

HOUSE OF REPRESENTATIVES

House Bill No. 2866



Introduced by Representative Christian Tell A. Yap

EXPLANATORY NOTE

Article II, Section 9 of the Constitution states that :

"The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all."

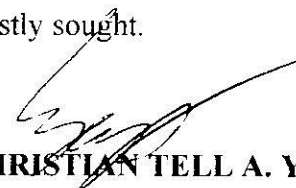
Following this Constitutional mandate, Presidential Decree No. 851 was enacted to require all employers to provide for an additional 13th-month pay equivalent to a one-month basic salary to all rank-and file employees before the end of each calendar year.

The mandatory 13-month Pay is intended to improve the purchasing capabilities of the working citizens who look forward to receiving it, especially for the celebration of Christmas and New Year seasons. More importantly, this measure acts as both recognition of the struggle of the labor force, as well as an incentive for them to continue their tireless hard work for the economy and the development of society.

Under the current law, the 13th-month pay is excluded from the gross income and is thus exempted from taxation. However, such law provides a cap for the tax exemption to the amount of ninety thousand pesos (P90,000.00). In other words, the 13th pay benefit is subjected to taxation if the basic salary received by an employee is more than the mentioned qualification.

This bill seeks to exclude the 13th-month Pay from the computation of taxable income and therefore provide the full, just and equitable monetary benefit of a 13th-month pay in promotion of the well-being of all the workers in our country.

For the foregoing reasons, the approval of this bill is earnestly sought.


CHRISTIAN TELL A. YAP
Representative, 2nd District of Tarlac

HOUSE OF REPRESENTATIVES

House Bill No. 2866

Introduced by Representative CHRISTIAN TELL A. YAP

AN ACT
EXCLUDING 13TH MONTH PAY FROM THE COMPUTATION OF TAXABLE
INCOME, AMENDING FOR THIS PURPOSE SECTION 32 (B) (7) (e) OF THE
NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

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

1 **SECTION 1.** *Section 32 (B) (7) (e) of the National Internal Revenue Code of 1997, as*
2 *amended is hereby further amended to read as follows:*

3
4 “Sec. 32. Gross Income. -

5 “(A) General Definition. - x x x

6 “(B) Exclusions from Gross Income. - x x x

7 “(1) x x x

8 “(2) x x x

9 “(3) x x x

10 “(4) x x x

11 “(5) x x x

12 “(6) x x x

13 “(7) Miscellaneous items. -

14 “(a) x x x

15 “(b) x x x

16 “(c) x x x

17 “(d) x x x

18 “(e) 13th Month Pay [and Other Benefits]. - [Gross benefits]

19
20 **THIRTEENTH MONTH PAY** received by officials and employees of public and private
21 entities **PURSUANT TO EXISTING LAWS, RULES AND REGULATIONS** [: *Provided,*

1 however, That the total exclusion under this subparagraph shall not exceed ninety thousand pesos
2 (P90,000) which shall cover:

- 3
- 4 (i) Benefits received by officials and employees of the national and local
5 governments pursuant to Republic Act No. 6686;
- 6 (ii) Benefits received by employees pursuant to Presidential Decree No. 851, as
7 amended by Memorandum Order No. 28, dated August 13, 1986;
- 8 (iii) Benefits received by officials and employees not covered by Presidential Decree
9 No. 851, as amended by Memorandum Order No. 28, dated August 13, 1986;
10 and
- 11 (iv) Other benefits such as productivity incentives and Christmas bonus.
- 12

13 **“(F) OTHER BENEFITS. - GROSS BENEFITS RECEIVED BY OFFICIALS**
14 **AND EMPLOYEES OF PUBLIC AND PRIVATE ENTITIES: PROVIDED,**
15 **HOWEVER, THAT THE TOTAL EXCLUSION UNDER THIS SUBPARAGRAPH**
16 **SHALL NOT EXCEED NINETY THOUSAND PESOS (P90,000) WHICH SHALL**
17 **COVER:**

18

- 19 (i) **BENEFITS RECEIVED BY OFFICIALS AND EMPLOYEES OF THE**
20 **NATIONAL AND LOCAL GOVERNMENTS PURSUANT TO REPUBLIC**
21 **ACT NO. 6686:**
- 22 (ii) **BENEFITS RECEIVED BY OFFICIALS AND EMPLOYEE NOT**
23 **COVERED BY PRESIDENTIAL DECREE NO. 851, AS AMENDED BY**
24 **MEMORANDUM ORDER NO. 28, DATED AUGUST 13, 1986; AND**
- 25 (iii) **OTHER BENEFITS SUCH AS PRODUCTIVITY INCENTIVES AND**
26 **CHRISTMAS BONUS.**
- 27

28 **“(G) [(f)] x x x**

29 **“(H) [(g)] x x x**

30 **“(I) [(h)] x x x”**

31

32 **SEC. 2. *Implementing Rules and Regulations.*** - Within thirty (30) days from the
33 effectivity of this Act, the Secretary of Finance shall promulgate the necessary implementing
34 rules and regulations for its effective implementation.

35

36 **SEC. 3. *Repealing Clause.*** - All other laws, decrees, orders, issuances and rules and
37 regulations or parts thereof inconsistent with this Act are hereby amended or repealed
38 accordingly.

1
2 **SEC. 4. *Effectivity.*** - This Act shall take effect fifteen (15) days after its publication
3 either in the Official Gazette or in at least two (2) newspapers of general circulation.
4

5 *Approved,*
6