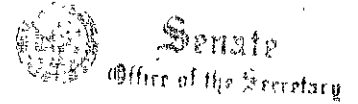


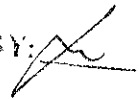
FIFTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )



'11 JUN 14 AM 11:38

SENATE

S.B. No. 2879

RECEIVED BY: 

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Introduced by: **Senator Ralph G. Recto**

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### Explanatory Note

Section 9, Article II of our Constitution states that: "The State shall 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."

Corollary to this, it is also the State's policy to affirm labor as a primary social economic force by protecting the rights of workers and promote their welfare.

Because of these policies, our laws exclude the mandated 13th month pay and the Christmas bonus from the coverage of income taxes, but only up to the extent of P30,000. Otherwise, the excess would form part of an individual's gross income and would be subject to the income tax.

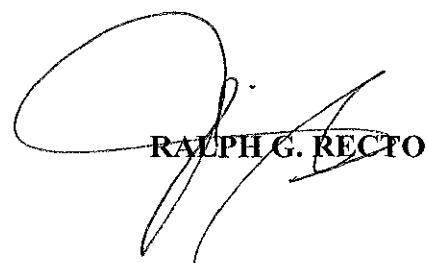
Specifically, Section 32 (B) (7) (e) of the National Internal Revenue Code, as amended excludes from the income tax the benefits found under Presidential Decree No. 851 as amended by Memorandum Order No. 28 or the 13th month pay law; Republic Act No. 6686 or the law authorizing the grant of Christmas bonus to national and local government officials and employees; and other benefits such as productivity incentives and other Christmas bonuses to the extent of P30,000.

However, the amount set in our Tax Code as the ceiling for the said tax exemption does not mirror prevailing circumstances. The ceiling of P30,000 for the exemption does not apply today as it did when it was incorporated in the tax code.

This bill therefore aims to increase that ceiling and make it more responsive to the needs of the times. The measure sets the ceiling at P60,000, or approximately the equivalent amount of P30,000 today taking into consideration inflation and other factors.

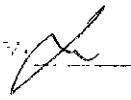
The law should always be responsive to the needs of the people. An increase in the ceiling of this particular tax exemption is one of the reliefs the people need during these hard times.

Due to the foregoing, the passage of this measure is sincerely sought.

  
**RALPH G. RECTO**

'11 JUN 14 /11 38

SENATE

RECEIVED BY 

S.B. No. 2879

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Introduced by: **Senator Ralph G. Recto**

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**AN ACT**  
**INCREASING THE CEILING OF THE 13TH MONTH PAY, CHRISTMAS BONUS**  
**AND OTHER BENEFITS EXCLUDED FROM THE COMPUTATION OF GROSS**  
**INCOME FOR THE PURPOSES OF INCOME TAXATION, AMENDING FOR THE**  
**PURPOSE SECTION 32 (B), CHAPTER VI OF THE NATIONAL INTERNAL**  
**REVENUE CODE OF 1997, AS AMENDED**

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

1           **Section 1.** Section 32 (B), Chapter VI of the National Internal Revenue Code of the  
2 Philippines (R.A. No. 8424) is hereby amended as follows:

3           **SEC. 32. Gross Income. –**

4           **“(A) General Definition. – xxx**

5                   “xxx

6           **(B) Exclusions from Gross Income. –** The following items shall not be included in gross  
7 income and shall be exempt from taxation under this title:

8                   “xxx

9           **“(7) Miscellaneous Items. –**

10                   “xxx

11                   (e) 13<sup>th</sup> Month Pay and Other benefits. – Gross benefits received by officials  
12 and employees of public and private entities: *Provided, however,* That the  
13 total exclusion under this subparagraph shall not exceed [Thirty thousand  
14 pesos (₱ 30,000)] **SIXTY THOUSAND PESOS (₱ 60,000)** which shall  
15 cover:

- 1 (i) Benefits received by officials and employees of the national and  
2 local government pursuant to Republic Act No. 6686;
- 3 (ii) Benefits received by employees pursuant to Presidential Decree No.  
4 851, as amended by Memorandum Order No. 28, dated August 13, 1986;
- 5 (iii) Benefits received by officials and employees not covered by  
6 Presidential decree No. 851, as amended by Memorandum Order No. 28,  
7 dated August 13, 1986; and
- 8 (iv) Other benefits such as productivity incentives and Christmas bonus:  
9 *Provided, further,* That the ceiling of [Thirty thousand pesos (₱ 30,000)]  
10 **SIXTY THOUSAND PESOS (₱60,000)** may be increased through rules  
11 and regulations issued by the Secretary of Finance, upon  
12 recommendation of the Commissioner, after considering among others,  
13 the effect on the same of the inflation rate at the end of the taxable year.

14 “xxx.”

15 **Sec. 2. Repealing Clause.** – All laws, decrees, resolutions, orders or ordinances or parts  
16 thereof inconsistent with this Act, are hereby repealed, amended or modified accordingly.

17 **Sec. 3. Effectivity.** – This Act shall take effect fifteen (15) days after its publication in the  
18 Official Gazette or in at least two (2) newspapers of general circulation.

19 *Approved,*