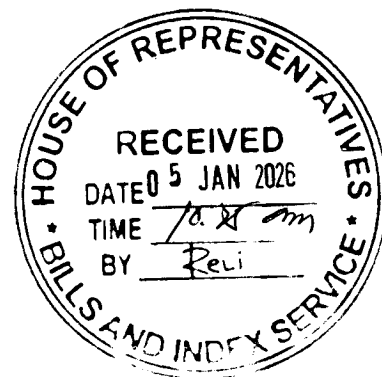


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Twentieth Congress
First Regular Session

HOUSE BILL NO. **7033**



Introduced by **Representative RAYMOND ADRIAN SALCEDA**

AN ACT
AMENDING SECTION 32(B) OF THE NATIONAL INTERNAL REVENUE CODE OF
1997, AS AMENDED, TO EXCLUDE FROM GROSS INCOME THE BENEFITS
RECEIVED BY HEALTHCARE WORKERS FROM THE PHILIPPINE HEALTH
INSURANCE CORPORATION

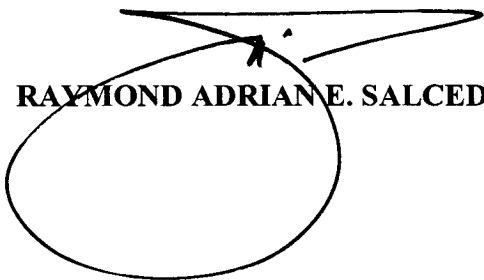
EXPLANATORY NOTE

Section 32(B)(6)(a) of the National Internal Revenue Code of 1997, as amended, excludes from gross income the benefits received from the Government Service Insurance System (GSIS) and the Social Security System (SSS). This policy recognizes that benefits from social insurance institutions are in the nature of social protection, not compensation for services.

The Philippine Health Insurance Corporation (PhilHealth), like the GSIS and SSS, is a government social insurance corporation. It provides various benefits to healthcare workers who participate in the National Health Insurance Program—including allowances, hazard pay, and performance incentives. These benefits are currently subject to income tax, unlike GSIS and SSS benefits.

This bill corrects this disparity by adding PhilHealth to the list of social insurance institutions whose benefits are excluded from gross income. The exclusion covers benefits received by healthcare workers as participants in the system. It does not cover professional fees for medical services, which remain taxable as income from the practice of profession.

The approval of this bill is earnestly sought.


RAYMOND ADRIAN E. SALCEDA

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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 "PhilHealth Benefits Tax Exemption Act."

SEC. 2. Section 32(B)(6)(a) of the National Internal Revenue Code of 1997, as amended, is hereby further amended to read as follows:

"SEC. 32. *Gross Income.* –

"x x x

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

"x x x

"(6) *Retirement Benefits, Pensions, Gratuities, etc.* –

"(a) Retirement benefits received under Republic Act No. 7641 and those received by officials and employees of private firms, whether individual or corporate, in accordance with a reasonable private benefit plan maintained by the employer:

Provided, That the retiring official or employee has been in the service of the same employer for at least ten (10) years and is not less than fifty (50) years of age at the time of his retirement: *Provided, further*, That the benefits granted under this subparagraph shall be availed of by an official or employee only once. For purposes of this Subsection, the term 'reasonable private benefit plan' means a pension, gratuity, stock bonus or profit-sharing plan maintained by an employer for the benefit of some or all of his officials or employees, wherein contributions are made by such employer for the officials or employees, or both, for the purpose of distributing to such officials and employees the earnings and principal of the fund thus accumulated, and wherein it is provided in said plan that at no time shall any part of the corpus or income of the fund be used for, or be diverted to, any purpose other than for the exclusive benefit of the said officials and employees.

"Any amount received by an official or employee or by his heirs from the employer as a consequence of separation of such official or employee from the service of the employer because of death, sickness or other physical disability or for any cause beyond the control of the said official or employee.

"The provisions of any existing law to the contrary notwithstanding, social security benefits, retirement gratuities, pensions and other similar benefits received by resident or nonresident citizens of the Philippines or aliens who come to reside permanently in the Philippines from foreign government agencies and other institutions, private or public.

"Benefits received from the Government Service Insurance System (GSIS), the Social Security System (SSS), AND THE PHILIPPINE HEALTH INSURANCE CORPORATION (PHILHEALTH): PROVIDED, THAT THE EXCLUSION OF PHILHEALTH BENEFITS SHALL BE SUBJECT TO THE FOLLOWING CONDITIONS:

"(i) THE BENEFITS ARE RECEIVED BY HEALTHCARE WORKERS, REFERRING TO NURSES, MIDWIVES, MEDICAL TECHNOLOGISTS, RADIOLOGIC TECHNOLOGISTS, PHYSICAL THERAPISTS, OCCUPATIONAL THERAPISTS, RESPIRATORY THERAPISTS,

PHARMACISTS, NUTRITIONIST-DIETITIANS, BARANGAY HEALTH WORKERS, AND OTHER ALLIED HEALTH PROFESSIONALS ACCREDITED BY OR REGISTERED WITH PHILHEALTH;

"(ii) THE BENEFITS ARE IN THE NATURE OF ALLOWANCES, SUPPORT FUNDS, OR INCENTIVES FOR PARTICIPATION IN THE NATIONAL HEALTH INSURANCE PROGRAM, INCLUDING HEALTH HUMAN RESOURCE SUPPORT FUNDS, PERFORMANCE-BASED INCENTIVES, HAZARD ALLOWANCES, AND SERVICE DELIVERY SUPPORT; AND

"(iii) THE BENEFITS DO NOT INCLUDE PROFESSIONAL FEES FOR MEDICAL, SURGICAL, OR OTHER PROFESSIONAL SERVICES RENDERED TO PATIENTS, WHETHER BILLED DIRECTLY BY THE HEALTHCARE PROFESSIONAL OR THROUGH A HEALTHCARE FACILITY, HOSPITAL, OR CLINIC, WHICH SHALL REMAIN SUBJECT TO APPLICABLE TAXES UNDER THIS CODE.

"x x x"

SEC. 3. *Implementing Rules and Regulations.* – Within ninety (90) days from the effectivity of this Act, the Secretary of Finance, upon recommendation of the Commissioner of Internal Revenue, shall promulgate the necessary rules and regulations to implement this Act.

SEC. 4. *Separability Clause.* – If any provision of this Act is declared unconstitutional or invalid, the other provisions not affected thereby shall remain in full force and effect.

SEC. 5. *Repealing Clause.* – All laws, decrees, orders, rules and regulations, or parts thereof, inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 6. *Effectivity.* – This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Approved,