



16TH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES
FIRST REGULAR SESSION

House of Representatives
HOUSE BILL NO. **4039**



INTRODUCED BY HONORABLE GUS S. TAMBUNTING

EXPLANATORY NOTE

This bill seeks to amend Section 32 of RA 8424, otherwise known as the National Internal revenue Code of 1997 with the purpose of excluding the 13th month pay and other benefits exceeding P30,000 from the computation of taxable income.

The purpose of this legislation is to cushion the diminishing purchasing power of the employees and workers both in the private and public sectors hereby increasing their disposable income. This Act edit out the mandate of taxation on the economic benefits received by the employees from the ceiling of P30,000.

Hence, the 13th month pay, productivity incentives and Christmas bonus resulting total earnings in excess of P30,000 will be totally excluded from the computation of taxable income resulting more financial potential for the employees/workers.

The cap of P30,000 as provided under the law decreases the probability of workers and employees be in receipt of additional monetary benefits from its equitable share in the fruits of production, more so undermines management's act of generosity.

The amount not to be withheld from the taxable income means financial flexibility – more food on the table, education, savings and investments.

PD 851 as amended by Memorandum Order No. 28 is an additional income based on wage but not part of the wage hence, the spirit and full intent of the law is therefore, to mandate an additional and full monetary benefit for the workers and employees regardless of their designation or employment status and irrespective of the method by which their wages and salaries are paid.

The proposed legislation will benefit an estimated 38 million total employed persons.

Further, it is the policy of the State to 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 improved quality of life for all.

Hence, immediate passage of this bill is earnestly sought.

GUS S. TAMBUNTING



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HOUSE OF REPRESENTATIVES
HOUSE BILL NO. 4039

Introduced by HONORABLE GUS S. TAMBUNTING

AN ACT

AUTHORIZING THE EXCLUSION OF THE 13TH MONTH PAY AND OTHER BENEFITS EXCEEDING THIRTY THOUSAND PESOS (P30,000) FROM THE COMPUTATION OF TAXABLE INCOME THEREBY AMENDING SECTION 32 OF REPUBLIC ACT 8424 OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997

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

Section 1. Section 32 of Republic Act No. 8424, otherwise known as the National Internal Revenue Code of 1997 is hereby amended to read as follows:

“Sec. 32. Gross Income. –

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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 paragraph shall not exceed thirty thousand pesos (P30,000)**] which shall cover:

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(iv) Other benefits such as productivity incentives **[and]**, Christmas bonus **AND OTHER GRATUITY BONUS OR INCENTIVES** [; **provided, further, that the ceiling of Thirty thousand pesos (P30,000) may be increased through the 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 taxable year**].

Sec.2. Implementing Rules and Regulations. - The Bureau of Internal Revenue (BIR), Department of Finance (DoF), and Department of Labor and Employment (DOLE), Civil Service Commission (CSC) and other appropriate government agencies shall promulgate rules and regulations necessary for the effective implementation of this Act.

Sec.3. Repealing Clause.- all other laws, decrees, orders, issuances and rules and regulations or parts thereof inconsistent with this Act are hereby amended or repealed accordingly.

Sec.4. Separability Clause. - The provisions of this Act are hereby declared to be separable and in the event any of such provisions is declared unconstitutional, the other provision which is not affected thereby shall remain in full force and effect.

Sec.5. Effectivity. - This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.

Approved,

GUS S. TAMBUNTING