

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

2612

HOUSE BILL No. _____



Introduced by BAYAN MUNA
Representatives NERI J. COLMENARES and CARLOS ISAGANI T. ZARATE

**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**

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-184-00, DA-569-04 and DA-087-06 which excludes 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 RA 8291 or the Government Service Insurance System Act of 1997 refers only to mandatory contributions.

However, 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.

In addition to its questionable legal basis, the said policy 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 tax on income. Additional contributions for 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.

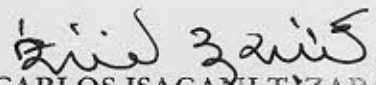
There is a need to correct the unfair situation that the BIR wants to create. The bill, therefore, in clear and categorical terms expressly exempts all contributions for the GSIS, SSS, PhilHealth and

Pag-IBIG from taxation by amending Republic Act No. 8424 or the National Internal Revenue Code of 1997.

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

Approved,


Rep. **NERI J. COLMENARES**
Bayan Muna Party-list


Rep. **CARLOS ISAGANI T. ZARATE**
Bayan Muna Party-list

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 2612

Introduced by BAYAN MUNA
Representatives NERI J. COLMENARES and CARLOS ISAGANI T. ZARATE

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 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,