

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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 1737



Introduced by **Representative Ryan S. Recto**

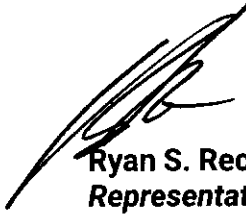
EXPLANATORY NOTE

This bill seeks to exclude the 13th Month Pay from the computation of taxable income, by amending certain provisions of the National Internal Revenue Code. The measure hopes to provide a more equitable and responsive tax system that genuinely supports the financial well-being of Filipino workers. It shall do so by removing the 13th month pay entirely from the P90,000.00 total exclusion cap for other benefits, ensuring that this specific, mandatory benefit is fully exempt from income tax.

The 13th month pay is the most anticipated additional income for all Filipino workers, just in time for the celebration of Christmas and New Year. Subjecting this additional income to taxation, even partially, defeats the original purpose of the law, which is to provide a genuine financial boost to employees. The amount to be excluded from the computation of taxable income would mean greater financial flexibility for employees and would put more food on the table and help ensure their children's education.

It will truly be the gift that keeps on giving if we help our fellow countrymen out during the holiday season by rewarding them with their 13th month pay in full.

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


Ryan S. Recto
Representative
6th District, Batangas

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AN ACT
ENHANCING THE 13TH MONTH PAY AND OTHER BENEFITS, AMENDING FOR THE PURPOSE SECTION 32(B)(7) 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:

Section 1. *Short Title.* – This Act shall be known as the “Enhanced 13th Month Pay and Other Benefits Act”.

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

“SEC. 32. *Gross Income.* –

“(A) *General Definition.* – xxx

“(B) *Exclusions from Gross Income.* – xxx

“(1) xxx

“xxx

“(7) *Miscellaneous items.* –

“(a) xxx

“xxx

“(e) *13th Month Pay [and Other Benefits].* - [Gross benefits]
THIRTEENTH (13th) MONTH PAY received by officials and employees of public and private entities **PURSUANT TO EXISTING LAWS, RULES AND REGULATIONS.** [: ~~Provided, however, That the total exclusion under this~~

~~subparagraph shall not exceed ninety thousand pesos (P90,000) which shall cover:~~

~~(i) — Benefits received by officials and employees of the national and local governments pursuant to Republic Act No. 6686;~~

~~(ii) — Benefits received by employees pursuant to Presidential Decree No. 851, as amended by Memorandum Order No. 28, dated August 13, 1986;~~

~~(iii) — Benefits received by officials and employees not covered by Presidential Decree No. 851, as amended by Memorandum Order No. 28, dated August 13, 1986; and~~

~~(iv) — Other benefits such as productivity incentives and Christmas bonus.]~~

"(F) OTHER BENEFITS. – GROSS BENEFITS RECEIVED BY OFFICIALS AND EMPLOYEES OF PUBLIC AND PRIVATE ENTITIES: PROVIDED, HOWEVER, THAT THE TOTAL EXCLUSION UNDER THIS SUBPARAGRAPH SHALL NOT EXCEED NINETY THOUSAND PESOS (P90,000) WHICH SHALL COVER:

(i) BENEFITS RECEIVED BY OFFICIALS AND EMPLOYEES OF THE NATIONAL AND LOCAL GOVERNMENTS PURSUANT TO REPUBLIC ACT NO. 6686;

(ii) BENEFITS RECEIVED BY OFFICIALS AND EMPLOYEES NOT COVERED BY PRESIDENTIAL DECREE NO. 851, AS AMENDED BY MEMORANDUM ORDER NO. 28, DATED AUGUST 13, 1986; AND

(iii) OTHER BENEFITS SUCH AS PRODUCTIVITY INCENTIVES AND CHRISTMAS BONUS.

"(G)[(f)] xxx

"(H)[(g)] xxx

"(I)[(h)] xxx."

Sec. 3. Implementing Rules and Regulations (IRR). – Within thirty (30) days from the effectivity of this Act, the Secretary of Finance, upon the recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations for its effective implementation.

Sec. 4. *Separability Clause.* – If any provision or part hereof is declared unconstitutional, the remainder of this Act or any provision not affected thereby shall remain in full force and effect.

Sec. 5. *Repealing Clause.* – All laws, acts, decrees, executive orders, issuances, and rules and regulations or parts thereof which are contrary to and inconsistent with this Act are hereby repealed, amended or modified accordingly.

Sec. 6. *Effectivity.* – This Act shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,