

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 3502



Introduced by TUCP Partylist Representative
HON. RAYMOND DEMOCRITO C. MENDOZA

EXPLANATORY NOTE

The TUCP Party-list files this bill exempting the separation pay, back wages, and other benefits of illegally dismissed or suspended workers from taxes. The measure seeks to correct the injustice suffered by workers who, after being victims of illegal dismissal or suspension, pursue legal remedies before the Department of Labor and Employment (DOLE), the National Labor Relations Commission (NLRC), and other venues, only to find—after years of litigation—that their hard-earned monetary awards, such as separation pay, back wages, and other lawful benefits, will still be reduced by withholding income taxes under the current National Internal Revenue Code and related issuances.

This predicament is especially unjust because when workers begin to exhaust all legal means to challenge their dismissal or suspension, they are often left jobless without any source of income, pushed to rely on their families and friends as their social support systems, or forced to even pawn their ATM cards or borrow from far too many lending entities, including loan sharks, just to feed their families, send their children to school, and make ends meet each and every day of their lives while barely keeping their heads above the water.

Pursuant to our State Policy that affirms “labor as a primary social economic force” and which “shall protect the rights of workers and promote their welfare” and in light of the continuing decline of union density due to pandemic-level contractualization and rampant violations of freedom of association, the urgent enactment of this social legislation is imperative, especially for our financially distressed illegally dismissed workers.

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


HON. RAYMOND DEMOCRITO C. MENDOZA
TUCP Partylist Representative

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**AN ACT GRANTING RELIEF TO FINANCIALLY DISTRESSED
EMPLOYEES BY PROVIDING EXEMPTION FROM TAXES ON
SEPARATION PAY, BACKWAGES AND OTHER REMUNERATION OR
BENEFITS OF ALL ILLEGALLY DISMISSED OR SUSPENDED WORKERS,
FURTHER AMENDING SECTION 32 (B)(6)(b) OF THE NATIONAL
INTERNAL REVENUE CODE OF THE PHILIPPINES**

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

Section 1. Short Title. — This Act shall be cited as the “*Tax Exemption on Separation Pay, Back Wages, and Other Benefits of Illegally Dismissed or Suspended Workers Act*”.

Section 2. State Policy. — It is hereby declared the policy of the State pursuant to the Constitution to “afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all” and that “the rule of taxation shall be uniform and equitable,” hence the need to aid illegally dismissed or suspended workers who are deemed as partners in building the economy, and who by their illegal dismissal or suspension are thereby financially distressed.

Section 3. Presidential Decree No. 1158, as amended by, among others, Presidential Decree No. 1994 and Executive Order No. 273, Republic Acts No. 8424 and No. 9504, and other legislative acts, otherwise known as the National Internal Revenue Code (NIRC), is hereby further amended.

Section 4. More particularly, Section 32(B)(6)(b) of the National Internal Revenue Code of the Philippines (NIRC), is hereby further amended, to read as follows:

Section 32. Gross Income. —

xxx

(B) *Exclusions from Gross Income.* — The following items shall not be included in gross income and shall be exempt from taxation under this title:

xxx

“Any amount received by an official or employee or by his heirs from the employer, including separation pay, backwages, and other remuneration or benefits, as a consequence of separation or suspension of such official or employee from the service of the employer because of illegal dismissal, illegal suspension, death, sickness or other physical disability or for causes beyond the control of the said official or employee;”

Section 5. Persons having control of the payment of wages or salaries are no longer authorized and are hereby expressly prohibited from deducting and withholding upon such separation pay, backwages, and other remuneration or benefits any withholding taxes that may have previously been due thereon prior to the effectivity of this Act.

Section 6. *Separability Clause.* – If any provision of this Act is subsequently declared unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

Section 7. *Repealing Clauses.* -The provisions of the National Internal Revenue Code, as amended, and all other laws, including charters of government-owned or controlled corporations, decrees, orders, issuances, or regulations or parts thereof, that are inconsistent with this Act are hereby repealed or amended accordingly.

Section 8. *Effectivity* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any newspaper of general circulation.

Approved,