

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

Sixteenth Congress

First Regular Session

House Bill No. **2836**



Introduced by Honorable Mar-Len Abigail S. Binay

EXPLANATORY NOTE

Article II, Section 9 of the Constitution provides that "[t]he State shall 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"

Article II, Section 18 of the Constitution further provides that "[t]he State affirms labor as a primary social economic force. It shall protect the rights of workers and promote their welfare."

In line with the above given policies, when a worker strives harder by putting in more hours into his or her work in excess of the required maximum working hours mandated by the Labor Code, the fruits of his or her extra effort should be given to him or her in full without any deduction for income taxes. Indeed, the government should aid the hardworking Filipino worker in ensuring that the latter's standard of living is raised and the quality of life improved by allowing the income earned from overtime work to be enjoyed and made available in full

This bill seeks to include under Section 32 (B) (7) of the National Internal Revenue Code to include Overtime pay or any other type of compensation earned by the Filipino workers in excess of the required maximum working hours per day in order to have the said item of income expressly excluded in the computation of the gross income of the taxpayer.

By allowing workers to bring home the pay of the additional labor in full and free from taxation, the State would not only promote the welfare of the worker but would also indirectly boost growth in the economy through the rippling effect of a financially stronger Filipino workforce.

For the above given reasons the passage of this bill is earnestly sought.


MAR-LEN ABIGAIL S. BINAY

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AN ACT
EXCLUDING OVERTIME PAY FROM THE COMPUTATION OF TAXABLE INCOME
AMENDING FOR THE PURPOSE SECTION 32 (B) (7) OF REPUBLIC ACT NO. 8424
OTHERWISE KNOWN AS 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) (7) (e) of Republic Act No. 8424, otherwise known as the
2 “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) x x x

19 “(F) **OVERTIME PAY – COMPENASTION**
20 **DUE TO HOURS WORKED IN EXCESS OF**
21 **THE REQUIRED MAXIMUM WORKING**
22 **HOURS**

23 “(G) [(f)] x x x

24 “(H) [(g)] x x x.

25 “(I) [(h)] x x x.”

1 **SEC. 2. *Implementing Rules and Regulations.*** – The Bureau of Internal Revenue
2 (BIR), Department of Finance (DoF), and Department of Labor and Employment (DOLE) and
3 Civil Service Commission (CSC) shall promulgate not later than (30) days upon the effectivity of
4 this Act the necessary rules and regulations for its effective implementation.

5
6 **SEC. 3. *Repealing Clause.*** – All other laws, decrees, orders, issuances and rules
7 and regulations or parts thereof inconsistent with this Act are hereby amended or repealed
8 accordingly.

9
10 **SEC. 4. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
11 publication either in the Official Gazette or in at least two (2) newspapers of general circulation.

12
13 Approved,