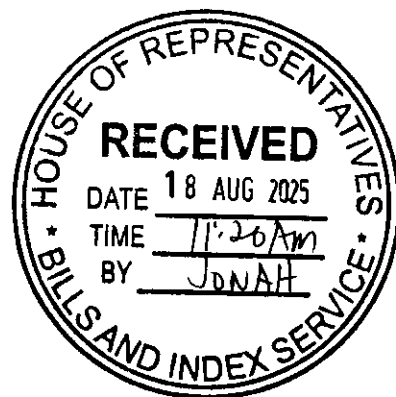




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 3784



Introduced by 4Ps Partylist Representative
JC M. ABALOS

EXPLANATORY NOTE

Section 9, Article II of the 1987 Constitution provides 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.”

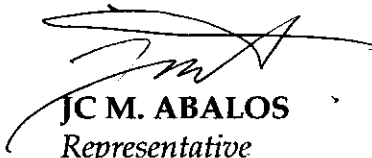
Pursuant to this constitutional directive, it is imperative that the State continuously reviews and updates its tax laws to ensure that they remain fair, equitable, and responsive to economic realities – particularly those affecting Filipino workers.

Under Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN) Law, which took effect in 2018, the ceiling for tax-exempt 13th month pay and other bonuses was raised to ₱90,000. At the time, this adjustment was meant to reflect prevailing income levels and price conditions, thereby affording workers greater disposable income during the holiday season and for other financial needs.

However, based on data from the Philippine Statistics Authority (PSA), prices have increased significantly since 2018. The Consumer Price Index (CPI) has risen from 100 in 2018 to approximately 127 as of mid-2025, indicating an average inflation rate of about 3.5% per year. In real terms, this means that the ₱90,000 threshold set in

2018 now has the purchasing power of only around ₱71,000. The intended relief that the exemption provided has been eroded by inflation, diminishing its value and impact on employees' financial well-being.

This bill seeks to increase the ceiling for 13th month pay and other bonuses as exclusion in gross income to better reflect current economic conditions and restore its real value in favor of Filipino workers. By increasing the exemption cap, the measure aims to update the tax-exempt bonus threshold to preserve workers' purchasing power, promote tax equity, boost disposable income during peak spending seasons, and stimulate economic activity in line with current economic realities.



JC M. ABALOS
Representative
4Ps Partylist



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HOUSE BILL NO. 3784

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**AN ACT INCREASING THE CEILING ON THE 13TH MONTH PAY,
CHRISTMAS BONUS AND OTHER BENEFITS EXCLUDED FROM THE
COMPUTATION OF GROSS INCOME FOR THE PURPOSES OF INCOME
TAXATION, AMENDING SECTION 32, UNDER REPUBLIC ACT NO. 8424,
OTHERWISE KNOWN AS 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. Declaration of Policy. - The State upholds a just and dynamic social order that promotes national prosperity and independence, and seeks to free the people from poverty through equitable economic and fiscal measures. In accordance with Section 9, Article II of the 1987 Constitution, the State recognizes the need to ensure fairness in the tax system and to uphold the principles of equity and social justice in the treatment of income earned by Filipino workers.

In this light, the State acknowledges that the current ceiling for tax-exempt 13th month pay and other bonuses no longer reflects present economic realities, diminishing its intended benefit to workers. As inflation erodes the real value of income, compensation that was once tax-exempt now becomes partially taxable, undermining the relief originally granted.

Accordingly, the measure seeks to raise the ceiling for tax-exempt 13th month pay and other bonuses, thereby protecting the real value of workers' compensation, enhancing disposable income especially during peak spending seasons, and promoting greater equity in the tax system.

SEC. 2. Section 32 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

"SEC. 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

(7) *Miscellaneous Items.* —

(e) *13th Month Pay and 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 (PhP90,000)] ONE HUNDRED TWENTY THOUSAND PESOS (P120,000) which shall cover:

(i) Benefits received by officials and employees of the national and local government 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.

PROVIDED, THAT NOT LATER THAN THREE (3) YEARS AFTER THE EFFECTIVITY OF THIS ACT AND EVERY THREE (3) YEARS THEREAFTER, THE AMOUNT HEREIN STATED

SHALL BE ADJUSTED TO ITS PRESENT VALUE BASED ON THE CONSUMER PRICE INDEX (CPI), AS PUBLISHED BY THE PHILIPPINE STATISTICS AUTHORITY (PSA).

PROVIDED, FURTHER, THAT IN DETERMINING SUCH ADJUSTMENT, THE CPI SHALL BE USED IN COORDINATION WITH THE DEPARTMENT OF FINANCE (DOF), THE DEPARTMENT OF ECONOMY, PLANNING, AND DEVELOPMENT (DEPDEV), AND OTHER RELEVANT GOVERNMENT AGENCIES. THE ADJUSTMENT MAY ALSO TAKE INTO ACCOUNT OTHER PERTINENT ECONOMIC INDICATORS, SUCH AS WAGE GROWTH, POVERTY THRESHOLDS, AND PREVAILING ECONOMIC CONDITIONS, AS MAY BE NECESSARY.

XXX.”

SEC. 4. *Implementing Rules and Regulations.* — The Department of Finance shall issue rules and regulations for the faithful and effective implementation of this Act.

SEC. 5. *Separability Clause.* — If any part or provision of this Act is held invalid or unconstitutional, the other provisions not affected thereby shall remain in force and effect.

SEC. 6. *Repealing Clause.* — All laws, executive orders, issuances, decrees, rules and regulations inconsistent with or contrary to the provisions of this Act are deemed amended, modified or repealed accordingly.

SEC. 7. *Effectivity.* — This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approve,