

Republic of the Philippines
Congress of the Philippines
Metro Manila
Fourteenth Congress
First Regular Session

Begun and held in Metro Manila, on Monday, the twenty-third day of July, two thousand seven.

[REPUBLIC ACT NO. 9504]

AN ACT AMENDING SECTIONS 22, 24, 34, 35, 51, AND 79 OF REPUBLIC ACT NO. 8424, AS AMENDED, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997

Enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 22 of Republic Act No. 8424, as amended, otherwise known as the National Internal Revenue Code of 1997, is hereby further amended by adding the following definition after Subsection (FF) to read as follows:

"SEC. 22. Definitions. - When used in this Title:

"(A) x x x.

"x x x.

"(FF) x x x.

"(GG) The term 'statutory minimum wage' shall refer to the rate fixed by the Regional Tripartite Wage and Productivity Board, as defined by the Bureau of Labor and Employment Statistics (BLES) of the Department of Labor and Employment (DOLE).

"(HH) The term 'minimum wage earner' shall refer to a worker in the private sector paid the statutory minimum wage, or to an employee in the public sector with compensation income of not more than the statutory minimum wage in the non-agricultural sector where he/she is assigned."

SEC. 2. Section 24(A) of Republic Act No. 8424, as amended, otherwise known as the National Internal Revenue Code of 1997, is hereby further amended to read as follows:

"SEC. 24. Income Tax Rates -

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

"(1) x x x:

"x x x; and

"(c) 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 alien who is a resident of the Philippines

"(2) Rates of Tax on Taxable Income of Individuals. - The tax shall be computed in accordance with and at the rates established in the following schedule:

Table with 2 columns: Taxable Income Range and Tax Rate. Rows include: 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).

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

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

"x x x."

SEC. 3. Section 34(L) of Republic Act No. 8424, as amended, otherwise known as the National Internal Revenue Code of 1997, is hereby amended to read as follows:

"SEC. 34. Deductions from Gross Income. - Except for taxpayers earning compensation income arising from personal services rendered under an employer-employee relationship where no deductions shall be allowed under this Section other than under Subsection (M) hereof, in computing taxable income subject to income tax under Sections 24(A), 25(A), 26, 27(A), (B) and (C), and 28(A)(1), there shall be allowed the following deductions from gross income:

"(A) Expenses. -

"x x x.

"(L) Optional Standard Deduction. - In lieu of the deductions allowed under the preceding Subsections, an individual subject to tax under Section 24, other than a nonresident alien, may elect a standard deduction in an amount not exceeding forty percent (40%) of his gross sales or gross receipts, as the case may be. In the case of a corporation subject to tax under Sections 27(A) and 28(A)(1), it may elect a standard deduction in an amount not exceeding forty percent (40%) of its gross income as defined in Section 32 of this Code. Unless the taxpayer signifies in his return his intention to elect the optional standard deduction, he shall be considered as having availed himself of the deductions allowed in the preceding Subsections. Such election when made in the return shall be irrevocable for the taxable year for which the return is made. Provided, That an individual who is entitled to and claimed for the optional standard deduction shall not be required to submit with his tax return such financial statements otherwise required under this Code. Provided, further, That except when the Commissioner otherwise permits, the said individual shall keep such records pertaining to his gross sales or gross receipts, or

the said corporation shall keep such records pertaining to his gross income as defined in Section 32 of this Code during the taxable year, as may be required by the rules and regulations promulgated by the Secretary of Finance, upon recommendation of the Commissioner.

"(M) x x x. -

"x x x."

SEC. 4. Section 35(A) and (B) of Republic Act No. 8424, as amended, otherwise known as the National Internal Revenue Code of 1997, is hereby amended to read as follows:

"SEC. 35. Allowance of Personal Exemption for Individual Taxpayer. -

"(A) In General. - For purposes of determining the tax provided in Section 24(A) of this Title, there shall be allowed a basic personal exemption amounting to Fifty thousand pesos (P50,000) for each individual taxpayer.

"In the case of married individuals where only one of the spouses is deriving gross income, only such spouse shall be allowed the personal exemption.

"(B) Additional Exemption for Dependents. - There shall be allowed an additional exemption of Twenty-five thousand pesos (P25,000) for each dependent not exceeding four (4).

"The additional exemption for dependents shall be claimed by only one of the spouses in the case of married individuals.

"In the case of legally separated spouses, additional exemptions may be claimed only by the spouse who has custody of the child or children.

Provided, That the total amount of additional exemptions that may be claimed by both shall not exceed the maximum additional exemptions herein allowed.

"For purposes of this Subsection, a 'dependent' means a legitimate, illegitimate or legally adopted child chiefly dependent upon and living with the taxpayer if such dependent is not more than twenty-one (21) years of age, unmarried and not gainfully employed or if such dependent, regardless of age, is incapable of self-support because of mental or physical defect.

"x x x."

SEC. 5. Section 51 (A)(2) of Republic Act No. 8424, as amended, otherwise known as the National Internal Revenue Code of 1997, is hereby further amended to read as follows:

"SEC. 51. Individual Return. -

"(A) Requirements. -

"(1) Except as provided in paragraph (2) of this Subsection, the following individuals are required to file an income tax return:

"(a) x x x;

"x x x.

"(2) The following individuals shall not be required to file an income tax return:

"(a) x x x;

"(b) An individual with respect to pure compensation income, as defined in Section 32(A)(1), derived from sources within the Philippines, the income tax on which has been correctly withheld under the provisions of Section 79 of this Code. Provided, That an individual deriving compensation concurrently from two or more employers at any time during the taxable year shall file an income tax return;

"(c) x x x; and

"(d) A minimum wage earner as defined in Section 22(HH) of this Code or an individual who is exempt from income tax pursuant to the provisions of this Code and other laws, general or special.

"x x x."

SEC. 6. Section 79(A) of Republic Act No. 8424, as amended, otherwise known as the National Internal Revenue Code of 1997, is hereby further amended to read as follows:

"SEC. 79. Income Tax Collected at Source. -

"(A) Requirement of Withholding. - Except in the case of a minimum wage earner as defined in Section 22(HH) of this Code, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with the rules and regulations to be prescribed by the Secretary of Finance, upon recommendation of the Commissioner.

"x x x."

SEC. 7. Separability Clause. - If any provision 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.

SEC. 8. Repealing Clause. - Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with any provision of this Act is hereby amended or modified accordingly.

SEC. 9. Effectivity Clause. - This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,

MANNY VILLAR
President of the Senate

PROSPERO C. NOGRALES
Speaker of the House of Representatives

This Act of which is a consolidation of House Bill No. 3971 and Senate Bill No. 2293 was finally passed by the House of Representatives and the Senate on May 26, 2008 and May 27, 2008, respectively.

EMMA LIRIO-REYES
Secretary of the Senate

MARILYN B. BARUA-YAP
Secretary General
House of Representatives

Approved: JUN 17 2008

GLORIA MACAPAGAL ARROYO
President of the Philippines

