

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3670



Introduced by Hon. Jerry P. Treñas

EXPLANATORY NOTE

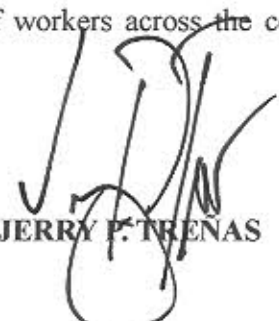
The well-being of our workers is highly regarded as one of the most important priorities of the State. The Constitution and the Labor Code afford labor the highest order of protection, ensuring that our workers obtain a just share in the fruits of their labor. The Constitution declares it a State Principle to promote the general welfare of our people and proclaims it a State Policy to “free the people from poverty through policies that provide adequate social service, promote full employment, a rising standard of living, and an improved quality of life for all.”¹

One of the State’s legislated policies in support of this Constitutional mandate is the exemption of 13th month pay and other benefits from gross income which is subject to tax. However, the exemption in the National Internal Revenue Code of 1997² is only up to the amount of Php30,000. This amount, given the rate of inflation and the rising cost of living, is no longer enough to support our workers.

Most of our workers survive from pay check to pay check, relying on their monthly salaries for their day-to-day expenses. For a huge number of our citizens, the monthly salary is not even enough. Our people therefore rely on the 13th month pay and other additional benefits not only to augment their source of finances for basic expenses, but also as their only source of additional income which they could save or use to start entrepreneurial ventures to support their income. With the unabated rise of food, housing, education, electricity, water and transportation expenses, the 13 month pay and other benefits are no longer mere “bonuses”, as these are necessities relied upon by our countrymen as sources of income to support their families.

Our best tax payers are the employees who have no choice but to pay their monthly taxes through the withholding tax system of our country. Yet they are the ones who are most burdened by the government for even their 13 month pay and other benefits are only exempt from taxes for only up to a certain extent. It is time for our country to increase the threshold to Php75,000 in order to realize the Constitutional mandate to promote the general welfare of the people and to improve their quality of life. Moreover, it is also necessary to increase the tax ceiling every three years to take into account inflation and the present consumer price index.

In view of the foregoing, and in support of the millions of workers across the country, I highly encourage the approval of this legislative measure.


JERRY P. TREÑAS

¹ Sections 5 and 9, Article II, 1987 Philippine Constitution

² Republic Act 8424 (National Internal Revenue Code of 1997)

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13
14 **AN ACT INCREASING THE CEILING OF 13TH MONTH PAY AND OTHER BENEFITS**
15 **EXCLUDED FROM THE PURPOSES OF INCOME TAXATION, AMENDING FOR THE**
16 **PURPOSE OF SECTION 32 (B) (7) (e) OF THE NATIONAL INTERNAL REVENUE CODE OF**
17 **1997, AS AMENDED**
18

19 *Be it enacted by the Senate and House of Representatives of the Philippines duly assembled:*

20
21 **Section 1.** Section 32 (B) (7) (e), Chapter VI of the National Internal Revenue Code of the Philippines
22 is hereby amended as follows:

23
24 Section 32. Gross Income. -

25
26 "xxx

27
28 (B) Exclusions from Gross Income. - The following items shall not be included in gross income and
29 shall be exempt from taxation under this title:

30
31 xxx

32
33 (7) Miscellaneous Items. -

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35 xxx

36
37 (e) 13 Month Pay and Other Benefits. - Gross benefits received by officials and employees of public
38 and private entities: Provided, however, That the total exclusion under this subparagraph shall not
39 exceed [Thirty thousand pesos (P30,000)] **SEVENTY-FIVE THOUSAND PESOS (P75,000)** which
40 shall cover:

41
42 xxx

43
44 (iv) Other benefits such as productivity incentives and Christmas bonus: [Provided, further, That the
45 ceiling of Thirty thousand pesos (P30,000) may be increased through rules and regulations
46 issued by the Secretary of Finance, upon recommendation of the Commissioner, after
47 considering among other, the effect of the same of the inflation rate at the end of the taxable
48 year.]

49
50 **PROVIDED THAT NOT LATER THAN THREE YEARS AFTER THE EFFECTIVITY OF**
51 **THIS ACT AND EVERY THREE (3) YEARS THEREAFTER, THE AMOUNT HEREIN**
52 **STATED SHALL BE ADJUSTED BY THE DEPARTMENT OF FINANCE TO ACCOUNT FOR**

53 **INFLATION AND THE PRESENT CONSUMER PRICE INDEX.**

54
55 xxx”

56
57 **Section 2. *Repealing Clause.*** – All provisions of laws, orders, decrees, including rules and regulations
58 inconsistent herewith are hereby repealed and/or modified accordingly.

59
60 **Section 3. *Separability Clause.*** – If any part or provision of this Act shall be held unconstitutional or
61 invalid, other provisions hereof which are not affected thereby shall continue to be in full force and
62 effect.

63
64 **Section 4. *Effectivity.*** - This Act shall take effect fifteen (15) days after its publication in the *Official*
65 *Gazette* or in a national newspaper of general circulation.

66
67 Approved,