

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



SIXTEENTH CONGRESS
First Regular Session

H. No. 3974

Introduced by:

Representatives Estrellita "Ging" B. Suansing and Angelina D.L. Tan, M.D

EXPLANATORY NOTE

"Change will not come if we wait for some other person or some other time. We are the ones we've been waiting for. We are the change that we seek".

Such is the quote of President Barack Obama as he underscores change that always happen in all walks of life, from the government to the ends of private life.

It is in this context that the change in the P30,000.00 cap for the income tax exemption of the 13th month pay and Christmas bonuses is the focal point of this proposed bill.

This bill therefore aims to increase that ceiling to P75,000 to make it more responsive to the needs of the times.

The P30,000.00 ceiling was first introduced in 1994 upon the effectivity of Republic Act No. 7833. At that time, the lowest monthly basic salary for government employees in the Salary Grade 1, Step I level was P2,800.00; while those occupying Salary Grade 33 positions was at P25,000.00. Nowadays the basic salaries have been adjusted such that SG-I Step I positions now stand at P9,000.00 and SG-33 at P120,000.00.

As the highest law of the land, we should always be guided by the 1987 Constitution that mandates the following:

"Article II, Section 9

"The 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 XIII, Section 1

"The Congress shall give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, reduce social, economic, and political inequalities, and remove cultural inequities by equitably diffusing wealth and political power for the common good." xxx

"Article XIII, Section 2

The promotion of social justice shall include the commitment to create economic opportunities based on freedom of initiative and self-reliance.

X X X X

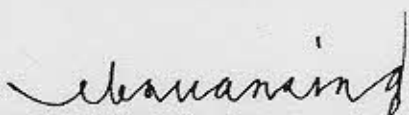
not to mention the State's policy to affirm labor as a primary social economic force by protecting the rights of workers and promoting their welfare.

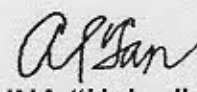
As proposed by the bill, the ceiling of P75,000.00 shall be adjusted to its present value using the Consumer Price Index (CPI) as published by the National Statistics Office (NSO), three years after the bill's effectivity and every three years thereafter.

If enacted into law, this bill would not only reward the workers of the State and private sector who tirelessly toil in contributing to the income generation of the government and delivery of basic services to the people; it would likewise greatly help in boosting their morale and improving their living conditions.

Indeed there will be revenue foregone with the passage of this bill, but such revenue lost could be recouped through increased expenditures of our countrymen; pump-priming cash flow to the economy in the process.

In view of the foregoing, approval of the bill is most earnestly sought.


Rep. ESTRELLITA "GING" B. SUANSING
1st District, Nueva Ecija


Rep. ANGELINA "Helen" TAN, M.D.
4th District, Quezon

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

H. Bill No. **3974**

Introduced by
Representatives Estrellita "Ging" B. Suansing and Angelina D.L. Tan, M.D.

AN ACT
INCREASING THE CEILING OF THE 13TH MONTH PAY, CHRISTMAS BONUS
AND OTHER BENEFITS EXCLUDED FROM THE COMPUTATION OF GROSS
INCOME FOR THE PURPOSES 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 the House of Representatives of the
Philippines in Congress assembled:*

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

SEC. 32. Gross Income. -

"(A) General Definition. - xxx

"xxx

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

"xxx

"(7) Miscellaneous Items. -

"xxx

(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
subparagraph shall not exceed [Thirty thousand pesos (P

30,000)] **SEVENTY-FIVE THOUSAND PESOS (P75,000)** which shall cover:

- (i) Benefits received by officials and employees of the national and local government pursuant to Republic Act No. 6686;.
- (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 employees 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 (P30,000) 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 STATISTICS OFFICE (NSO).

"xxx."

SEC. 2. *Repealing Clause.* - All laws, decrees, resolutions, orders or ordinances 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 after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,