

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
Second Regular Session

House Bill No. 4464



Introduced by REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

This bill seeks to amend the National Internal Revenue Code (NIRC) of 1997, as amended, to increase to P70,000 from the present P30,000 the ceiling of the 13th month pay, Christmas bonus and other benefits excluded from the computation of the gross income for purposes of income taxation to increase low-wage earner Filipinos' purchasing power and an opportunity to improve their quality of life.

The current Thirty thousand pesos (P 30,000.00) ceiling is embodied in Republic Act No. 8424 enacted in 1997 when the Consumer Price Index (CPI), used to index the real value of wages in relation to inflation, was merely 60. Today, the CPI is at least 137. Thus, the amount of current exemption is way off the line considering the geometric increases in inflation and the depreciation of the peso's real value through time.

In December 2013, inflation rate in the Philippines accelerated to 4.1%, the highest rate since 2011, as all commodity prices recorded higher annual increases. The Consumer Price Index (CPI) indicates that a basket of goods worth P 100.00 in 1998 is now worth P 200.00 by the end of 2013, almost doubling in a span of 15 years.

On the other hand, wages have always lagged behind. Recently, the minimum wage rate in Metro Manila has been increased to P 466.00 a day. Still, a far cry from the minimum daily cost of living of P 1,200 a day for a family of 6 members.

The fact however, is that while private enterprises have a social responsibility to ensure that their workers are properly compensated, they also have to struggle with the financial requirements of their undertakings to remain afloat. Thus, it would be very difficult to ask for more impositions on these companies, most especially the micro to small enterprises that make up the vastness of employers nationwide.

A solution would be for the government to be the one to make the sacrifice.

Yet still, this measure would only amount to a very minute sacrifice. While it is true that the passage of this proposed measure will entail less income tax collections on the part of the government, such foregone revenues are more apparent than real. In actuality, such apparent losses are merely the same amounts the government was willing to give our workers as exemptions in 1997. The amendment only seeks to respond to current economic realities. Moreover, the foregone tax collections can be recouped by the government in the long-run through increased expenditures of the people and pump-priming cash flow to the economy in the process.

Section 9 of Article II of the 1987 Constitution mandates the State to promote a just and dynamic social order that will free the people from poverty through policies that promote a rising standard of living and an improved quality of life for all Filipinos. This measure aims to fulfill that obligation of the State.

For the foregoing reasons, the immediate consideration and approval of the bill is earnestly urged.

A handwritten signature in black ink, appearing to be 'A. Yap', with a stylized flourish extending from the top right.

ARTHUR C. YAP
Representative

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House Bill No. **4464**

Introduced by REPRESENTATIVE ARTHUR C. YAP

AN ACT
INCREASING THE TAKE HOME PAY OF LOW-WAGE
WORKERS BY ADJUSTING THE 13TH MONTH PAY AND
OTHER BENEFITS CEILING EXCLUDED FROM THE
COMPUTATION OF GROSS INCOME FOR PURPOSES OF
INCOME TAXATION, AMENDING FOR THE PURPOSE
SECTION 32 (B) OF THE NATIONAL INTERNAL REVENUE
CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES

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

1 **SECTION 1.** Section 32 (B), Chapter VI of Republic Act No. 8424, otherwise
2 known as the Internal Revenue Code of the Philippines, is hereby amended to read as
3 follows:

4 *Section 32. Gross Income -*

5
6 xxx

7
8 (B)*Exclusions From Gross Income.* - The following items shall not
9 be included in gross income and shall be exempt from taxation under
10 this title:

11 xxx

12 (7) Miscellaneous items -

13 xxx

14 (e) 13th Month Pay and Other Benefits - Gross benefits
15 received by officials and employees of public and
16 private entities: *Provided, however,* That the total
17 exclusion under this paragraph shall not exceed
18 **SEVENTY** thousand pesos (**P70,000.00**) which shall
19 cover:

20
21 xxx

22
23 (iv) Other benefits such as productivity incentives
24 and Christmas bonus: **PROVIDED, THAT NOT**
25 **LATER THAN THREE (3) YEARS AFTER**
26 **THE EFFECTIVITY OF THIS ACT AND**
27 **EVERY THREE (3) YEARS THEREAFTER,**
28 **THE AMOUNT HEREIN STATED SHALL**
29 **BE ADJUSTED TO ITS PRESENT VALUE**
30 **USING THE CONSUMER PRICE INDEX**

1 (CPI) AS PUBLISHED BY THE NATIONAL
2 STATISTICS OFFICE (NSO).”

3 **SECTION 2. *Implementing Rules and Regulations*** - The Department of
4 Finance (DOF) with the assistance of the Bureau of Internal Revenue (BIR) shall
5 promulgate the rules and regulations necessary for the effective implementation of this
6 Act not later than thirty (30) days from the effectivity of this Act.

7 **SECTION 3. *Separability Clause***. - If any of the provisions of this Act is
8 declared invalid or unconstitutional, the remaining parts or provisions hereof not affected
9 thereby shall remain in full force and effect.

10 **SECTION 4. *Repealing Clause***. - All laws, decrees, executive orders,
11 proclamations, rules and regulations, and issuances, or parts thereof, inconsistent with the
12 provisions of this Act are hereby repealed or modified accordingly

13 **SECTION 5. *Effectivity Clause***. - This Act shall take effect fifteen (15) days
14 after its publication in at least two (2) national newspapers of general circulation.

15 **Approved.**