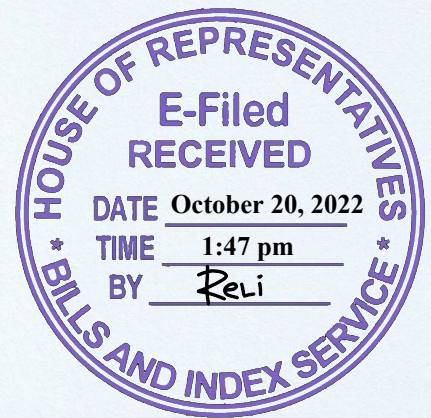


Republic of the Philippines
HOUSE OF REPRESENTATIVES

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 5620



Introduced by Representative Rex Gatchalian

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

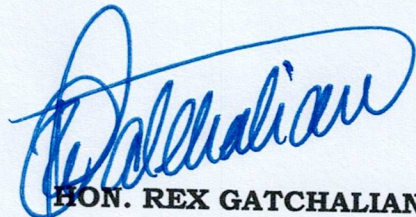
The work-from-home (WFH), telecommuting, or remote work setup has been used as an employment arrangement for cost reduction for both the employer and the employee, better job satisfaction, increased productivity, lower turnover rates, and access to more potential employees. It is also beneficial for the environment as it contributes to the reduction of traffic congestion and air pollution. The necessity of this employment arrangement in the Philippines spiked when lockdowns were imposed due to the COVID-19 pandemic. Now that quarantine restrictions are gradually being lifted, some employers still maintain a work-from-home setup for several of their employees due to its benefits.

Nonetheless, this employment arrangement also has its disadvantages for employees. For instance, they incur additional expenses at home due to higher power consumption and the need to install a more reliable Internet connection. Thus, they shoulder part of the operating costs that used to be paid by their employers when they were still working on-site.

This bill seeks to amend the Tax Code to provide for additional deductions to the compensation income of employees working from home, consequently lowering their taxes due and increasing their take-home pay. The bill also provides for a tax

benefit to the employers granting allowances to cover employees' expenses necessary for telecommuting.

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



HON. REX GATCHALIAN

Representative

1st District, Valenzuela City

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

1 **SECTION 1.** Section 34 of Republic Act No. 8424, or the National Internal
2 Revenue Code of 1997, is hereby amended to read as follows:

3
4 "Sec. 34. Deductions from Gross Income. - Except for taxpayers earning
5 compensation income arising from personal services rendered under an
6 employer-employee relationship where no deductions shall be allowed under
7 this Section, **AND EXCEPT AS OTHERWISE PROVIDED FOR HEREIN IN**
8 **CASE OF WORK-FROM-HOME AND TELECOMMUTING EMPLOYEES**, in
9 computing taxable income subject to income tax under Sections 24(A); 25(A);
10 9 26; 27(A), (B), and (C); and 28(A)(1), there shall be allowed the following 10
11 deductions from gross income:

12
13 (A) Expenses -

- 14
15 (1) Ordinary and Necessary Trade, Business or Professional Expenses-
16 (a) XXX
17 (b) XXX
18 (c) XXX
19

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

11
12 ALLOWANCES OR OTHER BENEFITS GRANTED BY EMPLOYERS TO
13 THEIR EMPLOYEES TO COVER EXPENSES NECESSARY FOR
14 TELECOMMUTING, NOT EXCEEDING TWO THOUSAND PESOS (P2,000)
15 PER MONTH, SHALL BE CONSIDERED AS A NON-TAXABLE BENEFIT.
16 AMOUNTS GRANTED IN EXCESS SHALL BE SUBJECTED TO EXISTING
17 TAX RULES; *PROVIDED*, THAT, EMPLOYEES RECEIVING THIS BENEFIT
18 SHALL NO LONGER BE ENTITLED TO THE HOURLY DEDUCTION FROM
19 INCOME TAX PROVIDED FOR IN THE PRECEDING PARAGRAPH;
20 *PROVIDED FURTHER*, THAT, EMPLOYERS SHALL BE ENTITLED TO AN
21 ADDITIONAL FIFTY PERCENT (50%) INCOME TAX DEDUCTION FOR
22 ALLOWANCES GRANTED WITHIN THE SPECIFIED CEILING.

23
24 **SEC. 2.** *Implementing Rules and Regulations.* — The Department of Finance,
25 together with the Bureau of Internal Revenue, shall promulgate the rules and
26 regulations to implement this Act within ninety (90) days from the effectivity of this
27 Act.

28
29 **SEC. 3.** *Separability Clause.* — If any provision or part thereof is held invalid
30 or unconstitutional, the remainder of the law or the provision not otherwise affected
31 shall remain valid and subsisting.

32
33 **SEC. 4.** *Repealing Clause.* — Any law, presidential decree or issuance,
34 executive order, letter of instruction, administrative order, rule, or regulation
35 contrary to or inconsistent with the provisions of this Act is hereby repealed,
36 modified, or amended accordingly.

1
2
3

SEC. 5. Effectivity. — This Act shall take effect fifteen (15) days after its publication in at least (2) newspapers of general circulation in the Philippines.

Approved,