rate will be reduced from 32% to 25%, except for those with annual taxable income over Php5 million, who will be taxed at 35% to maintain progressivity</li> <li>Number of tax brackets will be reduced from 7 to 6 brackets</li> <li>Integration of the exemption of MWEs and basic personal and additional exemptions (PAEs) into the Php250,000 exempt threshold</li> <li>Mandatory contributions such as GSIS, SSS, Philhealth, Pag-IBIG and union dues will remain non-taxable</li> <li>De minimis benefits will remain exempt from tax</li> <li>13th month pay and other benefits amounting to Php82,000 and below will remain exempt from tax</li> <li>Deductions under special laws will no longer be allowed in the computation of taxable income</li> <li>Tax brackets will be adjusted to inflation every 5 years to address income creeping</li> <li>Fringe benefits will be taxed at a lower rate of 30% beginning July 2017 to 2019 and shall form part of the gross income subject to regular income tax rates starting 2020</li> <li>The optional standard deduction (OSD) for individuals will be reduced from 40% to 20% of gross sales/receipts</li> <li>Philippine Charity Sweepstakes and Lotto winnings will no longer be exempted</li> <li>The preferential rate (15%) for employees of regional headquarters, offshore banking units and petroleum service contractors will be removed in order to align them with other individual taxpayers</li> </ol>	Amount of Gross Sales/Receipts	Tax Rate	Not exceeding VAT threshold of Php3 million	8% of gross sales/revenues*	Above VAT threshold of Php3 million	30% of net taxable income or 2% of gross income**
Amount of Gross Sales/Receipts	Tax Rate						
Not exceeding VAT threshold of Php3 million	8% of gross sales/revenues*						
Above VAT threshold of Php3 million	30% of net taxable income or 2% of gross income**						

*d. HB Incorporating the Minimum Wage Income Level to the Income Tax Schedule*

HB No. / Title / Author	Salient Features	
1. <b>HB 39</b> - An Act Creating a More Equitable, Progressive, and Just Tax System, by Adjusting the Level of Net Taxable Income and Nominal Tax Rates of the Individual Income Tax, Amending for the Purpose Section 24 (A)(1) of Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended by Republic Act No. 9504, and for Other Purposes (By Rep. Arthur C. Yap)	<b>A. Tax Schedule</b>	
	<b>Taxable Income</b>	<b>Tax Rate</b>
	Minimum Wage	Exempt
	Minimum wage plus PhP1 but not over 100,000	2%
	Minimum wage plus PhP100,000 but not over 300,000	PhP100+ 5% of the excess over minimum wage plus 100,000
	Minimum wage plus PhP300,000 but not over 500,000	500 + 10% of the excess over minimum wage plus 300,000
	Minimum wage plus PhP500,000 but not over 1,000,000	2,500 + 15% of the excess over minimum wage plus 500,000
	Minimum wage plus PhP1,000,000 but not over 5,000,000	8,500 + 20% of the excess over minimum wage plus 1,000,000
	Minimum wage plus PhP5,000,000 but not over 10,000,000	22,500 + 25% of the excess over minimum wage plus 5,000,000
	Minimum wage plus PhP10,000,000 but not over 50,000,000	50,000 + 30% of the excess over minimum wage plus 10,000,000
Minimum wage plus over PhP50,000,000	125,000 + 32% of the excess over the minimum wage plus 50,000,000	
<b>B. Other Features</b>		
	<ul style="list-style-type: none"><li>▪ 13th month pay, earned sick, vacation and other leave credits convertible to cash, separation pay, and retirement pay received by minimum wage earners shall also be exempt from tax.</li><li>▪ Adjustment to present value of net taxable income levels and nominal tax rates every five (5) years using CPI, as published by the PSA.</li></ul>	

*B. HBs Proposing Amendments to Current Provision on Basic PAE Allowances*

HB No. / Title / Author	Salient Features
1. <b>HB 103</b> - An Act Instituting Income Tax Reform for Individual Taxpayers, Amending for this Purpose Section 24(A)(2) and 35(A) of the National Internal Revenue Code of 1997, as Amended, and For Other Purposes (By Hon. Angelina "Helen" D.L. Tan, M.D.)	<ul style="list-style-type: none"> <li>Increasing the amount of personal exemption to PhP150,000.</li> <li>Allows for a working spouse to claim a personal exemption allowance for his/ her spouse who is not gainfully employed, has no gross income, and has not filed a return; provided, that the said non-working spouse is exclusively living the taxpayer.</li> </ul>

HB No. / Title / Author	Salient Features
<p>2. <b>HB 183</b> - An Act Increasing the Age Bracket of the Household Members Considered as Dependents of a Taxpayer from 21 to 23 Years Old, and for that Purpose, Amending Section 35, Items (A) and (B) of the National Internal Revenue Code. (By Rep. Eric L. Olivarez)</p> <p>3. <b>HB 362</b> - An Act Amending Chapter VII, Section 35 (B) of the National Internal Revenue Code (NIRC), as Amended, by Increasing the Age Ceiling for A Qualified Dependent, and for Other Purposes (By Rep. Maria Carmen S. Zamora)</p> <p>4. <b>HB 1803</b> – An Act Amending Section 35, Paragraph B (4) of the Republic Act 8424, as Amended, Otherwise Known as the National Internal Revenue Code of 1997 (By Rep. Greg G. Gasataya)</p>	<ul style="list-style-type: none"> <li>▪ Increasing the age ceiling of a qualified dependent from 21 to 23 years old, for purposes of claiming the Php25,000 additional exemption allowance by an individual taxpayer.</li> </ul>
<p>5. <b>HB 363</b> – An Act Increasing the Additional Income Tax Exemption for Each Qualified Dependent from Twenty-Five Thousand Pesos (P25,000) to Fifty Thousand Pesos (P50,000), Amending Chapter VII, Section 35 (B) of the National Internal Revenue Code (NIRC), as Amended, and for Other Purposes (By Rep. Maria Carmen S. Zamora)</p>	<ul style="list-style-type: none"> <li>▪ Increasing the amount of additional exemption allowance by an individual taxpayer from Php25,000 to Php50,000.</li> </ul>
<p>6. <b>HB 997</b> – An Act Providing Additional Exemptions to Families Where the Taxpayer is Supporting Aging Parents and/or Persons with Disabilities (By Rep. Luis Jose Angel N. Campos, Jr.)</p>	<ul style="list-style-type: none"> <li>▪ Recognizing legitimated child as qualified dependents of an individual taxpayer.</li> <li>▪ Allowing the following persons to be considered as his/ her qualified dependent of an individual taxpayer for income tax purposes:               <ul style="list-style-type: none"> <li>(a) Each parent, who is chiefly dependent on and living with the taxpayer and/or incapable of self-support because of mental or physical disability</li> <li>(b) An individual with mental or physical disability, regardless of age and incapable of self-support, in whom the taxpayer acts as legal guardian of the said individual.</li> </ul> </li> </ul>



HB No. / Title / Author	Salient Features
	<p>Provided, that only the legal guardian can avail of the additional exemption for a particular taxable year to the exclusion of the biological parents.</p> <ul style="list-style-type: none"> <li>▪ Removing the provision stating that the total amount of additional exemption that may be claimed by both spouses shall not exceed the maximum additional exemptions allowed under Section 35(B) of the NIRC.</li> </ul>
<p><b>7. HB 1326</b> - An Act Increasing the Allowance for Personal Exemptions of Individual Taxpayers, Amending Section 35 of Republic Act No 8424, as Amended Otherwise Known as the National Internal Revenue Code of 1997 (By Rep. Weslie T. Gatchalian)</p>	<ul style="list-style-type: none"> <li>▪ Increasing the amounts of personal and additional exemption allowances from PhP50,000 and PhP25,000 to PhP100,000 and PhP50,000, respectively.</li> </ul>
<p><b>8. HB 1522</b> – An Act Providing Additional Personal Exemption for Individual Taxpayers Who Take Care of Their Elderly Parents, Amending for the Purpose Republic Act No. 8424, as Amended, Otherwise Known as the “National Internal Revenue Code of 1997” (By Rep. Gloria Macapagal-Arroyo)</p>	<ul style="list-style-type: none"> <li>▪ Allowing taxpayers to claim each elderly parent who is at least sixty (60) years with no means of support, as his/ her qualified dependent for income tax purposes; provided, that the elderly parent is chiefly dependent on and living with the taxpayer.</li> </ul>
<p><b>9. HB 1950</b></p>	<p><i>Please refer to page 21 of this Annex.</i></p>
<p><b>10. HB 2140</b> – An Act Further Amending Section 35 of Republic Act No. 8424, As Amended, Otherwise Known as the National Internal Revenue Code of 1997 to Give Higher Additional Personal Exemptions to Taxpayers Who Have Dependents That Are Persons with Disability (By Rep. Luisa Lloren Cuaresma)</p>	<ul style="list-style-type: none"> <li>▪ Increasing the additional exemption allowance to PhP100,000 for each qualified dependent who is a person with disability.</li> </ul>
<p><b>11. HB 3327</b> - An Act Granting Tax Deductions to Parents and Legal Guardians of Children with Special Needs (By Hon. Rosenda Ann Ocampo)</p>	<ul style="list-style-type: none"> <li>▪ Defining qualified children with special needs (CSNs) as legitimate, illegitimate or legally adopted child chiefly dependent and living with the taxpayer and/or placed under the legal custody of an immediate family member or relative, who are not be more than 13 years of age, and must be assessed by the Department of Education's Special Education Division and a medical professional. This does not cover children considered mentally gifted or fast learners.</li> </ul>

HB No. / Title / Author	Salient Features
	<ul style="list-style-type: none"> <li>Entitling parents or legal guardians of CSNs to a deduction from gross income of PhP50,000; provided, that such taxpayer must support more than half of the total financial support for the child.</li> </ul>
<b>12. HB 3734</b> - An Act Increasing the Additional Income Tax Exemption for Each Dependent from Eight Thousand Pesos (P8,000) to Fifty Thousand Pesos (P50,000), Amending for the Purpose Sec. 35 (B), Chapter VII of Republic Act No. 8424, A.K.A., the Tax Reform Act of 1997, and for Other Purposes <b>(By Rep. Julieta R. Cortuna)</b>	<ul style="list-style-type: none"> <li>Increasing the amount of additional exemption allowance by an individual taxpayer from PhP8,000 to PhP50,000.</li> </ul>
<b>13. HB 4299</b> – An Act Amending the Definition of a dependent of the taxpayers Under Section 35(B) of RA 8424, A.K.A, the Tax Reform Act of 1997, by Increasing the Age of a Dependent from 21 to 23 Years Old <b>(By Rep. Julieta R. Cortuna)</b>	<ul style="list-style-type: none"> <li>Increasing the age of dependent from 21 to 23 years old, for purposes of computing income tax.</li> </ul>

**C. Other HBs Proposing Amendments on Income Tax**

HB No. / Title / Author	Salient Features
<b>1. HBs 1000, 2599 &amp; 3668</b> - An Act Excluding Overtime Pay from the Computation of Taxable Income Amending for the Purpose Section 32(B)(7) of Republic Act No. 8424 otherwise known as the National Internal Revenue Code of 1997, As Amended <b>(By Rep. Luis Jose Angel N. Campos, Jr., Rep. Vilma Santos-Recto, and Rep. Gus S. Tambunting, respectively)</b>	<ul style="list-style-type: none"> <li>Including overtime pay from the items of income excluded in the computation of the gross income of an individual taxpayer.</li> </ul>
<b>2. HB 1002</b> - An Act Excluding Night Shift Differential Pay from the Computation of Taxable Income Amending for the Purpose	<ul style="list-style-type: none"> <li>Including night shift differential pay from the items of income excluded in the computation of the gross income of an individual taxpayer.</li> </ul>

HB No. / Title / Author	Salient Features
Section 32(B)(7) of Republic Act No. 8424 otherwise known as the National Internal Revenue Code of 1997 <b>(By Rep. Luis Jose Angel N. Campos, Jr.)</b>	
<b>3. HB 1272</b> - An Act Including Medical Expenses as Allowable Tax Deductions for Individual Taxpayers, Amending for the Purpose Section 34 of Republic Act No. 8424, Otherwise Known as the Tax Reform Act of 1997 <b>(By Rep. Rozzano Rufino B. Biazon)</b>	<ul style="list-style-type: none"> <li>▪ Allowing individual taxpayers (CIEs and SEPs) to claim medical expenses as deduction from his/ her gross income. Such expenses include payments by the taxpayer and/or his dependents for professional medical fees, consultation fees, and for medicines prescribed for diagnosed illnesses, among others.</li> </ul>
<b>4. HB 1660</b> – An Act Providing for Tax Deductions for Family Requirements Including Payments for Tertiary Education Tuition and Allied Expenses as Well as Interest payments for A First Home Mortgage, Amending for the Purpose Section 34 of the National Internal Revenue Code of The Philippines, As Amended, And for Other Purpose <b>(By Rep. Bellaflor J. Angara-Castillo )</b>	<ul style="list-style-type: none"> <li>▪ Allowing the deductibility from the gross income of expenses incurred by a person, or any other person having parental authority or exercising substitute parental authority for purposes of shouldering tertiary education tuition fees and allied expenses, for himself or for his dependent duly enrolled in a qualified educational institution; provided that the deduction shall not exceed PhP40,000, for himself or for his dependents not exceeding four (4). The said deductions may be claimed by only one of the spouses in the case of married individuals, and in the case of legally separated spouses, the deductions may only be availed of by the spouse who has custody of the dependent.</li> <li>▪ Allowing the deductibility from the gross income of the taxpayers any interest actually paid during a taxable year from any loan obtained for the purpose of acquiring or constructing a qualified taxpayer's first family home. The loan shall refer to a housing loan obtained from any reputable bank operating in the Philippines, Pag-IBIG Fund and to cooperatives duly organized and registered with CDA, provided that the loan does not exceed PhP3 million.</li> </ul>
<b>5. HB 1705</b> – An Act Exempting from Tax All Allowances and Benefits Granted to Public School Teachers, Including Those in the State Colleges and Universities <b>(By Rep. Rozzano Rufino B. Biazon)</b>	<ul style="list-style-type: none"> <li>▪ Exempting all allowances and benefits granted to public school teachers, including those in the State colleges and universities at all levels from income tax.</li> </ul>



HB No. / Title / Author	Salient Features
<p><b>6. HB 2600</b> – An Act Excluding 13<sup>th</sup> Month Pay from the Computation of Taxable Income Amending For this Purpose Section 32(B)(7)(e) of Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended <b>(By Rep. Vilma Santos-Recto)</b></p>	<ul style="list-style-type: none"> <li>▪ Excluding 13<sup>th</sup> month pay received by officials and employees of public and private entities from the gross income and removing the exemption ceiling of PhP82,000.</li> <li>▪ Exempting gross benefits received by officials and employees of public and private entitled; provided that the total exclusion shall not exceed PhP82,000 which shall cover:               <ul style="list-style-type: none"> <li>a. Benefits received by officials and employees of the national and local government;</li> <li>b. Benefits received by officials and employees not covered by PD No. 851, as amended by Memorandum Order No. 28, dated August 13, 1986;</li> <li>c. Other benefits such as productivity incentives and Christmas bonus.</li> </ul> </li> </ul>
<p><b>7. HB 2601</b> – An Act Excluding the Performance-based Bonus from the Computation of Taxable Income Amending for the Purposes Section 32(B)(7) of Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997. As Amended <b>(By Rep. Vilma Santos-Recto)</b></p>	<ul style="list-style-type: none"> <li>▪ Excluding the PBB to qualified government personnel from the gross income.</li> </ul>
<p><b>8. HB 4134</b> - An Act Amending Sections 24, 34 and 110 of Republic Act No. 8424, Otherwise Known as the “National Internal Revenue Code of 1997, as Amended, Reducing the Income Tax Liabilities of Individuals and for Other Purposes <b>(By Rep. Kaka Bag-ao)</b></p>	<p><i>Please see page 26 of this Annex.</i></p>

**Annex B. PIT SCHEDULES OF ASEAN-MEMBER COUNTRIES  
(In Philippine Peso)**

<b>Indonesia</b>					
<i>In Rupiah (IDR)</i>		Tax	<i>In Philippine Peso</i>		<i>Applicable Phil. Marginal Tax Rate</i>
Over	Not over		Over	Not Over	
-	50,000,000	5%		186,407	25%
50,000,000	250,000,000	15%	186,407	932,034	25% - 32%
250,000,000	500,000,000	25%	932,034	1,864,068	32%
500,000,000	-	30%	1,864,068	-	32%
<b>Malaysia</b>					
<i>In Ringgit (MYR)</i>		Tax	<i>In Philippine Peso</i>		<i>Applicable Phil. Marginal Tax Rate</i>
Over	Not over		Over	Not Over	
-	5,000	0%		56,084	15%
5,000	20,000	2%	56,084	224,339	15% - 25%
20,000	35,000	6%	224,339	392,593	25% & 30%
35,000	50,000	11%	392,593	560,848	30% & 32%
50,000	70,000	19%	560,848	785,187	32%
70,000	100,000	24%	785,187	1,121,696	32%
100,000	-	26%	1,121,696	-	32%
<b>Singapore</b>					
<i>In Singaporean Dollar (SGD)</i>		Tax	<i>In Philippine Peso</i>		<i>Applicable Phil. Marginal Tax Rate</i>
Over	Not over		Over	Not Over	
-	20,000	0.00%		700,344	32%
20,000	30,000	2.00%	700,344	1,050,516	32%
30,000	40,000	3.50%	1,050,516	1,400,688	32%
40,000	80,000	7.00%	1,400,688	2,801,376	32%
80,000	120,000	11.50%	2,801,376	4,202,065	32%
120,000	160,000	15.00%	4,202,065	5,602,753	32%
160,000	200,000	17.00%	5,602,753	7,003,441	32%
200,000	320,000	18.00%	7,003,441	11,205,507	32%
320,000	-	20.00%	11,205,507	-	32%

Thailand					
<i>In Baht (THB)</i>		Tax	<i>In Philippine Peso</i>		<i>Applicable Phil. Marginal Tax Rate</i>
Over	Not over		Over	Not Over	
-	150,000	0%	-	211,693	25%
150,000	300,000	5%	211,693	423,387	25% & 30%
300,000	500,000	10%	423,387	705,645	30% & 32%
500,000	750,000	15%	705,645	1,058,467	32%
750,000	1,000,000	20%	1,058,467	1,411,290	32%
1,000,000	2,000,000	25%	1,411,290	2,822,581	32%
2,000,000	4,000,000	30%	2,822,581	5,645,162	32%
4,000,000	-	35%	5,645,162	-	32%
Vietnam					
<i>In Dong (VND)</i>		Tax	<i>In Philippine Peso</i>		<i>Applicable Phil. Marginal Tax Rate</i>
Over	Not over		Over	Not Over	
-	60,000,000	5%	-	132,567	20%
60,000,000	120,000,000	10%	132,567	265,135	20% - 30%
120,000,000	216,000,000	15%	265,135	477,243	30%
216,000,000	384,000,000	20%	477,243	848,433	30% & 32%
384,000,000	624,000,000	25%	848,433	1,378,704	32%
624,000,000	960,000,000	30%	1,378,704	2,121,084	32%
960,000,000	-	35%	2,121,084	-	32%
Cambodia					
<i>In Riel (KHR)</i>		Tax	<i>In Philippine Peso</i>		<i>Applicable Phil. Marginal Tax Rate</i>
Over	Not over		Over	Not Over	
-	6,000,000	0%	-	74,042	15%
6,000,000	15,000,000	5%	74,042	185,106	15% - 25%
15,000,000	102,000,000	10%	185,106	1,258,727	25% - 32%
102,000,000	150,000,000	15%	1,258,727	1,851,069	32%
150,000,000	-	20%	1,851,069	-	32%
Lao PDR					
<i>In Kip (LAK)</i>		Tax	<i>In Philippine Peso</i>		<i>Applicable Phil. Marginal Tax Rate</i>
Over	Not over		Over	Not Over	
-	12,000,000	0%	-	73,114	15%
12,000,000	36,000,000	5%	73,114	219,342	15% - 25%
36,000,000	72,000,000	10%	219,342	438,684	25% - 30%
72,000,000	144,000,000	12%	438,684	877,369	30% - 32%
144,000,000	288,000,000	15%	877,369	1,754,739	32%
288,000,000	480,000,000	20%	1,754,739	2,924,566	32%
480,000,000	-	24%	2,924,566	-	32%



Myanmar					
<i>In Kyat (MMK)</i>		Tax	<i>In Philippine Peso</i>		<i>Applicable Phil. Marginal Tax Rate</i>
Over	Not over		Over	Not over	
-	2,000,000	0%	-	73,277	15%
2,000,000	5,000,000	5%	73,277	183,194	15% - 25%
5,000,000	10,000,000	10%	183,194	366,389	25% & 30%
10,000,000	20,000,000	15%	366,389	732,779	30% - 32%
20,000,000	30,000,000	20%	732,779	1,099,169	30% - 32%
30,000,000	-	25%	1,099,169	-	30% - 32%

Sources: Pricewaterhouse Coopers Publications.

KPMG and Deloitte Websites.

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Note: Conversion is based on exchange rates as of January 20, 2017, as follows:

IDR 1 = PhP .0037      VND 1 = PhP .0022      THB 1 = PhP 1.41  
 MYR 1 = PhP 11.2      MMK 1 = PhP .037      SGD 1 = PhP 34.99  
 KHR 1 = PhP .013      LAK 1 = PhP .006

Source: <[www.finance.yahoo.com/currency-converter/](http://www.finance.yahoo.com/currency-converter/)>, viewed on February 24, 2016.

**Annex C**  
**JURISDICTIONS WITH INFLATION INDEXATION PROVISION**  
**ON PIT STRUCTURE**

**A. Canada<sup>2</sup>**

Canada has four tax brackets for federal income tax purposes. These brackets are indexed annually by the inflation rate for the period from 1 October to 30 September of the previous year. The federal tax brackets and rates for 2015 shown below are based on known and proposed amounts as of 1 July 2015.

Taxable income		Tax on Lower Amount CAD	Rate on Excess %
Exceeding Canadian Dollar (CAD)	Not Exceeding CAD		
-	44,701	-	15
44,701	89,401	6,705	22
89,401	138,586	16,539	26
138,586		29,327	29

**B. Chile<sup>3</sup>**

The following table refers to PIT levied on a progressive scale.

Taxable Income		Rate %
Exceeding MTU	Not Exceeding MTU	
-	13.5	-
13.5	30.0	4
30.0	50.0	8
50.0	70.0	14
70.0	90.0	23
90.0	120.0	30
120.0	150.0	36
150.0		40

<sup>2</sup> Ernst & Young (EY) Global Limited Web site (July 1, 2015). "2015-16 Worldwide Personal Tax Guide". Source: <[http://www.ey.com/Publication/vwLUAssets/Worldwide\\_Personal\\_Tax\\_Guide\\_2015-16/\\$FILE/Worldwide%20Personal%20Tax%20Guide%202015-16.pdf](http://www.ey.com/Publication/vwLUAssets/Worldwide_Personal_Tax_Guide_2015-16/$FILE/Worldwide%20Personal%20Tax%20Guide%202015-16.pdf)>, viewed on November 9, 2016, p. 210-211.

<sup>3</sup> *Ibid*, p. 240.

The income brackets are adjusted monthly in accordance with the consumer price index variation expressed through a unit called a Monthly Taxable Unit (MTU). An MTU is equivalent to approximately 75 U.S. Dollars (USD). The Annual Taxable Unit (ATU) is equal to one Monthly Taxable Unit multiplied by 12. The following table presents the PIT brackets and corresponding rates for 2015.

In accordance to the tax reform approved in 2014, the highest marginal rate will be reduced to 35%, effective from 1 January 2017.

In addition, child education expenses incurred during the year are eligible for a tax credit against personal taxes if the parents' total yearly income does not exceed UF792 (approximately USD32,000). The UF is an inflation-indexed unit expressed in Chilean pesos that varies according to the consumer price index. The maximum annual tax credit per child is equal to approximately USD190.

### C. Israel<sup>4</sup>

In principle, Israeli personal tax liability is computed annually. However, tax is typically withheld from salaries and reported each month. Monthly tax brackets used during a year for payroll and other purposes are updated annually for inflation and are totaled to produce the annual tax brackets. The following table presents the annual taxable income brackets for 2015.

<b>Taxable Income Israeli Shekel (ILS)</b>	<b>Tax Rate*</b>	<b>Tax Due ILS</b>	<b>Cumulative Tax Due in ILS</b>
First 63,240	10	6,324	6,324
Next 44,760	14	6,226	12,550
Next 59,880	21	12,575	25,125
Next 71,880	31	22,282	47,407
Next 261,720	34	88,984	136,391
Next 309,240	48	148,435	284,826
Above 810,721	50		

\* These tax rates are restricted to income earned from employment and self-employment and to rental income derived by persons over 60 years of age. In other cases, a minimum tax rate of 31% applies to the first ILS239,760, a tax rate of 34% applies to income between ILS239,761 and ILS501,480, a tax rate of 48% applies to income between ILS501,481 and ILS810,720, and a tax rate of 50% applies to income above ILS810,721.

<sup>4</sup> *Ibid*, p. 636-637.



### D. Mexico<sup>5</sup>

The income tax schedule is updated every time the accumulated inflation reaches 10 per cent. Amounts are expressed in Mexican New Dollar (MXN).

Taxable Income (MXN)		Fixed Quota (MXN)	Tax Rate on the Amount in Excess of the Lower Limit (%)
Lower Limit	Upper Limit		
-	5,952.84	-	1.92
5,952.85	50,524.92	114.29	6.40
50,524.93	88,793.04	2,966.91	10.88
88,793.05	103,218.00	7,130.88	16.00
103,218.01	123,580.20	9,438.60	17.92
123,580.21	249,243.48	13,087.44	21.36
249,243.49	392,841.96	39,929.04	23.52
392,841.97	750,000.00	73,703.41	30.00
750,000.01	1,000,000.00	180,850.82	32.00
1,000,000.01	3,000,000.00	260,850.81	34.00
3,000,000.01	And over	940,850.81	35.00

### E. Taiwan<sup>6</sup>

The income tax schedule is updated every time the accumulated inflation reaches 10 per cent. Amounts are expressed in are expressed in Taiwanese Dollars (TWD).

Taxable Income in TWD	Tax Rate	Tax Due TWD	Cumulative Tax Due in TWD
First 520,000	5	26,000	26,000
Next 650,000	12	78,000	104,000
Next 1,180,000	20	236,000	340,000
Next 2,050,000	30	615,000	955,000
Next 5,600,000	40	2,240,000	3,195,000
Above 10,000,000	45	—	—

For 2015, the following personal exemption amounts, may be adjusted if the accumulated consumer price index has risen at least 3% over the last adjustment, as follows:

For each taxpayer, his or her spouse, and each dependent - TWD85,000

<sup>5</sup> Organisation for Economic Co-operation Development (2014). *Taxing Wages 2014*.  
Source: <[http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/taxing-wages-2016\\_tax\\_wages-2016-en#page398](http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/taxing-wages-2016_tax_wages-2016-en#page398)>, viewed on November 9, 2016.

<sup>6</sup> EY Global Limited Web site (July 1, 2015). "2015-16 Worldwide Personal Tax Guide", p. 1285-1288

If the taxpayer, or if married, either the taxpayer or taxpayer's spouse,  
is more than 70 years of age - TWD127,500

For a lineal ascendant dependent who is older than 70 years of age -  
TWD127,500

A taxpayer may claim a standard deduction instead of the itemized deductions. The standard deduction is TWD90,000 for a single taxpayer and TWD180,000 for a married taxpayer filing jointly. The standard deduction amount may also be adjusted if the accumulated consumer price index has increased by at least 3% over the last adjustment.

Special deductions such as: (1) those given to salary or wage earners which is equivalent to the lesser of either total salaries and wages earned or TWD128,000 to each salary and wage earner included in the same return; and (2) those given to individuals with disabilities of up to TWD128,000 is deductible for an individual meeting the definition of a person with disabilities or diagnosed as having mental illness under the Mental Health Law may also be adjusted if the accumulated consumer price index has increased by at least 3% over the last adjustment.

#### F. United States<sup>7</sup>

The applicable US tax rates depend on whether an individual is married or not and, if married, whether an individual elects to file a joint return with his or her spouse. Certain individuals also qualify to file as heads of households.

Unmarried nonresident aliens are taxed under the rates for single individuals. Married nonresidents whose spouses are also nonresidents are generally taxed under the rates for married persons filing separately.

##### 1. Married filing joint return

Taxable Income USD	Tax Rate %	Tax Due USD	Cumulative Tax Due USD
First 18,450	10.0	1,845.00	1,845.00
Next 56,450	15.0	8,467.50	10,312.50
Next 76,300	25.0	19,075.00	29,387.50
Next 79,250	28.0	22,190.00	51,577.50
Next 181,050	33.0	59,746.50	111,324.00
Next 53,350	35.0	18,672.50	129,996.50
Above 464,850	39.6		

<sup>7</sup> *Ibid*, p. 1409-1410.

*2. Single individual*

<b>Taxable Income USD</b>	<b>Tax Rate %</b>	<b>Tax Due USD</b>	<b>Cumulative Tax Due USD</b>
First 9,225	10.0	922.50	922.50
Next 28,225	15.0	4,233.75	5,156.25
Next 53,300	25.0	13,325.00	18,481.25
Next 98,550	28.0	27,594.00	46,075.25
Next 222,200	33.0	73,326.00	119,401.25
Next 1,700	35.0	595.00	119,996.25
Above 413,200	39.6		

*3. Head of household*

<b>Taxable Income USD</b>	<b>Tax Rate %</b>	<b>Tax Due USD</b>	<b>Cumulative Tax Due USD</b>
First 13,150	10.0	1,315.00	1,315.00
Next 37,050	15.0	5,557.50	6,872.50
Next 79,400	25.0	19,850.00	26,722.50
Next 80,250	28.0	22,470.00	49,192.50
Next 201,650	33.0	66,544.50	115,737.00
Next 27,500	35.0	9,625.00	125,362.00
Above 439,000	39.6		

*4. Married filing separate return*

<b>Taxable Income USD</b>	<b>Tax Rate %</b>	<b>Tax Due USD</b>	<b>Cumulative Tax Due USD</b>
First 9,225	10.0	922.50	922.50
Next 28,225	15.0	4,233.75	5,156.25
Next 38,150	25.0	9,537.50	14,693.75
Next 39,625	28.0	11,095.00	25,788.75
Next 90,525	33.0	29,873.25	55,662.00
Next 26,250	35.0	9,336.25	64,998.25
Above 232,425	39.6		

The income brackets in the tables above are indexed annually for inflation. The tax brackets and rates for 2015 apply in the United States also apply in its territories such as Guam and Commonwealth of Northern Mariana Islands (CNMI).

In addition to individual's regular federal tax liability based on applicable rates, higher income taxpayers (income over USD250,000 for married filing jointly and USD200,000 for single) are subject to a 3.8% tax on their "net investment income". The definition of "net investment income" is broad and essentially includes all income other than income from a trade or business. Compensation from personal services is generally excluded from this tax.