

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 5661



Introduced by
ACT Teachers Party-List Representative Antonio L. Tinio

EXPLANATORY NOTE

The 1987 Constitution recognizes labor as a primary socio-economic force and affirms the mandate of the State to protect the rights of workers and promote their welfare (Article II, Section 18).

Despite this, the majority of salary- and wage-earners in the private and public sectors suffer from indecently low pay and meager benefits. With respect to employees in the civil service, their salaries oftentimes stagnate for long periods due to the failure of Congress to periodically amend the Salary Standardization Law. Workers in the private sector, on the other hand, have their wages tied to the politics and bureaucracy associated with the wages and productivity boards.

This misery on wages is compounded by the present income taxation law.

Even without considering the unrestrained inflation in prices of basic commodities and services, salary increases are hardly felt by employees in the public and private sectors. Whether the increases are caused by salary upgrading in a few agencies of the government, the implementation of the Salary Standardization Law 3, or regional wage hikes, the taxable incomes of employees also increase, and most of them become subject to higher tax rates. Furthermore, the 13th month pay and other benefits, generally based on the basic pay, also increase. In most cases, the P30,000 ceiling for the total exclusion of these benefits apply, thus subjecting the excess of P30,000 to income tax.

One reason for this is that the National Internal Revenue Code (NIRC) and related revenue regulations has not kept pace with increases in compensation levels in the public and private sectors, as in the case of the P30,000 ceiling.

This bill proposes the raising to P60,000 of the ceiling for the total exclusion from gross income of the 13th month pay and other benefits. Such legislative action is necessary to enable employees to have more of their income to take home to their families.

A handwritten signature in black ink, appearing to read "Antonio L. Tinio".

ANTONIO L. TINIO

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AN ACT
INCREASING THE CEILING FOR THE TOTAL EXCLUSION FROM GROSS INCOME OF 13TH MONTH PAY AND
OTHER BENEFITS TO SIXTY THOUSAND PESOS, AMENDING FOR THE PURPOSE SECTION 32 (B)(7)(E) OF THE
NATIONAL INTERNAL REVENUE CODE

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

Section 1. Section 32 (B)(7)(e) of the National Internal Revenue Code is hereby amended to read as follows:

"Section 32 (B) Exclusions from Gross Income. — The following items shall not be included in gross income and shall be exempt from taxation under this title:

X X X

"(7) Miscellaneous Items. —

X X X

"(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 paragraph shall not exceed [Thirty Thousand Pesos (P30,000)] **SIXTY THOUSAND PESOS (P60,000)** which shall cover:

X X X

*"(iv) Other benefits such as productivity incentives and Christmas bonus: *Provided, further,* That the ceiling of [Thirty thousand Pesos (P30,000)] **SIXTY THOUSAND PESOS (P60,000)** [may] **SHALL** be increased through rules and regulations issued by the Secretary of Finance, upon **ANNUAL REVIEW AND** recommendation of the Commissioner **AND UPON CONSULTATION WITH THE LABOR SECTOR IN THE PRIVATE AND CIVIL SERVICE**, after considering among others, the effect on the same of the inflation rate at the end of the taxable year."*

Section 2. Repealing Clause. All laws, decrees, resolutions, orders, or ordinances or parts thereof inconsistent with this Act are hereby repealed, amended or modified accordingly.

Section 3. Effectivity. This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in one newspaper of general circulation.

Approved,