

SIXTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



Senate
Office of the Secretary

'13 JUL -4 AMO :17

SENATE

S. No. 452

RECEIVED BY: *Jui*

Introduced by Senator Ralph G. Recto

Explanatory Note

It is the policy of the State to promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all.

It is with the same objective that this measure is being proposed. This bill seeks to exclude the 13th month pay and other benefits from the computation of taxable income amending for the purpose Section 32 (B) (7) (e) of Republic Act No. 8424, otherwise known as the "National Internal Revenue Code of 1997", as amended. This would help cushion the diminishing purchasing power of employees and workers both in the private and public sector thereby increasing their disposable income.

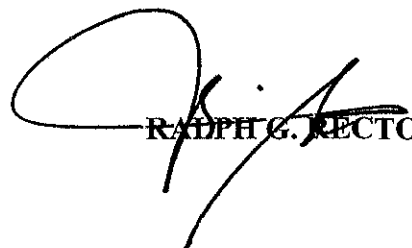
This bill removes the taxability on benefits received by employees of public and private entities including those exceeding Thirty thousand pesos (P30,000). Hence, 13th month pay, productivity incentives and Christmas bonus, regardless of amount will now be totally excluded from the computation of taxable income resulting in more financial resources for the workers.

The cap of P30,000 as provided under the law not only limits the full enjoyment of workers and employees of additional monetary benefits but also diminishes the value of their equitable share in the fruits of production and undermines the employers' acts of generosity and recognition to their employees' work contributions.

The amount to be excluded from the computation of taxable income would mean greater financial flexibility for employees and would put more food on the table and help ensure their children's education.

The proposed legislation will benefit an estimated 37.7 M employees from the private and public sector¹.

Hence, immediate passage of this bill is earnestly sought.


RALPH G. RECTO

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¹ October 2012 Labor Force Survey.



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AN ACT
EXCLUDING 13TH MONTH PAY AND OTHER BENEFITS FROM THE
COMPUTATION OF TAXABLE INCOME AMENDING FOR THE PURPOSE
SECTION 32 (B) (7) (e) OF REPUBLIC ACT NO. 8424 OTHERWISE KNOWN AS 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:*

1 SECTION 1. Section 32 (B) (7) (e) of Republic No. 8424, otherwise known as
2 the "National Internal Revenue Code of 1997," as amended is hereby further amended to read as
3 follows:

4 "Sec. 32. Gross Income. -

5 "(A) General Definition. - x x x

6 "(B) Exclusions from Gross Income. - x x x

7 "(1) x x x

8 "(2) x x x

9 "(3) x x x

10 "(4) x x x

11 "(5) x x x

12 "(6) x x x

13 "(7) Miscellaneous items. -

14 "(a) x x x

15 "(b) x x x

16 "(c) x x x

17 "(d) x x x

18 "(e) 13th Month Pay and Other Benefits. - Gross

19 benefits received by officials and employees of public and private
20 entities [: *Provided, however,* That the total exclusion under this
21 subparagraph shall not exceed Thirty thousand pesos (P30,000)]
22 which shall cover:

- 1 (i) Benefits received by officials and employees
2 of the national and local governments
3 pursuant to Republic Act No. 6686;
4 (ii) Benefits received by employees pursuant to
5 Presidential Decree No. 851, as amended by
6 Memorandum Order No. 28, dated August
7 13, 1986;
8 (iii) Benefits received by officials and employees
9 not covered by Presidential Decree No. 851,
10 as amended by Memorandum Order No. 28,
11 dated August 13, 1986; and
12 (iv) Other benefits such as productivity
13 incentives and Christmas bonus [:
14 *Provided, further, That the*
15 *ceiling of Thirty thousand pesos*
16 *(P30,000) may be increased through*
17 *rules and regulations issued by the*
18 *Secretary of Finance, upon*
19 *recommendation of the*
20 *Commissioner, after considering,*
21 *among others, the effect on the same*
22 *of the inflation rate at the end of the*
23 *taxable year].*

24 “(f) x x x

25 “(g) x x x

26 “(h) x x x.”

27 **SEC. 2.** *Implementing Rules and Regulations.* – The Bureau of Internal Revenue
28 (BIR), Department of Finance (DoF), and Department of Labor and Employment (DOLE) shall
29 promulgate not later than thirty (30) days upon the effectivity of this Act the necessary rules and
30 regulations for its effective implementation.

31 **SEC. 3.** *Repealing Clause.* - All other laws, decrees, orders, issuances and rules
32 and regulations or parts thereof inconsistent with this Act are hereby amended or repealed
33 accordingly.

34 **SEC. 4.** *Effectivity.* - This Act shall take effect fifteen (15) days after its
35 publication either in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,