

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Seventeenth Congress
First Regular Session

House Bill No. **6080**



Introduced by REPRESENTATIVE MARLYN B. ALONTE

EXPLANATORY NOTE

The role of the Bureau of Internal Revenue (BIR) in advancing President Rodrigo R. Duterte's Ten-Point Economic Agenda is crucial. The taxes that the BIR will fund infrastructure, education, health, rural development and the internal revenue allotment of all local government units. The BIR should be fully supported in taking on the President's challenge of funding the Administration's programs, especially in light of the upcoming Comprehensive Tax Reform.

With a total allowed *plantilla* of 21,491 employees¹, the Bureau should ideally, be providing optimum taxpayer service and unparalleled tax administration. Unfortunately, however, this is not the case since the BIR lacks the needed number of personnel in administering and enforcement of tax collection. In recent years, the BIR became a "last option" or pass-through career for professional, technical and skilled job-seekers due to its low pay, and shallow career growth, among others. With 27,219,916 registered taxpayers to manage, the BIR only has 9,835 revenue manpower or which amounts to a manpower ratio of 2,767 taxpayers to 1 revenue. In fact, to those seeking employment, the low salary is not commensurate to the intimidating volume of taxpayers and the large amount to be assessed and collected by the Bureau. With other agencies and the public sector providing more in terms of salary and benefits, the BIR will not be able to attract professionals and technical manpower to join its workforce nor will it be able to retain fresh applicants for long.

Aside from this, the low salary of revenue employees is seen as a major factor in the cultivation of a culture of corruption, especially corruption of need, the demoralization of current personnel and a brain drain on the institution itself. Again, there is very limited career growth in the Bureau considering that there are few available positions or options for promoting performing revenue officials and personnel.

Thus, the government must address the needs of the Bureau. It should be highlighted that the government should safeguard the BIR and its employees in its fulfillment of its vital role in nation building.

¹Executive Order No. 366

It is worthy to note that the Bureau of Customs has been allowed to avail of better compensation and benefits through the enactment Republic Act No. 10863 or the Customs Modernization and Tariff Act, specifically section 202 thereof, to conduct a compensation study with the end view of developing and recommending to the President a competitive compensation and remuneration system to attract and retain highly qualified personnel. This representation believes that the Bureau of Internal Revenue deserves the same privilege, if not more, for their efforts and for the betterment of tax administration.

It is thus proposed that the BIR be removed from the coverage of Republic Act No. 6758 otherwise known as the "Compensation and Position Classification Act of 1989", or the "Salary Standardization Law". However, with higher pay comes higher responsibilities. Thus, this law will also provide for automatic separation from service of non-performing or underperforming officials or personnel. Moreover, in order to attract young and capable recruits while at the same time acknowledging the contribution and respecting the rights of long-time Bureau officials and employees, the law will also provide for the compulsory retirement of Bureau officials and employees at the age of sixty (60) years while providing for a proper retirement package in recognition of their years of service in the Bureau.

In view of the foregoing, the timely passage of this bill is earnestly prayed for.



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**AN ACT EXEMPTING THE BUREAU OF INTERNAL REVENUE
FROM THE COVERAGE OF REPUBLIC ACT NO. 6758,
OTHERWISE KNOWN AS THE SALARY STANDARDIZATION LAW,
AS AMENDED, AND FOR OTHER PURPOSES**

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

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SECTION 1. Declaration of Policy. – It is the policy of the State to improve, OPTIMIZE, and professionalize tax administration by employing and maintaining competent and professional revenue officials and personnel to collect taxes and enforce internal revenue tax laws. Towards this end, the State shall exempt the Bureau of Internal Revenue (BIR) and its employees from the coverage of Republic Act No. 6758, otherwise known as the Salary Standardization Law, as amended and provide for the automatic promotion and compulsory retirement among bureau officials and personnel.

SEC. 2. Exemption from Salary Standardization. – The BIR and its employees shall be exempt from the coverage of the Salary Standardization Law.

The BIR is hereby authorized to formulate its own Compensation and Position Classification System based on the following principles:

(a) BIR personnel shall be paid just and equitable wages in accordance with the principle of equal pay for work of equal value;

(b) Basic compensation for BIR personnel shall generally be comparable with those in the private sector doing comparable work and must be in accordance with prevailing laws on minimum wages;

(c) The BIR Compensation and Position Classification System shall be determined through a comprehensive analysis and audit of actual duties and responsibilities of the Bureau's officials and employees;

(c) The total compensation provided for government personnel must be maintained at a reasonable level in proportion to the national budget; and

(d) A review of government compensation rates, taking into account the performance of the Bureau, its overall contribution to the national economy, and the possible erosion in purchasing power due to inflation and other factors, shall be conducted periodically;

SEC. 2. *Automatic Promotion for Bureau Officials and Personnel.* – (a) a Bureau official or personnel shall be automatically entitled to a promotion to a higher salary step grade and higher rank; *provided* That, the automatic promotion to a higher salary grade shall be given to the concerned Bureau official or personnel only once every two (2) years from the time of employment or last promotion, as the case may be. The concerned Bureau official or personnel shall also be automatically promoted to a higher rank provided that the automatic promotion shall be implemented only once every three (3) years from the time of employment or last promotion to a higher rank, as the case may be.

(b) The automatic promotion for Bureau officials and personnel shall be subject to such rules and regulations to be promulgated by the Department of Finance (DoF) and Civil Service Commission (CSC), within ninety (90) days from the effectivity of this Act.

SEC. 3. *Compulsory Retirement and Corresponding Benefits.* – (a) Upon attaining sixty (60) years of age or upon accumulation of thirty (30) years of satisfactory service, whichever is earlier, a Bureau official and personnel shall be compulsory retired; provided, That such Bureau employee or official shall be allowed to complete thirty (30) years of service but not beyond his sixtieth (60th) birthday; provided However, that such Bureau official or personnel compulsory retiring by age shall have rendered at least twenty (20) years of satisfactory service; provided Finally, that the employment of the concerned Bureau official or personnel may be extended by the President at a period not exceeding five (5) years, at the sole discretion of the President.

(b) When such Bureau official or personnel has been compulsory retired from the Bureau under the provisions of this Act, he or she shall receive a separation gratuity equivalent to one (1) month of base pay of the salary grade to which he or she holds at the time of the compulsory retirement for every year of service; provided that, the Bureau may provide for a one-time lump sum payment or other payment scheme. However, such payment schemes shall be subject to such rules and regulations to be promulgated by the DoF, upon recommendation and approval of the Commissioner of Internal Revenue (CIR) and with concurrence with the Department of Budget and Management (DBM) and CSC.

SEC. 4. *Merit and Fitness.* – If the concerned Bureau official or personnel has been automatically promoted, he or she shall be subject to merit and fitness retention requirements to be promulgated by the DoF, in concurrence with the CSC. In any case, the rules or regulations to be issued shall take into account the following:

- i. Substandard performance or under-performance;

- ii. Simple Neglect in the performance of Duty; and
- iii. Other analogous acts not involving serious infractions or violations of law.

Failure to comply with the merit and fitness retention requirements shall be grounds for separation from service. However, he or she shall receive a separation gratuity equivalent to one (1) month of base pay of the salary grade to which he or she holds at the time of the compulsory retirement for every year of service; provided that, the Bureau may provide for a one-time lump sum payment or other payment scheme. Furthermore, such payment schemes shall be subject to such rules and regulations to be promulgated by the DoF, upon recommendation and approval of the CIR and with concurrence with the DBM and CSC.

SEC. 5. *Incentives to Bureau Officials and Personnel.* – The Bureau, subject to the approval of the President, may provide for other incentives not provided under existing laws and Civil Service laws.

SEC. 6. *Approval of the President.* – The BIR Compensation and Position Classification System implemented pursuant to this Act shall be approved by the President, and shall be subject to periodic review by the BIR, not more than once every three (3) years, without prejudice to yearly merit reviews or increases based on performance.

SEC. 7. *Non-diminution of Salaries.* – The BIR Compensation and Position Classification System to be developed and recommended by the BIR, as approved by the President, shall apply to all positions, on full or part-time basis, now existing or hereafter created: *Provided*, That in no case shall there be any diminution in the authorized salaries of incumbent employees of the BIR as of December 31, 2016, upon the implementation of the approved BIR Compensation and Position Classification System.

SEC. 8. *Appropriation Clause.* – The amount necessary to implement this Act shall be included in the General Appropriations Act of the year following its enactment into law.

SEC. 9. *Separability Clause.* - If any of the sections or provisions of this Act is held invalid, 'all other provisions not affected thereby shall remain valid.

SEC. 10. *Repealing Clause.* - All laws, decrees, issuances, rules and regulations inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 11. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.