

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

Office of the Secretary

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SENATE  
S.B. No. 1838

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Introduced by Sen. Manuel "Lito" M. Lapid

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**EXPLANATORY NOTE**

The proposed measure seeks to remove the maximum amount of thirteenth (13<sup>th</sup>) month pay and other benefits that are not included in the computation of gross income subject to income tax. At present, the law allows a maximum amount of Php30,000 to be excluded from taxable income under the National Internal Revenue Code of 1997. This cap has not only been stagnant since its enactment some 16 years ago but it also no longer supports the present economic thrust of the nation.

The rising growth of the Philippine economy as well as the appreciation of the peso's value may be strengthened and supported by robust consumer spending. The Bangko Sentral ng Pilipinas has, according to reports, emphasized the role of household consumption as a key driver of further economic growth. As such, the State should enact measures that will promote household spending. In fact, in some foreign jurisdictions, nationals are given cash or spending vouchers by the government in order to encourage greater consumer spending.

By removing the tax imposition on 13<sup>th</sup> month pay and other bonuses, such as Christmas bonuses, that are customarily released at the end of the year, the household consumer is empowered to maximize his spending potential in the ever-ready yuletide market. This measure creates a more inclusive approach to our country's ever-growing economy. Thus, the passage of the measure is earnestly sought.

  
MANUEL "LITO" M. LAPID  
Senator



1 (i) Benefits received by officials and employees of the  
2 national and local government pursuant to Republic Act No.  
3 6686;

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

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

12  
13 (iv) Other benefits such as productivity incentives and  
14 Christmas bonus [ : *Provided, further,* That the ceiling of Thirty  
15 thousand pesos (P30,000) may be increased through rules and  
16 regulations issued by the Secretary of Finance, upon  
17 recommendation of the Commissioner, after considering  
18 among others, the effect on the same of the inflation rate at the  
19 end of the taxable year.]

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21 xxx"

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23 **SEC. 2. *Repealing Clause.*** All laws, presidential decrees, executive  
24 orders, rules and regulations, or portions thereof inconsistent with this Act are  
25 hereby repealed or modified accordingly.

26  
27 **SEC. 3. *Effectivity.*** This Act shall take effect fifteen (15) days after its  
28 publication in two (2) newspapers of general circulation.

Approved,