

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

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. 7107



Introduced by Representative JUAN FIDEL FELIPE F. NOGRALES

AN ACT
PROVIDING FOR TAX INCENTIVES FOR EMPLOYEES ON A WORK-FROM-
HOME OR TELECOMMUTING PROGRAM, FURTHER AMENDING FOR THE
PURPOSE, REPUBLIC ACT NO. 8424 OTHERWISE KNOWN AS THE
NATIONAL INTERNAL REVENUE CODE (NIRC) OF 1997, AND FOR OTHER
PURPOSES

EXPLANATORY NOTE

Telecommuting has become the new normal. Be it because of the continued health and safety risks posed by physically reporting to work during this pandemic or because of the realization of the benefits and advantages of working from home, telecommuting has permeated into society and is most likely here to stay.

While telecommuting has provided Filipino employees with much needed flexibility and convenience in performing their daily tasks, it has also provided challenges like increased electricity bills, unreliable internet connectivity, increased stress, disturbed mental health, and more as Filipinos still try to hastily adapt to this new normal.

Republic Act No. 11165 or the Telecommuting Act has made it a declared state policy to protect the rights of workers and promote their welfare, especially in the light of technological development that has opened up new and alternative avenues for employees to carry out their work such as telecommuting and other flexible arrangements. In this light, it is but proper to legislate measures that would assist the

Filipinos transitioning to new modes of work and alleviate their concerns. One of these concerns is the sudden surge of electricity expenses at home.

Therefore, this measure seeks to provide telecommuting employees, with allowable tax deductions for electricity expenses to cushion the blow on the probable surge in their bills as they adapt to telecommuting, if their employers do not provide them with allowance. Should the employers provide allowances, this bill also aims to classify those allowances as tax exempt ensuring that employees who receive such allowances enjoy the benefit to its full extent.

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

J. Fidel Nograles
JUAN FIDEL FELIPE F. NOGRALES

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

Section 1. Section 34 of Republic Act No. 8414 is hereby amended to read as follows:

"Sec. 34. Deductions from Gross Income. - Except for taxpayers earning compensation income arising from personal services rendered under an employer-employee relationship where no deductions shall be allowed under this Section, **EXCEPT AS OTHERWISE PROVIDED FOR HEREIN IN CASE OF WORK-FROM-HOME AND TELECOMMUTING EMPLOYEES**, in computing taxable income subject to income tax under Sections 24(A); 25(A); 26; 27(A), (B), and (C); and 28(A)(1), there shall be allowed the following deductions from gross income:

(A) Expenses -

(1) Ordinary and Necessary Trade, Business or Professional Expenses-

(a) XXX

(b) XXX

(c) XXX

(D) WORK-FROM-HOME OR TELECOMMUTING EMPLOYEES. – NOTWITHSTANDING THE FIRST PARAGRAPH OF THIS SECTION, INDIVIDUALS EARNING COMPENSATION INCOME SHALL BE ENTITLED TO A DEDUCTION OF TWENTY-FIVE PESOS (P25.00) FROM THEIR TAXABLE INCOME FOR EVERY HOUR WORKED UNDER A WORK-FROM-HOME OR TELECOMMUTING ARRANGEMENT. PROVIDED, THAT, THE EMPLOYEE SHALL CERTIFY UNDER OATH, THE NUMBER OF HOURS SERVED UNDER THE WORK-FROM-HOME OR TELECOMMUTING PROGRAM FOR THE YEAR, WHICH SHALL BE FILED AS AN ATTACHMENT TO THE EMPLOYEE'S INCOME TAX RETURN.

ALLOWANCES OR OTHER BENEFITS GRANTED BY EMPLOYERS TO THEIR EMPLOYEES TO COVER EXPENSES NECESSARY FOR TELECOMMUTING, NOT EXCEEDING TWO THOUSAND PESOS (P2,000) PER MONTH, SHALL BE CONSIDERED AS A NON-TAXABLE BENEFIT. AMOUNTS GRANTED IN EXCESS SHALL BE SUBJECTED TO EXISTING TAX RULES. PROVIDED, THAT, EMPLOYEES RECEIVING THIS BENEFIT SHALL NO LONGER BE ENTITLED TO THE HOURLY DEDUCTION FROM INCOME TAX PROVIDED FOR IN THE PRECEDING PARAGRAPH. PROVIDED FURTHER, THAT, EMPLOYERS SHALL BE ENTITLED TO AN ADDITIONAL FIFTY PERCENT (50%) INCOME TAX DEDUCTION FOR ALLOWANCES GRANTED WITHIN THE SPECIFIED CEILING.

XXX

Sec. 2. *Implementing Rules and Regulations.* — The Department of Finance, together with the Bureau of Internal Revenue shall promulgate the rules and regulations to implement this Act within ninety (90) days from the effectivity of this Act.

Sec. 3. *Separability Clause.* —If any provision or part thereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

Sec. 4. *Repealing Clause.* — Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule, or regulation contrary to or inconsistent with the provisions of this Act is hereby repealed, modified, or amended accordingly.

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

Approved

TAX INCENTIVE FOR WORK FROM HOME & TELECOMMUTING INDIVIDUALS AMENDING THE NIRC

Salient Features

1. Introduced by Rep. Juan Fidel Felipe F. Nograles
2. Amending the NIRC (Tax Code)
3. Incentives (2 Groups) Incentives will depend on whether or not the employer is giving out telecommuting allowances already or not.
 - a. Employees who are not receiving telecommuting allowance from their employers.
 - i. They receive P25.00 per hour of telecommuting deduction for income tax purposes.
 - ii. If an employee works for 8 hours a day, 5 days a week, for 4 weeks, he will be entitled to a deduction of P4,000. Although this appears big, the net benefit or actual cash savings to the employee under the tax system will really only be around P1,000 per month
 - iii. Existing

Annual Income	P500,000
Tax Rate	P22,500 + 20% in excess of P400K
<u>Tax Payable</u>	<u>P42,500</u>

- iv. P1,000 per month deduction

Annual Income	P500,000
WFH Deduction (12 Months)	P48,000
Net Taxable Income	P452,000
Tax Rate	P22,500 + 20% in excess of P400K
<u>Tax Payable</u>	<u>P32,900</u>

- v. Comparison

Tax without Deduction	P42,500
Tax with Deduction	P32,900
Tax Reduction	P9,600
<u>Monthly Tax reduction</u>	<u>P 800</u>

- b. Employees who are receiving telecommuting allowance from employers

- i. Allowances received for telecommuting shall be considered as non-taxable benefits of the employee up to P2,000 per month. Any allowance given in excess shall be considered as taxable like other allowances.

1. Existing

Annual Income	P500,000
Tax Rate	P22,500 + 20% in excess of P400K
<u>Tax Payable</u>	<u>P42,500</u>

2. P1,000 per month deduction

Annual Income	P500,000
Non-taxable Telecommuting benefit (P2,000 x 12 Months)	P24,000
Net Taxable Income	P500,000 (The Benefit doesn't change the taxable income as it is non-taxable)
Tax Rate	P22,500 + 20% in excess of P400K
<u>Tax Payable</u>	<u>P42,500</u>

3. Comparison

Tax without Deduction	P42,500
Tax with the benefit	P42,500
Tax Reduction	P0
<u>Benefit</u>	<u>The employee gets the entire P2,000 allowance tax free.</u>

- ii. Illustration of the Impact of the additional 50% tax deduction for employers

1. Existing

Corporate Annual Income	P1,000,000
Tax Rate	30%
<u>Tax Payable</u>	<u>P300,000</u>

2. Giving P100,000 allowances without the 150% deduction scheme

Annual Income	P1,000,000
Allowances	P100,000
Net Taxable Income	P900,000
Tax Rate	30%
<u>Tax Payable</u>	<u>P270,000</u>

iii. Giving P100,000 allowances with the additional 50% deduction scheme

Annual Income	P1,000,000
Allowances (150%)	P150,000
Net Taxable Income	P850,000
Tax Rate	30%
<u>Tax Payable</u>	<u>P255,000</u>

c. Comparison

Tax without Allowance	P300,000
Tax with Allowance	P270,000
Tax with Allowance at 150% deduction	255,000

- i. The government would just lose P15,000 in taxes but the employees would be getting an extra P100,000 which they can use for utilities and would help stimulate the economy.

4. We cannot require employers to provide for allowances in the tax code. It might not be the proper place to insert such legislation.
5. These schemes will still benefit minimum wage earners and those earning below P250K because with these incentives in place, the employer will no longer hesitate in giving them allowances as we have effectively reduced the risk of making them jump into a higher tax bracket. Employers, together with employees, sometimes do not want to receive slight increases in their salary because it will move them from a tax free bracket to an already taxable bracket. Hence even if they get a salary increase, their net pay is reduced already now due to taxes. Without proposal, this risk is removed, as the allowances are tax exempt.
6. Employers are not forced to provide for the allowances. But if they do, it is tax deductible for them.