

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

4
5 TWENTIETH CONGRESS
6 First Regular Session
7

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10 HOUSE BILL No. 7661
11



12 -----
13 Introduced by
14 ACT Teachers Party-List Rep. ANTONIO L. TINIO,
15 Gabriela Women's Party Rep. SARAH JANE I. ELAGO,
16 and KABATAAN Party-List Rep. RENEE LOUISE M. CO
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18
19 AN ACT
20 INCREASING THE CEILING FOR THE TOTAL EXCLUSION FROM
21 GROSS INCOME OF 13TH MONTH PAY AND OTHER BENEFITS TO
22 ONE HUNDRED AND FIFTY THOUSAND PESOS (P150,000), AMENDING
23 FOR THE PURPOSE SECTION 32 (B)(7)(E) OF REPUBLIC ACT 8424 OR
24 THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED
25

26
27 EXPLANATORY NOTE
28

29 The constitutional guarantees for the status of labor as the primary
30 socio-economic force and for the rights of workers and employees in both private and
31 public sectors to remuneration that could afford them a rising standard of living are
32 not translated in real life.
33

34 One reason is the State's failure to ensure just wages and salaries, both directly
35 as employer of the 2.1 million career and non-career employees as well as more than
36 919,000 job order and contract of service workers, and as supposed regulator of
37 private sector employment. In both public and private sectors, minimum wages and

1 salaries always fail to catch up with the ideal family living wage, estimated in
2 December last year as ₱1,240 by independent socio-economic think tank IBON.¹

3
4 Another reason is the regressive tax system of our country, part of which is the
5 regressive make-up of the income taxation law. Even without factoring in the
6 unrestrained inflation in prices, ordinary Filipinos barely feel whatever salary or wage
7 increase that might come. Whether caused by salary upgrading, the latest adjustment
8 of the *Salary Standardization Law (SSL)*, or by regional wage hikes, the taxable
9 incomes of employees also increase, making most of them subject to higher tax rates.
10 Furthermore, the 13th month pay and other benefits, generally based on the basic pay,
11 also increase. In most cases, the ₱90,000 ceiling for the total exclusion of these
12 benefits applies, and the amount over the ceiling will add to their taxable incomes.
13 This is the case for majority of public school teachers (Teacher I to Teacher III) whose
14 annualized bonuses falling under the “13th month pay and other benefits” category can
15 reach an estimated ₱127,000 up to ₱139,000, which will increase further once the
16 subsequent tranches of the SSL VI kick in.

17
18 This Bill therefore proposes to increase to ₱150,000 the ceiling of bonuses and
19 incentives declared as excluded from income tax, namely, the mandatory annual
20 “Christmas bonus” granted to employees of the national and local government under
21 Republic Act 6686, the 13th month pay under Presidential Decree 851, other bonuses
22 and incentives of similar nature given in cash or in kind such as productivity
23 incentives, and loyalty pay or awards pursuant to government regulations for those in
24 the civil service or and the private sector, as well as benefits of similar nature pursuant
25 to private employers’ management prerogative or discretion. This ceiling was set at
26 ₱90,000 by R.A. 10693, the *TRAIN Law* in 2018—or nearly 10 years ago.

27
28 Further, this Bill proposes to make mandatory the periodic authority under RA
29 8424 of Commissioner of Internal Revenue (CIR) to review and raise the cap, an
30 authority that was granted in the previous iterations of the provision but was never
31 exercised. The ceiling was set at ₱30,000 by R.A. 8424 or the *National Internal*
32 *Revenue Code of 1998*, then increased to ₱82,000 by R.A. 10653 in 2015. In other
33 words, it took twenty long years for the tax exemption cap to be adjusted, and through
34 legislation since the CIR failed or refused to act on its authority to do so. In the
35 meantime, wage and salary increases, as well as the unrestrained inflation, rendered
36 the benefit of this provision—which is to provide opportunities for ordinary wage and
37 salary earners to minimize the income taxes that they have to pay—negligible. This
38 Bill mandates the CIR to exercise this authority based on the consumer price index as

¹ “Minimum Wage and Family Living Wage Per Region (Dec 2025).” IBON Foundation, 9 January 2026,
39 <https://www.ibon.org/flw-regl-2512/>

1 officially estimated by the government and other estimates of the cost of living and
2 current prices as estimated and issued by independent entities. The CIR shall make
3 the adjustment upon consultation with labor in the private and public sectors.

4
5 Proposals for opportunities to decrease the income tax burdens of ordinary
6 wage and salary earners, such as this Bill, are complementary to the demands of the
7 labor sector and the masses for increased pay and lower prices of basic goods and
8 services: *Sahod itaas, presyo ibaba!*

9
10 For these reasons, passage of this Bill is earnestly sought.

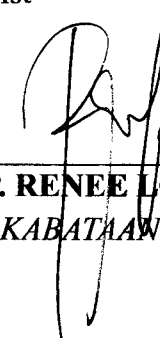
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Rep. ANTONIO L. TINIO
ACT Teachers Party-List



REP. SARAH JANE I. ELAGO
Gabriela Women's Party



REP. RENEE LOUISE M. CO
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22 **ONE HUNDRED AND FIFTY THOUSAND PESOS (P150,000), AMENDING**
23 **FOR THE PURPOSE SECTION 32 (B)(7)(E) OF REPUBLIC ACT 8424 OR**
24 **THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED**
25

26
27 *Be it enacted by the Senate and House of Representatives of the Philippines in*
28 *Congress assembled:*
29

30 **SECTION 1.** Section 32 (B) (7) (e) of Republic Act 8424 or the *National Internal*
31 *Revenue Code*, as amended, is hereby further amended to read as follows:
32

33 **SECTION 32. Gross Income.** – x x x
34

35 **(A) General Definition.** – x x x
36

37 **(B) Exclusions from Gross Income.** – The following items shall not be
38 included in gross income and shall be exempt from taxation under this Title:
39

40 x x x

1
2 **(7) Miscellaneous Items. – x x x**

3
4 **(e) 13th Month Pay and Other Benefits.** – Gross benefits received by officials
5 and employees of public and private entities: *Provided, however,* That the total
6 exclusion under this subparagraph shall not exceed [Ninety thousand pesos
7 (₱90,000)] **ONE HUNDRED THOUSAND AND FIFTY PESOS (₱150,000)**
8 which shall cover:

9
10 (i) Benefits received by officials and employees of the national and local
11 government pursuant to Republic Act No. 6686;

12
13 (ii) Benefits received by employees pursuant to Presidential Decree No. 851, as
14 amended by Memorandum Order No. 28, dated August 13, 1986;

15
16 (iii) Benefits received by officials and employees not covered by Presidential
17 Decree No. 851, as amended by Memorandum Order No. 28, dated August 13,
18 1986; and

19
20 (iv) Other benefits such as productivity incentives and Christmas bonus.

21
22 **PROVIDED, HOWEVER, THAT THE CEILING OF ONE HUNDRED**
23 **THOUSAND AND FIFTY PESOS (₱150,000) SHALL BE INCREASED**
24 **BY THE COMMISSIONER OF INTERNAL REVENUE, AFTER**
25 **CONSIDERING, AMONG OTHERS, THE EFFECT ON THE SAME OF**
26 **THE INFLATION RATE AT THE END OF THE TAXABLE YEAR.**
27 **FOR THIS PURPOSE, THE COMMISSIONER SHALL CONSULT**
28 **WITH THE LABOR SECTOR IN THE PUBLIC AND PRIVATE**
29 **SECTORS, AS WELL AS INDEPENDENT ENTITIES WHICH ISSUE**
30 **ESTIMATES OF THE COST OF LIVING, FAMILY LIVING WAGE,**
31 **AND OTHER RELEVANT STATISTICS.**

32
33 **SEC. 2. Repealing Clause.** – All laws, orders, issuances, circulars, rules and
34 regulations or parts thereof, which are inconsistent with the provisions of this Act are
35 hereby repealed or modified accordingly.

36
37 **SEC. 3. Effectivity.** – This Act shall take effect fifteen (15) days after its publication
38 in the Official Gazette or in a newspaper of general circulation.

39
40 *Approved,*