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Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Sixteenth Congress

First Regular Session

House Bill No. **2835**



Introduced by Honorable Mar-Len Abigail S. Binay

EXPLANATORY NOTE

Enshrined in our Constitution are State policies intended to promote full employment, a rising standard of living, and an improved quality of life for the Filipino workers.

In line with these policies, laws have been enacted to provide, among others, statutory benefits such as 13th month pay (Presidential Decree No. 851 as amended) and Christmas bonus (Republic Act No. 6686 as amended) to aid the Filipino workers in their plight for prosperity and a more comfortable life. Our laws have even gone further and excluded these benefits from income tax, making such amounts received by the Filipino worker tax-free, subject only to the limitation that only a maximum amount of P30,000 can be excluded from the taxpayer's gross taxable income. Such exclusion from gross taxable income was pegged at P30,000 in 1994. However, much has changed, from macro-economic conditions to the basic salaries of employees, that there is a need to revisit the P30,000 maximum level imposed under Section 32 (B)(7)(e) of the National Internal Revenue Code.

Though the salaries of employees, whether in the private or public sector, have significantly increased since 1994, the P30,000 exclusion granted upon these benefits have remained stagnant for almost two (2) decades.

From the research of institutions such as the National Tax Research Center, the National Economic Development Authority, and National Statistics Office, it is suggested that the exclusion be increased from P30,000 to P75,000, subject to adjustment every three (3) years.

The policies stated by our Constitution warrant the increase of the maximum amount of 13th month pay and other benefits received by a Filipino worker that shall be excluded from the gross taxable income. To be true to its policy of improving the lives of the Filipino workers, and to allow an increasing standard of living, the benefits granted by the government should not be thwarted by the passage of time and be negated by the change of economic and other conditions. Instead it should be responsive to the needs of its people whom it declares as Sovereign.

For the foregoing reasons, the passage of this bill is earnestly sought.


MAR-LEN ABIGAIL S. BINAY

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AN ACT
INCREASING THE CEILING OF THE 13TH MONTH PAY, CHRISTMAS BONUS AND
OTHER BENEFITS EXCLUDED FROM THE COMPUTATION OF GROSS INCOME
FOR THE PURPOSE OF INCOME TAXATION, AMENDING FOR THE PURPOSE
SECTION 32 (B), CHAPTER VI OF THE NATIONAL INTERNAL REVENUE CODE
OF 1997, AS AMENDED

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

1 **SECTION 1.** Section 32 (B), Chapter VI of the National Internal Revenue Code of the
2 Philippines (R.A. No. 8424) is hereby amended as follows:

3
4 **SEC. 32. Gross Income. –**

5 **“(A) General Definition. - x x x**

6 “x x x

7 **(B) Exclusions from Gross Income. -** The following items shall not be included
8 in gross income and shall be except from taxation under this title:

9 “x x x

10 **“(7) Miscellaneous Items. –**

11 “x x x

12 (e) 13th Month Pay and Other benefits. - Gross benefits received
13 by officials and employees of public and private entities: *Provided, however,*
14 that the total exclusion under this subparagraph shall not exceed [Thirty
15 thousand pesos (₱ 30,000) **SEVENTY-FIVE THOUSAND PESOS**
16 **(₱ 75,000)** which shall cover:

17 (i) Benefits received by officials and employees of the national
18 and local government pursuant to Republic Act No. 6686;

19 (ii) Benefits received by employees pursuant to Presidential Decree

No. 851, as amended by Memorandum Order No. 28, dated August 13, 1986;

(iii) Benefits received by officials and employee not covered by Presidential decree No. 851, as amended by Memorandum Order No. 28, dated August 13, 1986; and

(iv) Other benefits such as productivity incentives and Christmas bonus: [*Provided, further,* That the ceiling of Thirty thousand pesos (₱ 30,000) may be increased through rules and regulations issued by the Secretary of Finance, upon recommendation of the Commissioner, after considering among others, the effect on the same of the inflation rate at the end of the taxable year.]

PROVIDED, THAT NOT LATER THAN THREE YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY THREE (3) YEARS THEREAFTER, THE AMOUNT HEREIN STATED SHALL BE ADJUSTED TO ITS PRESENT VALUE USING THE CONSUMER PRICE INDEX, AS PUBLISHED BY THE NATIONAL STATISTIC OFFICE (NSO).

“X X X.”

SEC. 2. REPEALING CLAUSE. – All laws, decrees, resolutions, order or ordinance or parts thereof inconsistent with this Act, are hereby repealed, amended or modified accordingly.

SEC. 3. EFFECTIVITY. – This Act shall take effect fifteen (15) days following its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,