

A CLOSER LOOK INTO

INCOMETAX

EUROPEAN ECONOMICS

 LAWRENCE GONZALES  NIAH MAUI LAUREN LOTTMAN

INCOMETAX

tax levied directly on personal income.

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Taxed progressively up to 32%.

1. Compensation employment income
Taxed at progressive rates on gross income
2. Passive income
This income, including dividends and interest, is subject to tax at 7.5%.
3. Business income and professional income
taxed at progressive rates on net business income after deduction of certain specified expenses.

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Taxed progressively up to 35%.

1. Compensation employment income
Taxed at progressive rates on gross income
2. Passive income
This income, including dividends and interest, is subject to tax at 7.5%.
3. Business income and professional income
taxed at progressive rates on net business income after deduction of certain specified expenses.



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The [Tax Reform for Acceleration and Inclusion's](#) (Train) first package promised citizens higher take-home pay through the reduction of personal income tax.

PERSONAL INCOME TAX (2018-2022)	
ANNUAL SALARY	TAX SCHEDULE
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 million	P130,000 + 30% of the excess over P800,000
Over P2 million but not over P8 million	P490,000 + 32% of the excess over P2 million
Over P8 million	P2,410,000 + 35% of the excess over P8 million

PERSONAL INCOME TAX (2023 ONWARDS)	
ANNUAL SALARY	TAX SCHEDULE
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 million	P102,500 + 25% of the excess over P800,000
Over P2 million but not over P8 million	P402,500 + 30% of the excess over P2 million
Over P8 million	P2,202,500 + 35% of the excess over P8 million



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Let's compute **David Essca** Annual Net Income and understand which income tax model works for him following the table earlier



INCREMENTAL MODEL

Over P400,000
but not over P800,000

P30,000 + 25% of the excess
over P400,000

Over 480K but not over 800,000
**Deductions 30,000 + 25% of the
excess of 400,000**

$$650,000 - 400,000 = 250,000 \times 0.25 \\ = 62,500 + 30,000$$

INCOME TAX =Php 92,500

NON-INCREMENTAL MODEL

Over 400K is 15% of INCOME
Over 600k is 16.5% of INCOME

Deductions 15% of 650,000

= Php 97,500

TAXABLE INCOME Php 650,000

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United States

Taxed progressively up to 37%

1. Federal, state, and local income taxes.
2. Applied on all forms of earnings such as employment earnings or capital gains

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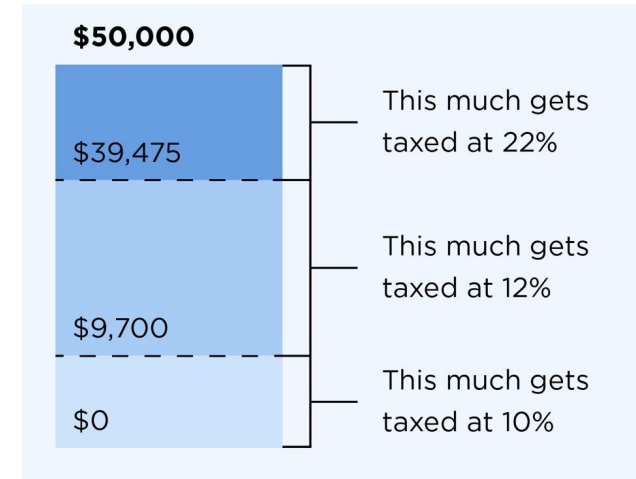


Tax rate	Taxable income bracket	Tax owed
10%	\$0 to \$9,700	10% of taxable income
12%	\$9,701 to \$39,475	\$970 plus 12% of the amount over \$9,700
22%	\$39,476 to \$84,200	\$4,543 plus 22% of the amount over \$39,475
24%	\$84,201 to \$160,725	\$14,382.50 plus 24% of the amount over \$84,200
32%	\$160,726 to \$204,100	\$32,748.50 plus 32% of the amount over \$160,725
35%	\$204,101 to \$510,300	\$46,628.50 plus 35% of the amount over \$204,100
37%	\$510,301 or more	\$153,798.50 plus 37% of the amount over \$510,300

- USA has a **Progressive** tax system

Incremental Tax: $50k - 39,475 = 10,525 \times 0.22 + 4,543$
 $= 6,858.5$ (amount you have to pay in taxes)

USA FEDERAL INCOME TAX BRACKET



Taxable Income: 50k
Total: \$11k



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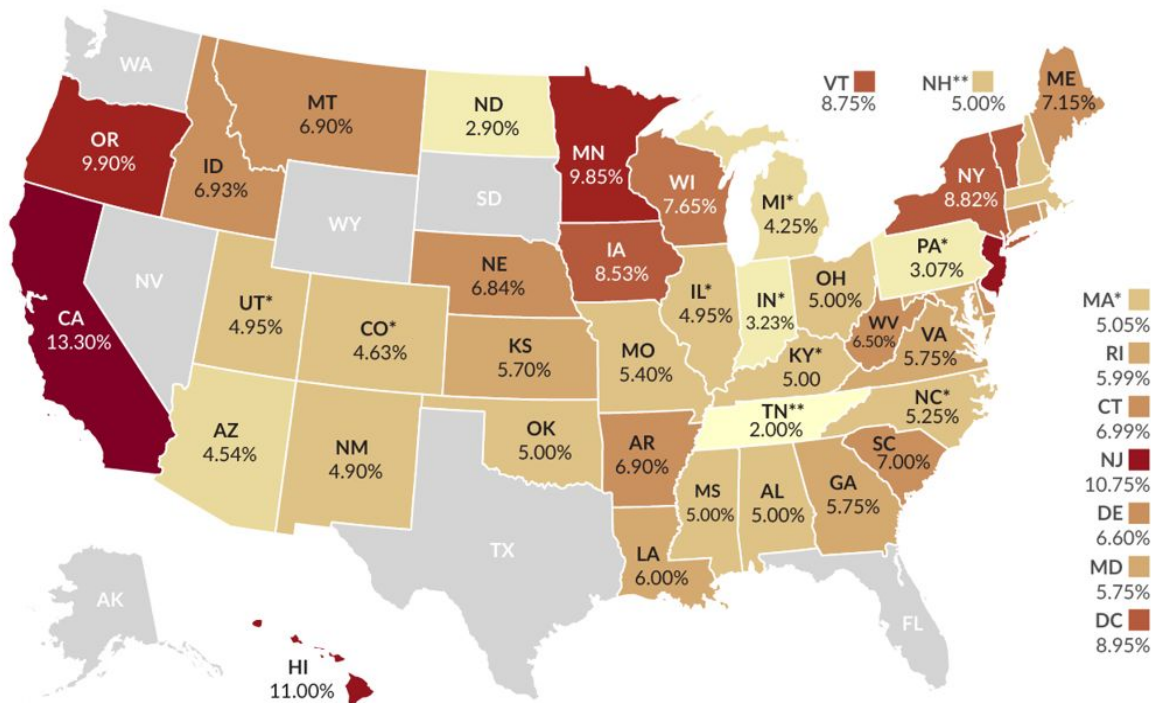
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How High Are Income Tax Rates in Your State?

Top State Marginal Individual Income Tax Rates, 2019



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- MA* 5.05%
- RI 5.99%
- CT 6.99%
- NJ 10.75%
- DE 6.60%
- MD 5.75%
- DC 8.95%

IMAGE A
Tax Drift:
 Moving to avoid paying higher state taxes

Note: (*) State has a flat income tax. (**)State only taxes interest and dividends income. Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.

Source: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg BNA.





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Taxed progressively up to 50%

1. Average Annual Income: 35,000
2. Gini Score: 35
3. HDI Score: 16

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For someone with an annual income of 160K

<15,000 EUROS	No tax income	0
>15,000-30,000 EUROS	20%	0+20% of 30k= 6,000
>30,000 - 60,000 EUROS	25%	6k+ 25% of 30k(7.5k)= 13,500
>60,000-100,000 EUROS	30%	13.5k+ 30% of 40k (12k)= 25,500
>100,000-150,000 Euros	40%	25.5k+ 40% of 50k (20k)= 45,500
>150,000+ Euros	50%	45.5k+ 50% of 10k (5k)= 50,500

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References

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State Individual Income Tax Rates and Brackets for 2019 *March 20, 2019*

<https://taxfoundation.org/state-individual-income-tax-rates-brackets-2019/>

2018-2019 Tax Brackets and Federal Income Tax Rates *June 21, 2019*

<https://www.nerdwallet.com/blog/taxes/federal-income-tax-brackets/>

IMAGE A

<https://files.taxfoundation.org/20190320120532/PIT-2019-FINAL.F-01.png>

VIDEO A

<https://www.youtube.com/watch?v=oOO4n1p3nuk>

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Thank You!!!