

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

SIXTEENTH CONGRESS

Second Regular Session

House Bill No. **4704**



Introduced by **Rep. EVELIO R. LEONARDIA**

EXPLANATORY NOTE

The current trend in employment is the coverage of retirement plan to the employees. That in most instances, many employees retire at an early age to work with another employer for a better compensation or for the advancement of his career but the early decision to retire may be deterred because of the taxability of his / her retirement pay under the present National Internal Revenue Code, or that retirement pay for the second time past the age of 50 year old becomes taxable when, ironically, the older the person gets like being a senior citizen, his life's burden not need be too loaded for him let alone the taxability of his benefits. Thus, the non-taxability of the retirement pay upon reaching the age of 45 years whose employment with the same employer has accumulated for at least 10 years, and the non-taxability of the subsequent retirement benefits that he may be entitled to receive from his subsequent employer/s.

As such, the approval of this Bill is earnestly sought.


REP. EVELIO R. LEONARDIA
Lone District, Bacolod City

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AN ACT
AMENDING SECTION 32 (B) (6) (a) OF REPUBLIC ACT NO. 8424, AS
AMENDED 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 (B) (6) (a) of Republic Act No. 8424, as amended,
otherwise known as the National Internal Revenue Code of 1997, is hereby
amended to read as follows:

(B) Exclusion from Gross Income – The following items shall not be included
in gross income and shall be exempt from taxation under this title:

X X X X X

(6) Retirement Benefits, Pensions, Gratuities, etc. –

(a) Retirement benefits received under Republic Act No. 7641 and those
received by officials and employees of private firms, whether individual
or corporate, in accordance with a reasonable private benefit plan
maintained by the employer: Provided, That the retiring official or
employee has been in the service of the same employer for at least ten (10)
years and is not less than forty five (45) years old. The same exclusion
from gross income applies to the retiring official or employee who
subsequently gets employed for another ten years or more with private
firms whether individual or corporate or with public firms with a benefit
plan or retirement plan. For purposes of this Subsection, the term
“reasonable private benefit plan” means a pension, gratuity, stock bonus
or profit-sharing plan maintained by an employer for the officials or
employees, wherein contributions are made by such employer for the
officials or employees, or both, for the purpose of distributing to such
officials and employees the earnings and principal of the fund thus
accumulated, and wherein it is provided in said plan that at no time shall
any part of the corpus or income of the fund be used for, or be diverted
to, any purpose other than for the exclusive benefit of the said officials
and employees.

SECTION 2. Separability Clause. – If any provision of this Act is declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall continue to be in full force and effect.

SECTION 3. Repealing Clause. – Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with any provision of this Act as hereby amended or modified accordinally.

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

Approved,