

Republic of the Philippines
House of Representatives
Batasan Complex, Quezon City

14th Congress
First Regular Session

HOUSE BILL NO. 3462 (filed 30 Jan. 2008)

Introduced by Bayan Muna Reps. TEODORO A. CASIÑO and SATUR C. OCAMPO,
Anakpawis Rep. CRISPIN B. BELTRAN and Gabriela Women's Party Reps. LIZA L. MAZA,
and LUZVIMINDA C. ILAGAN

EXPLANATORY NOTE

Steadily rising prices of basic commodities, transport fares and utilities—including petroleum products, electricity and water rates following the deregulation of these strategic services to a handful of big private corporations—have all pushed cost of living levels further beyond the ordinary Filipino's reach.

Among those hardest hit have been the poor, minimum wage-level earners and even less-affluent sections of the middle class who, in recent years, have experienced minimal improvements in their incomes, if at all.

To illustrate, recent estimates by the National Wages and Productivity Council have placed the Daily Family Living Wage at P800 in the National Capital Region (NCR) and P1,087 in the Autonomous Region in Muslim Mindanao (ARMM) as of July 2007. Meanwhile, independent estimates by IBON Foundation placed the daily cost of living at P560 for the Philippines and P683 for the NCR as of February 2007.

The prevailing daily minimum wage rates have remained way below the living wage at P362 for workers in the NCR and P200 in ARMM. The ever-widening gap between wages and the cost of living has prompted workers nationwide to push for a legislated wage increase amounting to P125 daily for those in the private sector and P3,000 in the government sector.

The latest Family Income and Expenditures Survey (FIES) show how income levels continue to fall amid rising expenditures among Filipino families. The survey also indicate how the poor are becoming poorer: with the three lowest income deciles registering "dissavings" as expenditures exceed their income. This only shows how the extremely poor (or those earning below P60,000 annually) are deeply mired in debt.

These conditions are compounded by the current administration's persistence to impose indirect and regressive taxes, casting a heavier burden on ordinary workers and employees as well as on the urban and rural poor.

This measure therefore aims to provide immediate relief to ordinary workers and employees by temporarily exempting them from paying compensation taxes, thereby increasing their take-home pay pending the passage of a legislated wage hike.

The bill also seeks to partly address a long-standing injustice in the tax system, particularly with regards the rampant problem of tax evasion, known to be perpetrated at will by the moneyed and influential. Corporate income tax evasion has been estimated at 38% or P54.1 billion annually, and those by professionals and businessmen at 69% or P26.7 billion annually (*National Tax Research Center, 2003*). Meanwhile, foregone revenues from Valued Added Tax (VAT) leakage have been estimated at P144 billion in 2003 alone, and P41.6 billion yearly between 1998 and 2002.

While the government has allowed big tax evaders to settle unpaid obligations at great discounts, with pending legislation even proposing to grant amnesty to delinquent taxpayers, wage and salary workers whose income taxes are automatically deducted from their paychecks have little or no choice but to pay the correct amount of taxes.

Thus, by lowering income taxes from wage and salary workers, this bill will put pressure on the BIR to drastically improve its collection of corporate and professional income taxes.

Lastly, the bill aims to stimulate the local economy by providing ordinary taxpayers with more disposable income.

Given the urgent need to ameliorate the plight of ordinary taxpayers, the immediate passage of this bill is earnestly sought.

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AN ACT
PROVIDING EMERGENCY INCOME TAX RELIEF FOR ORDINARY TAXPAYERS
AND RECALIBRATING THE INCOME TAX RATES OF INDIVIDUAL TAXPAYERS,
AMENDING FOR THE PURPOSE CHAPTER III, SECTION 24 (A) (1) (c)
OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

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

SECTION 1. Chapter III Section 24 (A) (1) (c) of the National Internal Revenue Code
of 1997, as amended, is hereby further amended to read as follows:

“CHAPTER III – TAX ON INDIVIDUALS

SECTION 24. Income Tax Rates. –

- (A) Rates of Income Tax on Individual Citizen and Individual
Resident Alien of the Philippines
- (1) An Income Tax is hereby imposed:
- (a) On the taxable income defined in Section 31 of this
Code, other than income subject to tax under
Subsections (B), (C) and (D) of this Section, derived
for each taxable year from all sources within and
without the Philippines by every individual citizen of
the Philippines residing therein;
- (b) On the taxable income defined in Section 31 of this
Code, other than income subject to tax under

Subsections (B), (C) and (D) of this Section, derived for each taxable year from all sources within the Philippines by an individual citizen of the Philippines who is residing outside of the Philippines including overseas contract workers referred to in Subsection (C) of Section 23 hereof; and

- (c) On the taxable income derived in Section 31 of this Code, other than income subject to tax under Subsections (B), (C) and (D) of this Section, derived for each taxable year from all sources within the Philippines by an individual alien who is a resident of the Philippines.

The tax shall be computed in accordance with and the rates established in the following schedule:

[Not over P10,000	-----	5%
Over P10,000 but not over P30,000	-----	P500 + 10% of the excess over P10,000
Over P30,000 but not over P70,000	-----	P2,500 + 15% of the excess over P30,000
Over P70,000 but not over P140,000	-----	P8,500 + 20% of the excess over P70,000
Over P140,000 but not over P250,000	-----	P22,500 + 25% of the excess over P140,000]
NOT OVER P250,000	-----	0%
Over P250,000 but not over P500,000	-----	P50,000 + 30% of the excess over P250,000
Over P500,000	-----	P125,000+34% of the excess over P500,000 in 1998.

Provided, That effective January 1, 1999, the top marginal rate shall be thirty-three (33%) and effective January 1, 2000, the said rate shall be thirty-two percent (32%).

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

SECTION 2. Implementing rules. The Bureau of Internal Revenue (BIR) shall prepare the implementing rules and guidelines for implementing this measure.

SECTION 3. Separability Clause. If any provisions of this Act is declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall continue to be in full force and effect.

SECTION 4. Repealing Clause. All provisions of laws, orders, decrees, including rules and regulations inconsistent herewith are hereby repealed or modified accordingly.

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

Approved,_____.