

[REPUBLIC ACT NO. 7496, May 15, 1992]

**AN ACT ADOPTING THE SIMPLIFIED NET INCOME TAXATION
SCHEME FOR THE SELF-EMPLOYED AND PROFESSIONALS
ENGAGED IN THE PRACTICE OF THEIR PROFESSION, AMENDING
SECTIONS 21 AND 29 OF THE NATIONAL INTERNAL REVENUE
CODE, AS AMENDED**

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

SECTION 1. It is hereby declared the policy of the State to have a uniform and equitable tax system as mandated by the Constitution. The tax structure must be such that all tax groups shall pay their fair share of taxes. The higher income groups shall bear a higher tax burden than the low income groups.

SEC. 2. As used herein, the term:

- a. "Self-employed" means persons engaged in business and who derive their personal income from such business. This includes single proprietorships, *i.e.*, manufacturers, traders, market vendors, owners of eateries, farmers and service shops; and
- b. "Professionals" means persons who derive their income from the practice of their profession. This includes lawyers and other persons who are registered with the Professional Regulation Commission such as doctors, dentists, certified public accountants and others similarly situated. The term "professional" also refers to one who pursues an art and makes his living therefrom such as artists, athletes and others similarly situated.

SEC. 3. The first subparagraph of Section 2(a) of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"(a) Taxable compensation income. - A tax is hereby imposed upon the taxable compensation income as defined in Section 27, other than the incomes subject to tax under paragraphs (b), (c), (d), (e) and (f) of this section, received during each taxable year from all sources determined in accordance with the following schedule:

"Not over P 2,500	0%
"Over P 2,500 but not over P 5,000	1%
"Over P 5,000 but not over P 10,000	P 25 + 3% of excess over P 5,000
"Over P 10,000 but not over P 20,000	P 175 + 7% of excess over P 10,000
"Over P 20,000 but not over P 40,000	P 875 + 11 % of excess over P 20,000

"Over P 40,000 but not over P 60,000	P 3,075 + 15% of excess over P 40,000
"Over P 60,000 but not over P 100,000	P 6,075 + 19% of excess over P 60,000
"Over P 60,000 but not over P 100,000	P 6,075 + 19% of excess over P 60,000
"Over P 100,000 but not over P 250,000	P 13,675 + 24% of excess over P 100,000
"Over P 250,000 but not over P 500,000	P 49,675 + 29% of excess over P 250,000
"Over P 500,000	P 122,175 + 35% of excess over P 500,000"

SEC. 4. A new paragraph to be known as paragraph (f) is hereby inserted at the end of Section 21 of the National Internal Revenue Code, as amended, which shall read as follows:

"(f) Simplified Net Income Tax for the Self-employed and for Professionals Engaged in the Practice of Profession. - A tax is hereby imposed upon the taxable net income as determined in Section 27 received during each taxable year from all sources, other than income covered by paragraphs (b), (c), (d) and (e) of this section by every individual whether a citizen of the Philippines or an alien residing in the Philippines who is self-employed or practices his profession therein, determined in accordance with the following schedule:

"Not over P 10,000	3%
"Over P 10,000 but not over P 30,000	P 300 + 9% of excess over P 10,000
"Over P 30,000 but not over P120,000	P 2,100 + 15% of excess over P 30,000
"Over P 120,000 but not over P 350,000	P 15,600 + 20% of excess over P 120,000
"Over P350,000	P 61,600 + 30% of excess over P350,000"

SEC. 5. The opening paragraph of Section 29 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"In computing taxable income subject to tax under Sections 21(a); 24(a), (b), and (c); and 25(a)(1), there shall be allowed as deductions the items specified in paragraphs (a) to (i) of this section: *Provided however,* That, in computing taxable income subject to tax under Section 21(f) in the case of individuals engaged in business or practice of profession, only the following direct costs shall be allowed as deductions:

"(a) Raw materials, supplies and direct labor;

"(b) Salaries of employees directly engaged in activities in the course of or pursuant to the business or practice of their