

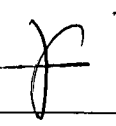
SEVENTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )



'16 JUL 21 P3:02

SENATE

S. No. 832

RECEIVED BY: 

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Introduced by Senator Ralph G. Recto

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**AN ACT**  
**EXCLUDING THE PERFORMANCE-BASED BONUS FROM THE COMPUTATION**  
**OF TAXABLE INCOME AMENDING FOR THIS PURPOSE SECTION 32 (B) (7) OF**  
**REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL**  
**REVENUE CODE OF 1997, AS AMENDED**

**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 (DBM), the Strategic Performance Management System (SPMS) of the Civil Service Commission (CSC) and the Results-Based Performance Monitoring System (RBPMS) as provided by Executive Order No. 80 issued on July 20, 2012.

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.

With the issuance of Executive Order No. 201 on February 19, 2016, the existing PBB granted to qualified government personnel, including those in LGUs, shall be enhanced to strengthen its results orientation, to be given in an amount equivalent to one (1) month basic salary up to two (2) months basic salary, to be implemented in two (2) phases starting in FY 2017. The PBB shall be subject to the achievement by departments or agencies, including LGUs and individual employees of their performance targets or commitments and compliance with good governance and other conditions. The grant of the enhanced PBB shall be based on a progressive rate system. As the position and responsibility in improving agency performance becomes higher, so is the amount of PBB.

As formulated, the PBB should be an effective reward for exemplary work. However, under the Tax Code, it shall be subject to income tax thereby making the reward deceptive. To grant government employees full recognition and enjoyment of their reward for exemplary performance, this proposed measure seeks to exclude the PBB granted to qualified government personnel 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.

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 should not be subjected to income tax.

Hence, immediate passage of this bill is earnestly sought.

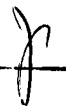


**RALPH G. RECTO**

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REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL  
REVENUE CODE OF 1997, AS AMENDED

*Be it enacted by the Senate and 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) GRANTED TO QUALIFIED**  
21                **GOVERNMENT PERSONNEL;**

22                "(G) [(f)] x x x

23                "(H) [(g)] x x x

24                "(I) [(h)] x x x."

1           **SEC. 2. *Implementing Rules and Regulations.*** – The Department of Finance (DoF),  
2 Bureau of Internal Revenue (BIR), and Civil Service Commission (CSC) shall promulgate not  
3 later that thirty (30) days upon the effectivity of this Act the necessary rules and regulations for  
4 its effective implementation.

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

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

Approved,