

'13 AUG -6 AIO :10

SENATE

S. No. 1213

RECEIVED BY: *[Signature]*

Introduced by Senator Ralph G. Recto

Explanatory Note

Government is a machine whose parts should move in unison towards the attainment of its strategic goals embodied in its various development plans. This machinery is judged by the people through its outputs or its delivery of goods and services. However, the best-crafted strategies and development plans will be unattainable if civil servants are not well compensated.

To systematize monitoring, government evaluates the performance of its agencies as embodied in three monitoring tools: the Organizational Performance Indicator Framework (OPIF) by the Department of Budget and Management, the Strategic Performance Management System of the Civil Service Commission and the Results-Based Performance Monitoring System as provided by Executive Order No. 80.

Recognizing that the performance of each agency is the result of the service rendered by employees, the government deemed it necessary to reward exemplary work through Executive Order No. 80, Directing the Adoption of a Performance-Based Incentive System for Government Employees. It provided for the grant of the Performance-Based Bonus (PBB) on top of the Productivity Enhancement Incentive (PEI). While the PEI is granted to all government employees across-the-board at the uniform rate of Five Thousand Pesos (P5,000.00) each, the PBB depends on the rating that the agency received and the employee's performance rating.

Both Employee and agency are rated Best, Better, Good or Poor.¹ The rates of the PBB were distributed as follows for FY 2012, "without prejudice to the revision thereof in succeeding years". Thus:

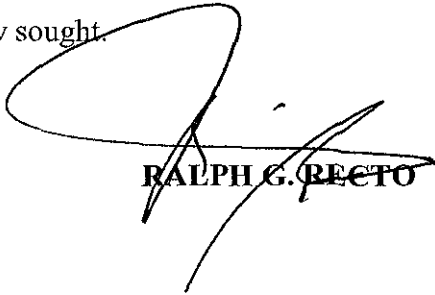
| Bureau / Unit Ranking | Best (Top 10%) | Better (Next 25%) | Good (Up to 65%) | Poor |
|-----------------------|----------------|-------------------|------------------|------|
| Best (Top 10%) | P35,000.00 | P20,000.00 | P10,000.00 | |
| Better ((Next 25%) | P25,000.00 | P13,500.00 | P7,000.00 | |
| Good (Up to 65%) | P15,000.00 | P10,000.00 | P5,000.00 | |
| Poor | | | | |

As formulated, the PBB should be an effective reward for exemplary work. However, the current practice of subjecting it to income tax makes the reward deceptive. To grant government employees full recognition and enjoyment of their exemplary performance, this Bill proposes to include the PBB among the types of compensation exempt from the computation of taxable income by amending for the purpose Section 32 (B) (7) of Republic Act No. 8424, otherwise known as the "National Internal Revenue Code of 1997", as amended.

¹ <http://www.gov.ph/2012/07/20/executive-order-no-80-s-2012/> (Accessed on August 5, 2013)

As a meaningful reward for employees who walked the extra mile towards the agency goals and as a motivational tool for employees and agencies rated Poor to improve their performance, the PBB must be granted in its full amount and not subjected to the income tax.

Hence, immediate passage of this bill is earnestly sought.



RALPH G. RECTO

lthg

'13 AUG -6 AIO :10

SENATE

S. No. 1213

RECEIVED BY: *ja*

Introduced by Senator Ralph G. Recto

AN ACT
EXCLUDING THE PERFORMANCE-BASED BONUS FROM THE COMPUTATION
OF TAXABLE INCOME AMENDING FOR THE PURPOSE SECTION 32 (B) (7) OF
REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS 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) (7) of Republic No. 8424, otherwise known as the
2 "National Internal Revenue Code of 1997," as amended is hereby further amended to read as
3 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) x x x

19 **"(F) PERFORMANCE-BASED BONUS**

20 **(PBB) - A TOP-UP BONUS GIVEN TO**

21 **GOVERNMENT PERSONNEL OF**

22 **BUREAUS OR DELIVERY UNITS IN**

23 **ACCORDANCE WITH THEIR**

1 **CONTRIBUTION TO THE**
2 **ACCOMPLISHMENT OF THEIR**
3 **DEPARTMENT’S OVER-ALL TARGETS**
4 **AND COMMITMENTS, AS PROVIDED**
5 **FOR IN EXECUTIVE ORDER NO. 80,**
6 **SERIES OF 2012;**

7 “(G) [(f)] x x x

8 “(H) [(g)] x x x

9 “(I) [(h)] x x x.”

10 **SEC. 2. *Implementing Rules and Regulations.*** – The Bureau of Internal Revenue (BIR),
11 Department of Finance (DoF), Department of Labor and Employment (DOLE), and Civil Service
12 Commission (CSC) shall promulgate not later than thirty (30) days upon the effectivity of this
13 Act the necessary rules and regulations for its effective implementation.

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

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

Approved,