


13<sup>th</sup> CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
FIRST REGULAR SESSION )

04 JUL -6 110:31

SENATE

RECEIVED BY: 

S. BILL NO. 1336

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INTRODUCED BY SENATOR RALPH G. RECTO

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EXPLANATORY NOTE

This bill seeks to amend Section 32 of Republic No. 8424, otherwise known as the "National Internal Revenue Code of 1997 with the purpose of excluding the overtime pay from the computation of taxable income to cushion the diminishing purchasing power of employees and workers both in the private and public sector thereby increasing their disposable income.

This proposal expunges the mandate of taxation on the economic benefits received by employees resulting in more financial potential for the workers. Under this proposed measure, "overtime pay" is defined as earnings derived from hours worked in excess of the required minimum working hours.

The amount not to be withheld from the taxable income means financial flexibility - more food on the table and children's education. This measure aims to increase the additional monetary benefits from employees' equitable share in the fruits of production.

Presidential Decree No. 851 as amended by Memorandum Order No.28 grants an additional income based on wage but not part of the wage hence, the spirit and full intent of the law is, therefore, to mandate an additional and full monetary benefit for the workers and employees regardless of their designation or employment status and irrespective of the method by which their wages and salaries are paid.

The proposed legislation will benefit an estimated 32.8 M total labor force from both the private and public sector.

Further, 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.

Hence, immediate passage of this bill is earnestly sought.

  
RALPH G. RECTO

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S. BILL NO. 1336

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Introduced by SENATOR RALPH G. RECTO

AN ACT  
EXCLUDING OVERTIME PAY FROM THE COMPUTATION OF  
COMPENSATION GROSS INCOME THEREBY AMENDING SECTION 32 OF  
REPUBLIC ACT 8424 OTHERWISE KNOWN AS THE NATIONAL INTERNAL  
REVENUE CODE OF 1997

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

1 SECTION 1. Section 32 of Republic No. 8424, otherwise known as the  
2 "National Internal Revenue Code of 1997," is hereby amended to read as follows:

3 "Sec. 32. Gross Income. -

4 (A) X X X

5 (B) *Exclusions from gross income.* - The

6 following items shall not be included in gross income and shall be  
7 exempt from taxation under this Title:

8 "1. X X X

9 "2. X X X

10 "3. X X X

11 "4. X X X

12 "5. X X X

13 "6. X X X

14 "7. Miscellaneous items. -

15 a. X X X

16 b. X X X

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- c. x x x
- d. x x x
- e. x x x
- f. x x x
- g. x x x
- i. **OVERTIME PAY - EARNINGS  
DERIVED FROM HOURS WORKED  
IN EXCESS OF THE REQUIRED  
MINIMUM WORKING HOURS.**

SEC. 2. *Implementing Rules and Regulations.* - The Bureau of Internal Revenue (BIR), Department of Finance (DoF) and the Department of Labor and Employment (DOLE), Civil Service Commission (CSC) and other appropriate government agencies shall promulgate rules and regulations necessary for the effective implementation of this Act.

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

SEC. 4. *Separability Clause.* - The provisions of this Act are hereby declared to be separable and, in the event any of such provisions is declared unconstitutional, the order provision which is not affected thereby shall remain in full force and effect.

SEC. 5. *Effectivity.* - This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.

Approved,

1            SEC. 5.        *Effectivity.* - This Act shall take effect fifteen (15) days after its  
2 complete publication in at least two (2) newspapers of general circulation.

3            Approved,