

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

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4456



Introduced by **HON. RENE L. RELAMPAGOS**
First District, Bohol

EXPLANATORY NOTE

The 1987 Constitution mandates that "the rule of taxation shall be uniform and equitable. The Congress shall evolve a progressive system of taxation."

The concept of uniformity in taxation implies that all taxable articles or properties of the same class shall be taxed at the same rate. It requires the uniform application and operation, without discrimination, of the tax in every place where the subject of the tax is found. It does not, however, require absolute identity or equality under all circumstances, but subject to reasonable classification. The concept of equity in taxation, on the other hand, requires that the apportionment of the tax burden be, more or less, just in the light of the taxpayer's ability to shoulder the tax burden and, if warranted, on the basis of the benefits received from the government. Its cornerstone is the taxpayer's ability to pay. Finally, a progressive system of taxation means that tax laws shall place emphasis on direct taxes rather than on indirect taxes, with ability to pay as the principal criterion.

In December 11, 1997, the National Internal Revenue Code of 1997 (NIRC) was enacted. Chapter VI of the said law enumerated the items to constitute gross income as well as the allowable exemptions. Among the exemptions are bonuses not exceeding thirty thousand pesos (Php 30,000.00).

When the NIRC was passed in 1997, employees in the public sector enjoying the Php 30,000.00 salary were classified under salary grade 28 positions or who were then occupying Assistant Secretary positions and higher. To date, they receive additional allowances not enjoyed by regular employees.

With the passage of the Salary Standardization Law or Joint Congressional Resolution No. 4 last June 17, 2009 and fully implemented in 2012, however, the salary of Php 30,000.00 are now received by employees occupying salary grade 18 positions. Salary Grade 18 employees are classified as administrative officers or employees. Also, under the Salary Standardization Law, salary grade 28 is now pegged at Php 67,684.

Hence, when the NIRC was passed in 1997, the statutory intent was to tax those classified as salary grade 28 and higher. However, with the current change in the salary schedule in view of the Salary Standardization Law implemented in 2012 and justified by the reality of substantial increase in the cost of living, the NIRC should likewise be amended to be consistent with the legislative intent of the law when it was passed seventeen (17) years ago. Otherwise, we will be subjecting to tax those employees whose bonuses and benefits were not previously envisioned to be taxed by law. If passed, the law will correct the impractical and unanticipated result in the application of the NIRC to employees who are classified as salary grade 18 positions which is a far-cry from the original spirit of the tax law.

In the proposed bill, the allowable exemption cap under the NIRC for all bonuses and benefits received by employees and workers – whether in the public or the private sector will be changed from thirty thousand pesos (Php 30,000.00) to seventy thousand pesos (Php 70,000.00).

Necessarily, this will greatly improve the purchasing power of the middle grade income earners and help cope with the ever-increasing cost of living. Not to mention the inflation since the enactment of the tax law. Finally, this is consistent with the “decent pay” framework of international labor.

In view of the foregoing, the immediate passage of this bill is earnestly sought.


RENE LOPEZ RELAMPAGOS

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Introduced by **HON. RENE L. RELAMPAGOS**
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AN ACT
INCREASING THE TAX CAP EXEMPTION OF ALL BONUSES AND
BENEFITS FROM THIRTY THOUSAND PESOS (PHP 30,000.00) TO
SEVENTY FIVE THOUSAND PESOS (PHP 75,000.00) THEREBY
AMENDING SECTION 32 OF REPUBLIC ACT NO. 8424, AS AMENDED,
OTHERWISE KNOWN AS THE "NATIONAL INTERNAL REVENUE CODE
OF 1997"

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

SECTION 1. Chapter VI, Section 32, paragraph (B) sub-paragraph (7) (e) Republic Act No. 6566, otherwise known as the "National Internal Revenue Code of 1997" is hereby amended to read as follows:

(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 (P30,000)] SEVENTY FIVE THOUSAND PESOS (PHP 75,000.00) which shall cover:

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(iv) Other benefits such as productivity incentives and Christmas bonus: Provided, further, That the ceiling of [Thirty thousand pesos (P30,000)] SEVENTY FIVE THOUSAND PESOS (PHP 75,000.00) may be increased through rules and regulations issued by the Secretary of Finance, upon recommendation of the Commissioner AND THE DIRECTOR GENERAL OF THE NATIONAL ECONOMIC DEVELOPMENT AUTHORITY, after considering among others, the effect on the same of the inflation rate at the end of the taxable year AS WELL AS OTHER ECONOMIC AND SOCIAL FACTORS.

SEC. 2. Repealing Clause. All laws, presidential decrees, executive orders, rules, and regulations, or portions thereof, inconsistent with this Act are hereby repealed or modified accordingly.

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

SEC. 4. Effectivity. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,