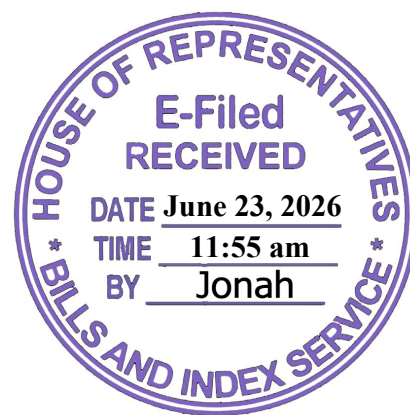


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. **9921**



Introduced by **Representative ERIC G. YAP**

EXPLANATORY NOTE

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

Filipino workers and employees consistently contribute a substantial share of government revenues through income taxation. Amid increasing economic pressures and growing public demand for responsive fiscal policies, the State must provide meaningful and immediate relief to taxpayers whose earnings sustain public services and national development.

The temporary exemption from income tax will increase the take-home pay of employees and strengthen the purchasing power of households. It likewise promotes economic activity by allowing workers to retain a greater portion of their earned income.

The bill safeguards the full enjoyment of the tax relief by prohibiting the diminution of compensation, allowances, and benefits during the tax holiday period. It also preserves mandatory contributions to the Government Service Insurance System, Social Security System, PhilHealth and PAG-IBIG Fund to ensure the continued protection of employees' social security and welfare benefits.

A compassionate government must remain agile enough to return wealth to its citizens when circumstances demand it. This one-month tax holiday is an extraordinary economic lifeline that restores public trust in governance by proving that the State is responsive to the economic welfare of its people.

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


HON. ERIC G. YAP

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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TWENTIETH CONGRESS
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House Bill No. **9921**

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AN ACT
DECLARING A ONE-TIME, 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*”.

SEC. 2. *Declaration of Policy.* – It is hereby declared 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 Republic Act No. 8424, otherwise known as 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,