

**TWENTIETH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )**

25 JUL -2 26:00

**SENATE**

**S. B. No. 56**

REG. NO.

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**Introduced by SEN. WIN GATCHALIAN**

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**AN ACT  
AMENDING SECTIONS 24, 32, 33, 34, 53, 57, 109, 123, AND 236 OF  
REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL  
REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

In 2024, the undersigned sponsored the bill which was later on enacted into law as Republic Act No. 12066, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act", which seeks to enhance the competitiveness of the Philippines' incentive regime. While this measure ultimately aims to generate jobs for our countrymen, corporations are the direct beneficiaries of this law.

This GINHAWA bill seeks to strike a balance as it now turns its sights to the pillar of our economy – the working Filipinos.

The Filipinos are experiencing rising prices of essential commodities and unrestrained inflation growth coupled with market volatility and economic uncertainties. These circumstances put Filipinos in a tight position as they lose flexibility in adjusting their financial needs. Thus, in order to provide relief to the plight of the working Filipinos, there is a need to revamp the taxation of individuals.

This measure aims to increase the net take-home pay of working Filipinos to give them the financial space that they need to combat the upward movement of prices of essential commodities and improve the cost of living for every Filipino household.

To achieve this end, this measure proposes to increase the income tax exemption to the first PHP400,000 annual income, increase the cap of the tax-free bonuses to PHP150,000, remove the taxes on service charges received by service industry employees, waive the taxes on additional compensation received such as overtime pay, holiday pay, night shift differential pay, and hazard pay, and remove the taxes on honoraria and allowances of poll workers. In addition, this measure proposes the following reforms:

1. Lower the fringe benefit tax imposed on managerial and supervisory employees, who are resident citizens and resident aliens, from 35% to graduated income tax rates;
2. Exempt the insurance premiums paid by the employer for the account of the employee from fringe benefits tax;
3. Allow the additional deduction for micro taxpayer for labor expenses incurred by the said taxpayer;
4. Allow tax credits to entities granting discounts to persons with disability, senior citizens, and solo parents instead of allowing these expenses to be treated as tax deduction;
5. Extend the filing of tax returns during state of calamity or national emergency;
6. Exempt micro taxpayers from the requirement to withhold taxes;
7. Increase the VAT-exempt threshold from PHP 3 million to PHP 4 million;
8. Lower the taxes imposed on life and health insurance premiums from 12% VAT to 2% premiums tax; and
9. Remove the TIN requirement on members of cooperative in the application and renewal of the cooperatives' Certificate of Tax Exemption.

The working Filipinos have always carried the economy at their backs, it is time we lend them a hand and help them in their fight for better lives.

In view of the foregoing, urgent approval of this measure is earnestly sought.



**WIN GATCHALIAN**

SENATE  
S.B. NO. 56

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Introduced by Senator Win Gatchalian

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**AN ACT**  
**AMENDING SECTIONS 24, 32, 33, 34, 53, 57, 109, 123, AND 236 OF**  
**REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL**  
**INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER**  
**PURPOSES**

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

1       **SECTION 1. Short Title.** - This Act shall be known as the "Granting Increase  
2 in Take-Home Pay for All Working Filipinos Act (GINHAWA)."

3       **Sec. 2. Declaration of Policy.** - It is the policy of the State to:

- 4           a) Enhance the progressivity of the tax system through the  
5           rationalization of the Philippine internal revenue tax system, thereby  
6           promoting sustainable and inclusive economic growth; and  
7           b) Provide, as much as possible, an equitable relief to a greater number  
8           of taxpayers and their families in order to improve levels of disposable  
9           income and increase economic activity.

10       **Sec. 3.** Section 24 of the National Internal Revenue Code of 1997, as  
11 amended, is hereby further amended to read as follows:

12       "Sec. 24. *Income Tax Rates.* -

1 (A) *Rates of Income Tax on Individual Citizen and Individual*  
2 *Resident Alien of the Philippines. –*

3 (1) x x x

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

7 ~~[(a) Tax Schedule Effective January 1, 2018 until December~~  
8 ~~31, 2022:~~

9 Not over P250,000..... 0%

10 Over P250,000 but not over  
11 P400,000.....20% of the excess over  
12 P250,000

13 Over P400,000 but not over  
14 P800,000.....P30,000 + 25% of the  
15 excess over P400,000

16 Over P800,000 but not over  
17 P2,000,000.....P130,000 + 30% of the  
18 excess over P800,000

19 Over P2,000,000 but not over  
20 P8,000,000.....P490,000 + 32% of the  
21 excess over P2,000,000

22 Over P8,000,000 .....P2,410,000 +  
23 35% of the excess over P8,000,000

24 ~~(b) Tax Schedule Effective January 1, 2023 and~~

onwards:

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

P8,000,000.....P402,500 + 30% of the

excess over P2,000,000

Over P8,000,000.....

P2,202,500 + 35% of the excess over P8,000,000]

**NOT OVER P400,000.....0%**

**OVER P400,000 BUT NOT OVER**

**P650,000..... 15% OF THE**

**EXCESS OVER P400,000**

**OVER P650,000 BUT NOT OVER**

**P1,300,000..... P37,500 + 20%**

**OF THE EXCESS OVER P650,000**

**OVER P1,300,000 BUT NOT OVER**

**P3,200,000..... P167,500 + 25%**

**OF THE EXCESS OVER P1,300,000**  
**OVER P3,200,000 BUT NOT OVER**  
**P12,800,000..... P642,500 + 30%**  
**OF THE EXCESS OVER P3,200,000**  
**OVER P12,800,000 .....P3,522,500 +**  
**35% OF THE EXCESS OVER P12,800,000**

X X X

*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, **AND SHARE IN THE SERVICE CHARGES** received by such minimum wage earners shall likewise be exempt from income tax. **SERVICE CHARGES SHALL REFER TO THE ADDITIONAL PAY DISTRIBUTED AMONG EMPLOYEES AS PROVIDED UNDER PRESIDENTIAL DECREE NO. 442, SERIES OF 1974, AS AMENDED, OTHERWISE KNOWN AS THE "LABOR CODE OF THE PHILIPPINES".**

**(b) Rate of Tax on Income of Purely Self-employed Individuals and/or Professionals Whose Gross Sales or Gross Receipts and Other Non-operating Income Does Not Exceed the Value-added Tax (VAT) Threshold as Provided in Section 109(BB).** – Self-employed individuals and/or professionals shall have the option to avail of an eight percent (8%) tax on gross sales or gross receipts and other non-operating income in excess of ~~[Two]~~ **FOUR** hundred ~~[fifty]~~

1           thousand pesos [~~(P250,000)~~] **(P400,000)** in lieu of the graduated  
2           income tax rates under Subsection (A)(2)(a) of this Section and the  
3           percentage tax under Section 116 of this Code.

4           x x x

5           **Sec. 4.** Section 32 of the National Internal Revenue Code of 1997, as  
6   amended, is hereby further amended to read as follows:

7       "Sec. 32. *Gross Income.* –

8       (A) *General Definition.* – xxx

9       (B) *Exclusions from Gross Income.* – The following items shall not be  
10      included in gross income and shall be exempt from taxation under this  
11      Title:

12      (1) *Life Insurance.* – x x x

13      (2) *Amount Received by Insured as Return of Premium.* - x x x

14      (3) *Gifts, Bequests, and Devises.* - x x x

15      (4) *Compensation for Injuries or Sickness.* – x x x

16      (5) *Income Exempt under Treaty.* - x x x

17      (6) *Retirement Benefits, Pensions, Gratuities, etc.* - x x x

18      (7) *Miscellaneous Items.* – x x x

19      (a) *Income Derived by Foreign Government.* - x x x

20      (b) *Income Derived by the Government or its Political Subdivisions.*

21      - x x x

22      (c) *Prizes and Awards.* - x x x

23      (d) *Prizes and Awards in sports Competition.* - x x x

24      (e) *13th Month Pay and Other Benefits.* - Gross benefits received by

officials and employees of public and private entities: Provided,  
however, That the total exclusion under this subparagraph shall not  
exceed [~~Ninety~~] **ONE HUNDRED FIFTY** thousand pesos  
[~~(P90,000)~~] **(P150,000)** which shall cover:

(i) xxx xxx

(ii) xxx xxx

(iii) xxx xxx

(iv) xxx xxx

**(V) ALL COMPENSATION, SUCH AS HONORARIA AND  
ALLOWANCES, SERVICE CREDITS, AND OTHER BENEFITS AS  
MAY BE GRANTED TO PERSONS ENGAGED IN ELECTION-  
RELATED SERVICE BY THE COMMISSION ON ELECTIONS,  
PURSUANT TO SECTION 4 OF REPUBLIC ACT NO. 10756,  
OTHERWISE KNOWN AS THE "ELECTION SERVICE REFORM  
ACT".**

*(f) GSIS, SSS, Medicare and Other Contributions. - x x x*

*(g) Gains from the Sale of Bonds, Debentures or other Certificate of  
Indebtedness. - x x x*

*(h) Gains from Redemption of Shares in Mutual Fund. - x x x*

*(i) Income Derived from the Sale of Gold Pursuant to Republic Act  
No. 7076. - x x x*

**(J) ADDITIONAL COMPENSATION REQUIRED UNDER THE  
LABOR CODE. – THE AMOUNT REQUIRED BY LAW TO BE  
GIVEN TO EMPLOYEES AS HOLIDAY PAY, OVERTIME PAY,**



1           **NIGHT SHIFT DIFFERENTIAL PAY, HAZARD PAY, AND**  
2           **SERVICE CHARGES: *PROVIDED*, THAT OVERTIME PAY**  
3           **EXCEEDING ONE HUNDRED THOUSAND PESOS (P100,000)**  
4           **SHALL BE INCLUDED IN THE GROSS INCOME UNDER**  
5           **SECTION 32 (A) OF THIS CODE.**

6           **Sec. 5.** Section 33 of the National Internal Revenue Code of 1997, as  
7 amended, is amended to read as follows:

8           SEC. 33. *Special Treatment of Fringe Benefit.* -

9           (A) *Imposition of Tax.* – Effective January 1, ~~[2018]~~ **2026** and onwards,

10           ~~[a final tax of thirty five percent (35%) is hereby imposed on the~~  
11           ~~grossed-up monetary]~~ **THE** value of fringe benefit furnished or  
12           granted to the employee ~~[(except rank and file employees defined~~  
13           ~~herein)]~~ by the employer, whether an individual or a corporation  
14           (unless the fringe benefit is required by the nature of, or necessary  
15           to the trade, business or profession of the employer, or when the  
16           fringe benefit is for the convenience or advantage of the employer)

17           **SHALL BE INCLUDED IN THE COMPUTATION OF THE GROSS**  
18           **INCOME OF THE EMPLOYEE SUBJECT TO THE TAX UNDER**  
19           **SUBSECTION (A) OF SECTION 24.** The tax herein imposed is

20           payable by the employer which tax shall be paid in the same manner  
21           as provided for under Section ~~[57]~~ **79** (A) of this Code~~[-The~~  
22           ~~grossed-up monetary value of the fringe benefit shall be determined~~  
23           ~~by dividing the actual monetary value of the fringe benefit by sixty-~~  
24           ~~five percent (65%) effective January 1, 2018 and onwards]:~~

1           *Provided, however,* That fringe benefit furnished to employees and  
2 taxable under Subsections (B), (C), (D) and (E) of Section 25 shall  
3 be taxed at the applicable rates imposed thereat: *Provided, further,*  
4 That the grossed -up monetary value of the fringe benefit shall be  
5 determined by dividing the actual monetary value of the fringe  
6 benefit by the difference between one hundred percent (100%) and  
7 the applicable rates of income tax under Subsections (B), (C), (D),  
8 and (E) of Section 25.

9           (B) *Fringe Benefit Defined.* - For purposes of this Section, the term  
10 'fringe benefit' means any good, service or other benefit furnished  
11 or granted in cash or in kind by an employer to an individual  
12 employee (except rank and file employees as defined herein) such  
13 as, but not limited to, the following:

- 14           (1) Housing;
- 15           (2) Expense account;
- 16           (3) Vehicle of any kind;
- 17           (4) Household personnel, such as maid, driver and others;
- 18           (5) Interest on loan at less than market rate to the extent of the  
19 difference between the market rate and actual rate granted;
- 20           (6) Membership fees, dues and other expenses borne by the  
21 employer for the employee in social and athletic clubs or other  
22 similar organizations;
- 23           (7) Expenses for foreign travel;
- 24           (8) Holiday and vacation expenses; **AND**

1 (9) Educational assistance to the employee or his dependents[;].

2 ~~[(10) Life or health insurance and other non-life insurance~~  
3 ~~premiums or similar amounts in excess of what the law allows.]~~

4 (C) *Fringe Benefits Not Taxable.* – The following fringe benefits are not  
5 taxable under this Section:

6 (1) Fringe benefits which are authorized and exempted from tax  
7 under special laws;

8 (2) Contributions of the employer for the benefit of the employee  
9 to retirement, insurance and hospitalization benefit plans;

10 (3) Benefits given to the rank and file employees, whether  
11 granted under a collective bargaining agreement or not; ~~[and]~~

12 (4) De minimis benefits as defined in the rules and regulations to  
13 be promulgated by the Secretary of Finance, upon  
14 recommendation of the Commissioner[.]; **AND**

15 **(5) LIFE OR HEALTH INSURANCE AND OTHER NON-LIFE**  
16 **INSURANCE PREMIUMS OR SIMILAR AMOUNTS IN**  
17 **EXCESS OF WHAT THE LAW ALLOWS.**

18 x x x

19 **Sec. 6.** Section 34 of the National Internal Revenue Code of 1997, as  
20 amended, is amended to read as follows:

21 SEC. 34. *Deductions from Gross Income.* – x x x

22 (A) *Expenses.* – xxx

23 (1) *Ordinary and Necessary Trade, Business or Professional*  
24 *Expenses.* - xxx

1 (2) *Expenses Allowable to Private Educational Institutions.* – xxx

2 **(3) EXPENSES ALLOWABLE TO MICRO TAXPAYERS - A**  
3 **MICRO TAXPAYER, AS DEFINED UNDER SECTION 21**  
4 **(B) OF THIS CODE, SHALL BE ALLOWED A FIFTY**  
5 **PERCENT (50%) ADDITIONAL DEDUCTION ON THE**  
6 **SALARIES, WAGES, AND OTHER FORMS OF**  
7 **COMPENSATION PAID TO THE EMPLOYEES OF THE**  
8 **MICRO TAXPAYER.**

9 x x x

10 (B) *Interest.* – x x x

11 (C) *Taxes.* –

12 (1) *In General.* – x x x

13 (2) *Limitations on Deductions.* – x x x

14 (3) *Credit Against Tax for Taxes of Foreign Countries.* – x x x

15 (4) *Limitations on Credit.* – x x x

16 (5) *Adjustments on Payment of Incurred Taxes.* - x x x

17 (6) *Year in Which Credit Taken.* - x x x

18 (7) *Proof of Credits.* - x x x

19 (8) *Input Tax Attributable to VAT-Exempt Sales.* - x x x

20 **(9) TAX CREDITS ON SPECIAL DISCOUNTS GRANTED TO**  
21 **PERSONS WITH DISABILITY, SENIOR CITIZENS, AND**  
22 **SOLO PARENTS. – THE COST OF DISCOUNTS GRANTED**  
23 **TO PERSONS WITH DISABILITY AS PROVIDED UNDER**  
24 **REPUBLIC ACT NO. 7277, AS AMENDED, OTHERWISE**

1           **KNOWN AS "MAGNA CARTA FOR PERSONS WITH**  
2           **DISABILITY", SENIOR CITIZENS UNDER REPUBLIC ACT**  
3           **NO. 9994, OTHERWISE KNOWN AS THE "EXPANDED**  
4           **SENIOR CITIZENS ACT OF 2010", AND SOLO PARENTS**  
5           **UNDER REPUBLIC ACT NO. 8972, AS AMENDED,**  
6           **OTHERWISE KNOWN AS THE "SOLO PARENTS' WELFARE**  
7           **ACT OF 2000", MAY BE CLAIMED AS CREDITS AGAINST**  
8           **THE NORMAL INCOME TAX DUE DURING THE SAME**  
9           **TAXABLE YEAR THE DISCOUNT IS GRANTED.**

10          **Sec. 7.** Section 53 of the National Internal Revenue Code of 1997, as  
11 amended, is amended to read as follows:

12            "SEC. 53. *Extension of Time to File Returns.* - The Commissioner  
13 may, in meritorious cases, **SUCH AS STATE OF CALAMITY OR**  
14 **NATIONAL EMERGENCY**, grant a reasonable extension of time for filing  
15 returns of income (or final and adjustment returns in case of corporations),  
16 subject to the provisions of Section 56 of this Code."

17          **Sec. 8.** Section 57 of the National Internal Revenue Code of 1997, as  
18 amended, is amended to read as follows:

19            "SEC. 57. *Withholding of Tax at Source.* -

20                (A) *Withholding of Final Tax on Certain Incomes.* - x x x

21                (B) *Withholding of Creditable Tax at Source.* - x x x

22                (C) *Tax-free Covenant Bonds.* - x x x

23                       The Department of Finance shall review, at least once every  
24 three (3) years, regulations and processes for the withholding of

1           creditable tax under this Code, and direct the Bureau of Internal  
2           Revenue to amend rules and regulations for the same, should it  
3           be found during the review that the existing rules, regulations,  
4           and processes for the withholding of creditable tax under this  
5           Code adversely and materially impact the taxpayer[-]:  
6           **PROVIDED, THAT MICRO TAXPAYERS SHALL NOT BE**  
7           **REQUIRED TO WITHHOLD TAXES UNDER SUBSECTION**  
8           **(B) OF THIS SECTION.**

9           **Sec. 9.** Section 109 of the National Internal Revenue Code of 1997, as  
10          amended, is amended to read as follows:

11          SEC. 109. *Exempt Transactions.* –

12               (1) *x x x*

13               (CC) Sale or lease of goods or properties or the performance of  
14               services other than the transactions mentioned in the preceding  
15               paragraphs, the gross annual sales do not exceed the amount of  
16               ~~[Three]~~ **FOUR** million pesos (P~~[3]~~**4**,000,000.00): *Provided*, That  
17               the amount herein stated shall be adjusted to its present values  
18               using the consumer price index, as published by the Philippine  
19               Statistics Authority (PSA) every three (3) years **BEGINNING**  
20               **JANUARY 1, 2029.**

21          **Sec. 10.** Section 123 of the National Internal Revenue Code of 1997, as  
22          amended, is amended to read as follows:

23               SEC. 123. *Tax on Life Insurance Premiums.* – There shall be  
24               collected from every person, company or corporation (except purely

1 cooperative companies or associations) doing life insurance business of any  
2 sort in the Philippines a tax of two percent (2%) of the total premium  
3 collected, whether such premiums are paid in money, notes, credits or any  
4 substitute for money; but premiums refunded within six (6) months after  
5 payment on account of rejection of risk or returned for other reason to a  
6 person insured shall not be included in the taxable receipts; nor shall any  
7 tax be paid upon reinsurance by a company that has already paid the tax;  
8 nor upon doing business outside the Philippines on account of any life  
9 insurance of the insured who is a nonresident, if any tax on such premium  
10 is imposed by the foreign country where the branch is established nor upon  
11 premiums collected or received on account of any reinsurance, if the  
12 insured, in case of personal insurance, resides outside the Philippines, if any  
13 tax on such premiums is imposed by the foreign country where the original  
14 insurance has been issued or perfected; nor upon that portion of the  
15 premiums collected or received by the insurance companies on variable  
16 contracts (as defined in Section 232(2) of Presidential Decree No. 612), in  
17 excess of the amounts necessary to insure the lives of the variable contract  
18 workers[.]: **PROVIDED, THAT PERSONS DOING BUSINESS SIMILAR**  
19 **OR AKIN TO LIFE AND HEALTH INSURANCE SUCH AS PRE-NEED**  
20 **COMPANIES, PENSION FUND COMPANIES, HEALTH**  
21 **MAINTENANCE ORGANIZATIONS AND OTHER COMPANIES**  
22 **SIMILAR TO LIFE INSURANCE SHALL BE SUBJECT TO TAX UNDER**  
23 **THIS SUBSECTION AT THE RATE OF TWO PERCENT (2%) OF THE**  
24 **GROSS PREMIUM, PLAN PAYMENT, OR INSTALLMENT PAYMENTS**

1       **COLLECTED WITHOUT ANY DEDUCTION FOR THE AMOUNTS**  
2       **REQUIRED BY THE APPROPRIATE GOVERNMENT REGULATORY**  
3       **AGENCIES TO BE EARMARKED FOR THE BENEFIT OF THE**  
4       **INSURED, OR PLANHOLDER.**

5               'Cooperative companies or associations' are such as are conducted  
6       by the members thereof with the money collected from among themselves  
7       and solely for their own protection and not for profit.

8       **Sec. 11.** Section 236 of the National Internal Revenue Code of 1997, as  
9       amended, is amended to read as follows:

10       **SEC. 236. *Registration Requirements.* -**

11               **(A) *Requirements.*** - Every person subject to any internal revenue tax  
12       shall register once, either electronically or manually, with the appropriate  
13       Revenue District Office:

14                       (1) Within ten (10) days from date of employment, or

15                       (2) On or before the commencement of business, or

16                       (3) Before payment of any tax due, or

17                       (4) Upon filing of a return, statement or declaration as  
18       required in this Code.

19               The registration shall contain the taxpayer's name, place of  
20       residence, business and such other information as may be required  
21       by the Commissioner in the form prescribed therefor. Provided, That  
22       the Commissioner shall ensure the availability of registration facilities  
23       to all taxpayers including those who are not residing in the country:  
24       Provided, Further, That the Commissioner shall simplify the business



1 registration and tax compliance requirements of self-employed  
2 individuals and/or professionals.

3 **THE BIR SHALL NOT REQUIRE PERSONS WHO ARE**  
4 **NOT SUBJECT TO ANY INTERNAL REVENUE TAX TO SECURE**  
5 **TAXPAYER IDENTIFICATION NUMBER (TIN).**

6 **IN THE CASE OF COOPERATIVES REGISTERED WITH**  
7 **THE COOPERATIVE DEVELOPMENT AUTHORITY, THE**  
8 **INDIVIDUAL TIN OF MEMBERS OF THE COOPERATIVE**  
9 **SHOULD NOT BE A PRE-REQUISITE FOR THE AVAILMENT OF**  
10 **THE TAX EXEMPTION PROVIDED FOR BY LAW.**

11 x x x

12 **Sec. 12. Repealing Clause.** — All laws, decrees, executive orders, rules and  
13 regulations, issuances or parts thereof inconsistent with this Act are hereby  
14 repealed or amended accordingly.

15 **Sec. 13. Separability Clause.** — If any section or provision of this Act shall be  
16 declared invalid or unconstitutional, the remaining sections or provisions of this Act  
17 shall not be affected by such declaration and shall remain in force and effect.

18 **Sec. 14. Effectivity.** — This Act shall take effect fifteen (15) days after its  
19 publication in the Official Gazette or in at least one (1) newspaper of general  
20 circulation: *Provided*, That the online posting in the website of Official Gazette shall  
21 be considered as sufficient publication under this section.

22  
*Approved,*