

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
Second Regular Session

HOUSE BILL No. 5609



Introduced by Reps. TEDDY A. CASIÑO and NERI JAVIER COLMENARES

EXPLANATORY NOTE

On July 1, 2011, Bureau of Internal Revenue (BIR) Commissioner Kim Jacinto-Henares issued Revenue Memorandum Circular no. 27-2011, revoking BIR Ruling No. 002-99, DA-184-04, DA-569-04 and DA-087-06 which excludes various employees' mandatory and voluntary contributions to the Pag-Ibig Fund, the Philippine Health Insurance (PhilHealth) Corporation, the Government Service Insurance System (GSIS) and the Social Security System (SSS) from the gross income of taxpayers, exempting them from taxation. Henares argued that the term "contribution" as defined by Republic Act no. 8291 or the Government Service Insurance System Act of 1997 refers only to mandatory contributions.

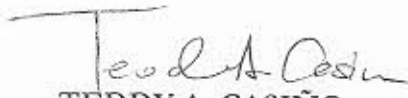
However, said definition does not really define contribution as only being mandatory and excluding voluntary payments. The law merely states that "it shall be mandatory for the member and the employer to pay the monthly contributions." Thus, there is no differentiation between mandatory and voluntary contributions under the law. The same applies to Republic Act no. 8282 or the Social Security Act of 1997, Republic Act no 7875 or the National Health Insurance Act of 1995 and Republic Act no. 9697 or the Home Development Mutual Fund Law of 2009.

But more than technical and legal issues, the BIR's new policy is wrong because it discourages employees from putting their hard earned income into funds that would eventually benefit not only themselves but the government and the public at large. Employees are already slapped with withholding taxes and any extra funds they have that they put into Pag-Ibig or SSS should not be taxed anymore. Further, it would be unfair for the government to be collecting taxes from the contributions of the employees while at the same time granting tax deduction/credit to contributing employers. Again, it is the small taxpayers that the BIR is harping on.

While the authors do not subscribe to the BIR's new interpretation of the law and maintain that the law as currently stated exempts even voluntary contributions, there is a need to correct the unfair situation that the BIR wants to create. The bill, therefore, clarifies in clear and categorical terms the exemption of all contributions for the GSIS, SSS, PhilHealth and Pag-IBIG from taxation.

In this light, the passage of this bill is earnestly sought.

Approved,


TEDDY A. CASIÑO
Bayan Muna Party-list


NERI JAVIER COLMENARES
Bayan Muna Party-list

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
Second Regular Session

HOUSE BILL No. 5609

Introduced by Reps. TEDDY A. CASIÑO and NERI JAVIER COLMENARES

AN ACT EXEMPTING CONTRIBUTIONS FOR THE GOVERNMENT SERVICE
INSURANCE SYSTEM (GSIS), SOCIAL SECURITY SYSTEM (SSS), THE PHILIPPINE
HEALTH INSURANCE (PHILHEALTH) CORPORATION AND THE PAG-IBIG
FUND FROM TAXATION, AMENDING FOR THE PURPOSE REPUBLIC ACT
NO. 8424 OR THE NATIONAL INTERNAL REVENUE CODE

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

SECTION 1. Sec. 32 (b) of Republic Act No. 8424 or the National Internal Revenue Code of 1997 is hereby amended to read as follows:

“(B) Exclusions from Gross Income. – The following items shall not be included in gross income and shall be exempt from taxation under this title:

xxxx

(7) Miscellaneous Items. –

xxxx

(f) GSIS, SSS, [Medicare] PhilHealth, PAG-IBIG and Other Contributions – GSIS, SSS, [Medicare] PhilHealth and Pag-IBIG contributions, REGARDLESS IF MANDATORY OR VOLUNTARY, and union dues of individuals.

SECTION 2. *Constitutionality.* Should any provision of this Act be declared invalid or unconstitutional, the validity or constitutionality of the other provisions shall not be affected thereby.

SECTION 3. *Repealing Clause.* All laws, decrees, letters of instructions, resolutions, orders, ordinances or parts thereof which are inconsistent with the provisions of this Act, are hereby repealed, amended, or modified accordingly.

SECTION 4. *Effectivity.* This Act shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation.

Approved,