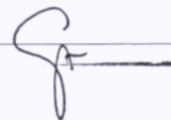


SENATE

PL -8 P2:41

S. No. 274

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 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.

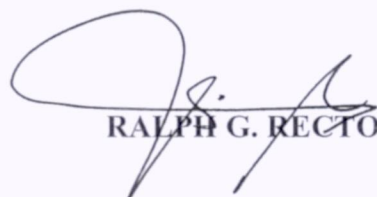
It is with the same objective that this measure is being proposed. This bill seeks to exclude the 13th month pay from the computation of taxable income amending for the purpose Section 32 (B) (7) (e) of the National Internal Revenue Code of 1997, as amended. This would help cushion the diminishing purchasing power of employees and workers both in the private and public sector thereby increasing their disposable income.

The intent of the law in providing for a mandatory 13th month pay to all employees 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 26.7 million wage and salary workers from the private and public sector¹.

Hence, immediate passage of this bill is earnestly sought.



RALPH G. RECTO

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¹ April 2019 Labor Force Survey.



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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 the National Internal Revenue Code of 1997, as
2 amended is hereby further amended to read as follows:

3 “Sec. 32. Gross Income. –

4 “(A) *General Definition.* – x x x

5 “(B) *Exclusions from Gross Income.* – x x x

6 “(1) x x x

7 “(2) x x x

8 “(3) x x x

9 “(4) x x x

10 “(5) x x x

11 “(6) x x x

12 “(7) *Miscellaneous items.* -

13 “(a) x x x

14 “(b) x x x

15 “(c) x x x

16 “(d) x x x

17 “(e) *13th Month Pay [and Other Benefits].* - [Gross benefits]

18 **THIRTEENTH MONTH PAY** received by officials and employees of public
19 and private entities **PURSUANT TO EXISTING LAWS, RULES AND**
20 **REGULATIONS.** [; *Provided, however,* That the total exclusion under this
21 subparagraph shall not exceed ninety thousand pesos (P90,000) which shall cover:

22 (i) Benefits received by officials and employees of the national and
23 local governments pursuant to Republic Act No. 6686;

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

1 (iii) Benefits received by officials and employees not covered by
2 Presidential Decree No. 851, as amended by Memorandum Order No. 28, dated
3 August 13, 1986; and

4 (iv) Other benefits such as productivity incentives and Christmas
5 bonus.]

6 **“(F) OTHER BENEFITS. – GROSS BENEFITS RECEIVED BY**
7 **OFFICIALS AND EMPLOYEES OF PUBLIC AND PRIVATE ENTITIES:**
8 **PROVIDED, HOWEVER, THAT THE TOTAL EXCLUSION UNDER THIS**
9 **SUBPARAGRAPH SHALL NOT EXCEED NINETY THOUSAND PESOS**
10 **(P90,000) WHICH SHALL COVER:**

11 (i) **BENEFITS RECEIVED BY OFFICIALS AND EMPLOYEES**
12 **OF THE NATIONAL AND LOCAL GOVERNMENTS PURSUANT TO**
13 **REPUBLIC ACT NO. 6686;**

14 (ii) **BENEFITS RECEIVED BY OFFICIALS AND EMPLOYEES**
15 **NOT COVERED BY PRESIDENTIAL DECREE NO. 851, AS AMENDED**
16 **BY MEMORANDUM ORDER NO. 28, DATED AUGUST 13, 1986; AND**

17 (iii) **OTHER BENEFITS SUCH AS PRODUCTIVITY**
18 **INCENTIVES AND CHRISTMAS BONUS.**

19 **“(G)[(f)] x x x**

20 **“(H)[(g)] x x x**

21 **“(I)[(h)] x x x.”**

22 **SEC. 2.** *Implementing Rules and Regulations.* – Within thirty (30) days from the
23 effectivity of this Act, the Secretary of Finance shall promulgate the necessary implementing
24 rules and regulations for its effective implementation.

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

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

30 Approved,