

SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)




Senate
Office of the Secretary

'16 JUL 21 P2:40

SENATE

S. No. 821

RECEIVED BY: 

Introduced by Senator Ralph G. Recto

AN ACT
EXCLUDING 13TH MONTH PAY FROM THE COMPUTATION OF TAXABLE
INCOME AMENDING FOR THIS PURPOSE SECTION 32 (B) (7) (e) OF REPUBLIC
ACT NO. 8424 OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE
CODE OF 1997, AS AMENDED

Explanatory Note

It is the policy of the State to 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.

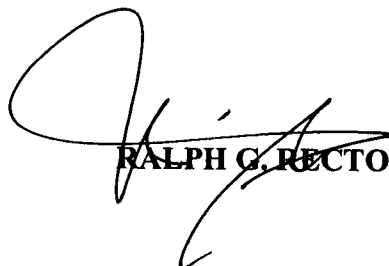
It is with the same objective that this measure is being proposed. This bill seeks to exclude the 13th month pay from the computation of taxable income amending for the purpose Section 32 (B) (7) (e) of Republic Act No. 8424, otherwise known as the "National Internal Revenue Code of 1997", as amended. This would help cushion the diminishing purchasing power of employees and workers both in the private and public sector thereby increasing their disposable income.

The intent in enacting Presidential Decree No. 851, as amended by Memorandum Order No. 28, otherwise known as the "13th Month Pay Law" is to provide the working masses additional income in time for the celebration of Christmas and New Year. Therefore, subjecting the same to income tax would defeat the very purpose of the law.

The amount to be excluded from the computation of taxable income would mean greater financial flexibility for employees and would put more food on the table and help ensure their children's education.

The proposed legislation will benefit an estimated 39.8 M employees from the private and public sector¹.

Hence, immediate passage of this bill is earnestly sought.


RALPH G. RECTO

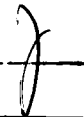
jao

¹ October 2015 Labor Force Survey.

'16 JUL 21 P2:40

SENATE

S. No. 821

RECEIVED BY: 

Introduced by Senator Ralph G. Recto

AN ACT
EXCLUDING 13TH MONTH PAY FROM THE COMPUTATION OF TAXABLE
INCOME AMENDING FOR THIS PURPOSE SECTION 32 (B) (7) (e) OF 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:

1 **SECTION 1.** Section 32 (B) (7) (e) of Republic No. 8424, otherwise known as the
2 “National Internal Revenue Code of 1997,” as amended is hereby further amended to
3 read as follows:
4 “Sec. 32. Gross Income. –
5 “(A) *General Definition.* – x x x
6 “(B) *Exclusions from Gross Income.* – x x x
7 “(1) x x x
8 “(2) x x x
9 “(3) x x x
10 “(4) x x x
11 “(5) x x x
12 “(6) x x x
13 “(7) *Miscellaneous items.* -
14 “(a) x x x
15 “(b) x x x
16 “(c) x x x
17 “(d) x x x
18 “(e) *13th Month Pay [and Other Benefits].* - [Gross
19 benefits] **THIRTEENTH MONTH PAY** received by officials
20 and employees of public and private entities **PURSUANT TO**
21 **PRESIDENTIAL DECREE NO. 851, AS AMENDED BY**
22 **MEMORANDUM ORDER NO. 28, DATED AUGUST 13,**
23 **1986.** [*Provided, however,* That the total exclusion under this

1 subparagraph shall not exceed eighty-two thousand pesos
2 (P82,000) which shall cover:

- 3 (i) Benefits received by officials and employees
4 of the national and local governments
5 pursuant to Republic Act No. 6686;
- 6 (ii) Benefits received by employees pursuant to
7 Presidential Decree No. 851, as amended by
8 Memorandum Order No. 28, dated August
9 13, 1986;
- 10 (iii) Benefits received by officials and employees
11 not covered by Presidential Decree No. 851,
12 as amended by Memorandum Order No. 28,
13 dated August 13, 1986; and
- 14 (iv) Other benefits such as productivity
15 incentives and Christmas bonus: *Provided,*
16 That every three (3) years after the
17 effectivity of this Act, the President of the
18 Philippines shall adjust the amount herein
19 stated to its present value using the
20 Consumer Price Index (CPI), as published
21 by the National Statistics Office (NSO).]

22 **“(F) OTHER BENEFITS. – GROSS BENEFITS**
23 **RECEIVED BY OFFICIALS AND EMPLOYEES OF**
24 **PUBLIC AND PRIVATE ENTITIES: *PROVIDED,***
25 ***HOWEVER,* THAT THE TOTAL EXCLUSION**
26 **UNDER THIS SUBPARAGRAPH SHALL NOT**
27 **EXCEED EIGHTY-TWO THOUSAND PESOS**
28 **(P82,000) WHICH SHALL COVER:**

- 29 (i) **BENEFITS RECEIVED BY OFFICIALS**
30 **AND EMPLOYEES OF THE**
31 **NATIONAL AND LOCAL**
32 **GOVERNMENTS PURSUANT TO**
33 **REPUBLIC ACT NO. 6686;**
- 34 (ii) **BENEFITS RECEIVED BY OFFICIALS**
35 **AND EMPLOYEES NOT COVERED BY**
36 **PRESIDENTIAL DECREE NO. 851, AS**
37 **AMENDED BY MEMORANDUM**

1 ORDER NO. 28, DATED AUGUST 13,
2 1986; AND

3 (iii) OTHER BENEFITS SUCH AS
4 PRODUCTIVITY INCENTIVES AND
5 CHRISTMAS BONUS: *PROVIDED*,
6 THAT EVERY THREE (3) YEARS
7 AFTER THE EFFECTIVITY OF THIS
8 ACT, THE PRESIDENT OF THE
9 PHILIPPINES SHALL ADJUST THE
10 AMOUNT HEREIN STATED TO ITS
11 PRESENT VALUE USING THE
12 CONSUMER PRICE INDEX (CPI), AS
13 PUBLISHED BY THE PHILIPPINE
14 STATISTICS AUTHORITY (PSA).

15 “(G)[(f)] x x x

16 “(H)[(g)] x x x

17 “(I)[(h)] x x x.”

18 **SEC. 2.** *Implementing Rules and Regulations.* – The Bureau of Internal Revenue
19 (BIR), Department of Finance (DoF), and Department of Labor and Employment (DOLE) shall
20 promulgate not later than thirty (30) days upon the effectivity of this Act the necessary rules and
21 regulations for its effective implementation.

22 **SEC. 3.** *Repealing Clause.* - All other laws, decrees, orders, issuances and rules
23 and regulations or parts thereof inconsistent with this Act are hereby amended or repealed
24 accordingly.

25 **SEC. 4.** *Effectivity.* - This Act shall take effect fifteen (15) days after its
26 publication either in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,