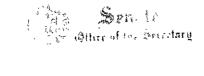
## SIXTEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES

First Regular Session



SENATE S.B. No. <u>183</u>8 )

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### Introduced by Sen. Manuel "Lito" M. Lapid

### **EXPLANATORY NOTE**

The proposed measure seeks to remove the maximum amount of thirteenth (13th) 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 13th 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

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

Sen. le Glier of the secretary

SENATE

S.B. No. 1838

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### Introduced by Sen. Manuel "Lito" M. Lapid

### AN ACT

REMOVING THE CAP ON THE AMOUNT OF THIRTEENTH MONTH PAY AND OTHER BENEFITS TO BE EXCLUDED FROM GROSS INCOME, AMENDING FOR SUCH PURPOSE SECTION 32(B)(7)(e), CHAPTER VI OF REPUBLIC ACT NO. 8424, AS AMENDED, 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:

SECTION 1. Section 32(B)(7)(e), Chapter VI of Republic Act No. 8424, as 1 amended, otherwise known as the National Internal Revenue Code of 1997, is hereby 2 amended accordingly: 3 4 "SEC. 32. (B) Exclusions from Gross Income. - The following 5 items shall not be included in gross income and shall be exempt from 6 taxation under this title: 7 8 9 xxx10 (7) Miscellaneous Items. -11 12 13 XXX 14 (e) 13th Month Pay and other benefits. - Gross benefits 15 received by officials and employees of public and private 16 entities [: Provided, however, That the total exclusion under this 17 subparagraph shall not exceed Thirty thousand pesos 18 (P30,000)] which shall cover: 19

20

1	(i) Benefits received by officials and employees of the
2	national and local government pursuant to Republic Act No.
3	6686;
4	
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;
8	
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 recommendation of the Commissioner, after considering
17	among others, the effect on the same of the inflation rate at the
18	end of the taxable year.]
19	end of the taxable year.
20	xxx"
21	AAA
22	
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

Approved,

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publication in two (2) newspapers of general circulation.