

16th CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)



14 MAR -3 P5:48

SENATE

S. BILL NO. 2157

RECEIVED

ji

Introduced by Senator SONNY M. ANGARA

Explanatory Note

Article 2 Section 9 of the Constitution mandates the promotion of 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.

This bill seeks to increase the 13th month pay exemption from Php 30,000 to Php 75,000 amending for the purpose Section 32 (B)(7)(e) of Republic Act (RA) 8424, otherwise known as the "National Internal Revenue Code of 1997". The measure endeavors to fulfill the objective of the State in improving the state of life through additional remuneration that *Juan dela Cruz* may enjoy.

RA 8424 was enacted circa 1997 when the level of Consumer Price Index (CPI) was merely 60, while the present CPI is 137. The current 13th month pay exemption is not consistent with the present CPI since the country has undergone perennial inflation. In consideration of the present-day circumstances, the amendment to the NIRC is a timely reform to update the relevant provision.

By raising the 13th month pay ceiling, we are not only introducing an amendment to adjust to passage of time, but we are also ensuring that the fruits of labor that *Juan dela Cruz* diligently worked for can be enjoyed to a greater extent. The country should not look at this measure as a revenue eroding measure. It is simply granting the same value as what the country was willing to give to its citizens as an exemption in 1997.

In view of the foregoing, immediate passage of this bill is earnestly sought.

SONNY M. ANGARA

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SENATE

S. BILL NO. 2157

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Introduced by Senator SONNY M. ANGARA

AN ACT
ADJUSTING THE 13TH MONTH PAY AND OTHER BENEFITS CEILING
EXCLUDED FROM THE COMPUTATION OF GROSS INCOME FOR
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
2 the Philippines (Republic Act No. 8424) is hereby amended as follows:

3 **"SEC. 32. Gross Income.**

4 xxx

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

7 xxx

8 **(7) Miscellaneous Items.**

9 xxx

10 **(e) 13th Month Pay and Other benefits.** Gross benefits received by
11 officials and employees of public and private entities: *Provided, however,* That the total
12 exclusion under this subparagraph shall not exceed [Thirty thousand pesos (P 30,000)]
13 **SEVENTY THOUSAND PESOS (P75,000)** which shall cover:

14 xxx

15 (iv) Other benefits such as productivity incentives and Christmas bonus:
16 [Provided, further, That the ceiling of Thirty thousand pesos (P30,000) may
17 increased through rules and regulations issued by the Secretary of Finance, upon
18 recommendation of the Commissioner, after considering among others, the effect

1 of the same on the inflation rate at the end of the taxable year.] **PROVIDED,**
2 **THAT NOT LATER THAN THREE YEARS AFTER THE**
3 **EFFECTIVITY OF THIS ACT AND EVERY THREE (3) YEARS**
4 **THEREAFTER, THE AMOUNT HEREIN STATED SHALL BE**
5 **ADJUSTED TO ITS PRESENT VALUE USING THE CONSUMER PRICE**
6 **INDEX, AS PUBLISHED BY THE NATIONAL STATISTICS OFFICE**
7 **(NSO).**

8 xxx."

9 **SEC. 2. Repealing Clause.** All laws, decrees, resolutions, orders or ordinances
10 or parts thereof inconsistent with this Act, are hereby repealed, amended or modified
11 accordingly.

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

14 *Approved,*