

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

TWENTIETH CONGRESS
First Regular Session

House Bill No. 8670



Introduced by Representative JEFFREY SORIANO

EXPLANATORY NOTE

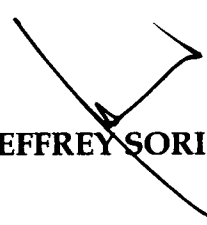
This bill seeks to grant a one-time, one-month tax holiday on compensation income, exempting salaries and wages of individual taxpayers from income tax for a designated month.

Recent public concerns regarding the management of government funds have heightened calls for measures that restore confidence in fiscal governance and demonstrate that public policy remains responsive to the needs of the people. Filipino taxpayers, particularly those in the salaried and middle-income sectors, consistently contribute a significant portion of government revenues through income taxation. In light of these circumstances, it is both reasonable and necessary for the State to provide a tangible form of relief that directly benefits the very taxpayers who sustain public services and national development.

By temporarily exempting compensation income from taxation for one month, the measure increases the take-home pay of workers and provides them with additional financial flexibility. This relief may help households address rising living costs, support basic needs, and stimulate economic activity through increased consumer spending.

The bill also establishes safeguards to ensure that the benefits of the tax holiday accrue directly to employees. Employers are prohibited from reducing or withholding employee compensation, allowances, or benefits during the tax holiday month. Furthermore, the measure maintains the continuity of mandatory social security contributions, including those for the GSIS, SSS, PhilHealth, and Pag-IBIG Fund, thereby ensuring that workers' long-term benefits remain protected.

In view of the foregoing, the immediate approval of this measure is earnestly sought.


HON. JEFFREY SORIANO

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AN ACT
DECLARING A ONE-MONTH TAX HOLIDAY, EXEMPTING COMPENSATION
INCOME FROM INCOME TAX, AND FOR OTHER PURPOSES

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 “*One-Month Tax Holiday Act of 2026.*”

SEC. 2. *Declaration of Policy.* – It is the policy of the State to restore public trust in fiscal governance and uphold an equitable tax system that is responsive to the needs of the people and mindful of their contributions to national development. Towards this end, the State shall, as an extraordinary measure, grant a one-time, one-month tax holiday on compensation income, without prejudice to existing social security contributions and benefits.

SEC. 3. *One-Month Tax Holiday on Compensation Income.* – Notwithstanding any provision of the National Internal Revenue Code of 1997, as amended, and other applicable laws, rules, and regulations, there is hereby granted a one-time, one-month income tax holiday applicable to individual taxpayers receiving compensation income.

For the duration of the designated tax holiday month:

- a. All compensation income shall be exempt from income tax;
- b. The exemption shall apply exclusively to individual taxpayers receiving compensation income: *Provided, That* in the case of mixed income earners, only that portion of income which is classified as compensation income shall be exempt under this Act;
- c. Employers shall not withhold or remit income taxes for said period; and

- d. No penalties shall be imposed on either employers or employees for the suspension of tax withholding during the tax holiday.

SEC. 4. *Non-Diminution of Benefits.* — Nothing in this Act shall authorize any employer, whether public or private, to reduce, defer, withhold, or otherwise diminish the compensation, allowances, or benefits of employees during the tax holiday month.

SEC. 5. *Authorized Deductions.* — The tax holiday granted under this Act shall not cover deductions pertaining to:

- a. mandatory contributions to the Government Service Insurance System (GSIS), Social Security System (SSS), PhilHealth, and Home Development Mutual Fund (HDMF) also known as PAGIBIG Fund; and
- b. loan amortizations or other payments voluntarily authorized in writing by the employee.

SEC. 6. *Period of Implementation.* — The one-month tax holiday shall take effect on the first payroll month immediately following the approval of this Act. It shall be availed of only once during the taxable year and shall not be carried over in subsequent taxable years.

SEC. 7. *Uniform Application.* — To ensure equity and fairness, the tax exemption granted under this Act shall apply uniformly to all individual taxpayers receiving compensation income, regardless of sector, employment status, or compensation level, for income derived from sources within the Philippines.

SEC. 8. *Transparency and Accountability.* — The Department of Finance (DOF) through the Bureau of Internal Revenue (BIR) shall submit to Congress, within sixty (60) days after implementation, a report detailing the foregone revenue, the number of taxpayer-beneficiaries, and measures undertaken to ensure compliance with this Act. Employers shall maintain a record of exempted compensation and make such records available for audit.

SEC. 9. *Implementing Rules and Regulations.* — Within fifteen (15) days from the effectivity of this Act, the BIR shall issue the necessary rules and regulations for its effective implementation. Failure to promulgate such rules and regulations shall not prevent the implementation of this Act.

SEC. 10. *Separability Clause.* — If any portion or provision of this Act is declared invalid or unconstitutional, other provisions hereof shall remain in full force and effect.

SEC. 11. *Repealing Clause.* — All laws, presidential decrees, executive orders, rules and regulations which are inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 12. *Effectivity.* – This Act shall take effect fifteen days (15) after its publication in the Official Gazette or in a national newspaper of general circulation.

Approved,