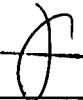


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SENATE

S. No. 857

RECEIVED BY: 

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Introduced by Senator Ralph G. Recto

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**AN ACT**  
**PROVIDING TAX RELIEF TO THE LABOR SECTOR BY EXPANDING THE**  
**COVERAGE OF EXCLUSIONS FROM GROSS INCOME AND INCREASING THE**  
**AMOUNTS OF *DE MINIMIS* BENEFITS EXEMPT FROM TAX AMENDING FOR THE**  
**PURPOSE SECTIONS 32(B) AND 33 OF THE NATIONAL INTERNAL REVENUE**  
**CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

**Explanatory Note**

This bill seeks to amend Sections 32 and 33 of the National Internal Revenue Code (NIRC) of 1997, as amended, as follows:

- (a) Excluding from gross income the amounts received by natural and juridical persons as indemnity for any loss or injury suffered;
- (b) Incorporating a proviso on *de minimis* benefits into the NIRC of 1997; and
- (c) Removing the tax advantage of managerial employees over rank-and-file employees on fringe benefits.

The role of human capital in developing the economy has been widely acknowledged. This is one of the reasons that Congress has enacted pro-labor laws such as Republic Act No. 9504 which increased the basic personal exemption and exempted minimum wage earners from the payment of income tax. While our current tax system provides for some relief to our workers by reducing their income tax burden, it still needs to be enhanced to address other issues and concerns besetting the labor sector.

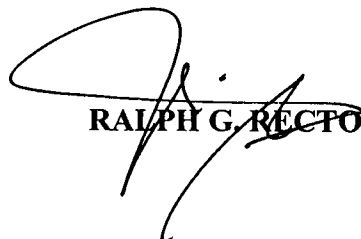
Workers are sometimes compensated in the form of back wages, allowances and benefits by virtue of a labor dispute award. While it is clearly stated in Revenue Memorandum Circular No. 39-2012 that such remunerations are taxable, other amounts received by the worker as part of recoveries for physical and nonphysical injuries or damages obtained due to the dispute should not be treated as part of those remunerations. Moreover, other types of damages awarded by courts should also be explicitly included in the list of exclusions from gross income since these do not constitute part of the worker's rendered service to his employer.

The incorporation of the provision on *de minimis* benefits lifted from Revenue Regulations No. 5-2011 secures its continued implementation by institutionalizing it in the Tax Code. The ceiling amounts therein provided, however, are proposed to be adjusted every three years based on their current Consumer Price Index (CPI) values.

The proposed removal of the tax advantage of managerial employees over rank-and-file employees with respect to fringe benefits is a move that would reduce the income divide between these groups of employees. More than ever, the words of President Ramon Magsaysay that *those who have less in life should have more in law* ring true.

We owe it to our labor force to craft laws that ensure they get effectively what are due them by expanding and strengthening the mechanisms through which they can find relief from the taxes that take off significant amounts from their meager monthly take home pay.

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




**RALPH G. RECTO**

/ejcv

'16 JUL 21 P 3:39

SENATE

S. No. 857

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**AN ACT**  
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**CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

1           **SECTION 1.** Section 32(B) of the National Internal Revenue Code of 1997, as amended, is  
2 hereby further amended to read as follows:

3           “Sec. 32. Gross Income. –

4           “(A) xxx

5           “(B) Exclusions from Gross Income. – The following items shall not be included  
6 in gross income and shall be exempt from tax under this Title:

7           “(1) xxx

8           “(2) xxx

9           “(3) xxx

10           “(4) xxx

11           “(5) DAMAGES AWARDED BY COURTS, BOARDS OR OFFICERS  
12 EXERCISING JUDICIAL OR QUASI-JUDICIAL FUNCTIONS. –  
13 AMOUNTS RECEIVED AS INDEMNITY BY NATURAL AND  
14 JURIDICAL PERSONS FOR ANY LOSS OR INJURY  
15 SUFFERED, SUCH AS, BUT NOT LIMITED TO:

16           (A) DAMAGES RECEIVED AS COMPENSATION FOR  
17 PHYSICAL AND NONPHYSICAL INJURIES ACQUIRED  
18 DURING LABOR DISPUTES;

19           (B) DAMAGES TO PERSONAL OR FAMILY RIGHTS;

20           (C) DAMAGES FOR SLANDER AND LIBEL;

21           (D) AWARD FOR LOSS OF LIFE; AND

22           (E) DAMAGES FOR INJURIES TO THE GOODWILL OF A  
23 TAXPAYER’S BUSINESS, UNLESS THE AMOUNT  
24 AWARDED EXCEEDS THE VALUE OF GOODWILL.

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“[(5)] (6) xxx  
“[(6)] (7) xxx  
“[(7)] (8) Miscellaneous Items. –

- “(a) xxx
- “(b) xxx
- “(c) xxx
- “(d) xxx
- “(e) xxx
- “(f) xxx
- “(g) xxx
- “(h) xxx

“(I) *DE MINIMIS* BENEFITS. – THESE SHALL BE LIMITED TO FACILITIES OR PRIVILEGES FURNISHED OR OFFERED BY AN EMPLOYER TO HIS EMPLOYEES, BOTH MANAGERIAL AND RANK-AND-FILE, THAT ARE OF RELATIVELY SMALL VALUE AND ARE OFFERED OR FURNISHED BY THE EMPLOYER MERELY AS A MEANS OF PROMOTING THE HEALTH, GOODWILL, CONTENTMENT, OR EFFICIENCY OF HIS EMPLOYEES, SUCH AS, BUT NOT LIMITED TO, THE FOLLOWING:

“(I) MONETIZED VALUE OF VACATION AND SICK LEAVE CREDITS PAID TO PRIVATE EMPLOYEES NOT EXCEEDING TEN (10) DAYS DURING THE YEAR;

“(II) MONETIZED VALUE OF VACATION AND SICK LEAVE CREDITS PAID TO GOVERNMENT OFFICIALS AND EMPLOYEES;

“(III) MEDICAL CASH ALLOWANCE TO DEPENDENTS OF EMPLOYEES NOT EXCEEDING NINE HUNDRED SIXTY PESOS (P960) PER SEMESTER OR ONE HUNDRED SIXTY PESOS (P160) PER MONTH;

“(IV) RICE SUBSIDY OF TWO THOUSAND PESOS (P2,000) OR ONE (1) SACK OF 50-KG. RICE PER MONTH AMOUNTING TO NOT MORE THAN P2,000;

1                   “(V) UNIFORM AND CLOTHING ALLOWANCE NOT  
2                   EXCEEDING FIVE THOUSAND PESOS (P5,000)  
3                   PER ANNUM;

4                   “(VI) ACTUAL MEDICAL ASSISTANCE TO COVER  
5                   MEDICAL AND HEALTH CARE NEEDS,  
6                   ANNUAL MEDICAL/ EXECUTIVE CHECK UP,  
7                   MATERNITY ASSISTANCE, AND ROUTINE  
8                   CONSULTATIONS, NOT EXCEEDING TWELVE  
9                   THOUSAND PESOS (P12,000) PER ANNUM;

10                  “(VII) LAUNDRY ALLOWANCE NOT EXCEEDING  
11                  FIVE HUNDRED PESOS (P500) PER MONTH;

12                  “(VIII) EMPLOYEE ACHIEVEMENT AWARDS FOR  
13                  LENGTH OF SERVICE OR SAFETY  
14                  ACHIEVEMENT, WHICH MUST BE IN THE  
15                  FORM OF A TANGIBLE PERSONAL PROPERTY  
16                  OTHER THAN CASH OR GIFT CERTIFICATE,  
17                  WITH AN ANNUAL MONETARY VALUE NOT  
18                  EXCEEDING TWELVE THOUSAND PESOS  
19                  (P12,000) RECEIVED BY THE EMPLOYEE  
20                  UNDER AN ESTABLISHED WRITTEN PLAN  
21                  WHICH DOES NOT DISCRIMINATE IN FAVOR  
22                  OF HIGHLY PAID EMPLOYEES;

23                  “(IX) GIFTS OR PRIZES GIVEN DURING CHRISTMAS  
24                  AND MAJOR ANNIVERSARY CELEBRATIONS  
25                  NOT EXCEEDING SIX THOUSAND PESOS  
26                  (P6,000) PER EMPLOYEE PER ANNUM;

27                  “(X) DAILY MEAL ALLOWANCE FOR OVERTIME  
28                  WORK NOT EXCEEDING TWENTY-FIVE  
29                  PERCENT (25%) OF THE BASIC MINIMUM  
30                  WAGE.”

31                  *PROVIDED*, THAT NOT LATER THAN THREE (3)  
32                  YEARS AFTER THE EFFECTIVITY OF THIS ACT AND  
33                  EVERY THREE (3) YEARS THEREAFTER, THE AMOUNTS  
34                  STATED UNDER SUBSECTIONS (III), (IV), (V), (VI), (VII),  
35                  (VIII), AND (IX) HEREIN SHALL BE ADJUSTED TO THEIR  
36                  PRESENT VALUE AT THAT TIME USING THE CONSUMER  
37                  PRICE INDEX (CPI) AS PUBLISHED BY THE PHILIPPINE  
38                  STATISTICS AUTHORITY (PSA) WITHIN THIRTY (30)  
39                  DAYS FROM THE EFFECTIVITY THEREOF.

1                   “(J) FRINGE BENEFITS TO RANK-AND-FILE EMPLOYEES –  
2                   BENEFITS GIVEN TO THE RANK-AND-FILE EMPLOYEES,  
3                   WHETHER GRANTED UNDER A COLLECTIVE  
4                   BARGAINING AGREEMENT OR NOT.”

5           **SEC. 2.** Section 33 of the National Internal Revenue Code of 1997, as amended, is hereby  
6 further amended to read as follows:

7           “SEC. 33. Special Treatment of Fringe Benefits. –

8           “(A) xxx

9           “(B) Fringe Benefit Defined. – For purposes of this Section, the term ‘fringe  
10           benefit’ means any good, service or other benefit furnished or granted in cash  
11           or in kind by the employer to an individual employee [(except rank-and-file  
12           employees as defined herein)] such as, but not limited to, the following:

13           “(1) Housing;

14           “(2) Expense account;

15           “(3) Vehicle of any kind;

16           “(4) Household personnel, such as maid, driver and others;

17           “(5) Interest on loan at less than market rate to the extent of the difference  
18           between the market rate and actual rate granted;

19           “(6) Membership fees, dues and other expenses borne by the employer for  
20           the employee in social and athletic clubs or other similar  
21           organizations;

22           “(7) Expenses for foreign travel;

23           “(8) Holiday and vacation expenses;

24           “(9) Educational assistance to the employee or his dependents; and

25           “(10) Life or health insurance and other non-life insurance premiums or  
26           similar amounts in excess of what the law allows.

27           “(C) Fringe Benefits Not Taxable. – The following fringe benefits are not taxable  
28           under this Section:

29           “(1) Fringe benefits which are authorized and exempted from tax under  
30           special laws;

31           “(2) Contributions of the employer for the benefit of the employee to  
32           retirement, insurance and hospitalization benefit plans;

33           “(3) Benefits given to the rank-and-file employees, whether granted under  
34           a collective bargaining agreement or not; and

35           “(4) *De minimis* benefits as defined in [the rules and regulations to be  
36           promulgated by the Secretary of Finance, upon recommendation of  
37           the Commissioner] SECTION 32 (B)(8)(I) HEREOF.

38           “The Secretary of Finance is hereby authorized to promulgate, upon  
39           recommendation of the Commissioner, such rules and regulations as are necessary

1 to carry out efficiently and fairly the provisions of this Section, taking into account  
2 the peculiar nature and special need of the trade, business or profession of the  
3 employer.”

4 **SEC. 3. *Implementing Rules and Regulations (IRR)*.** - Within sixty (60) days upon approval  
5 of this Act, the Secretary of Finance shall issue the IRR for the effective implementation of this  
6 Act.

7 **SEC. 4. *Separability Clause*.** - If any provision of this Act is declared unconstitutional or  
8 invalid, other parts or provisions hereof not affected thereby shall continue to be in full force and  
9 effect.

10 **SEC. 5. *Repealing Clause*.** - All laws, orders, issuances, circulars, rules and regulations or  
11 parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified  
12 accordingly.

13 **SEC. 6. *Effectivity*.** - This Act shall take effect fifteen (15) days after its publication in the  
14 *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,