

**NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)**



'22 JUL -7 P2 :42

SENATE
S.B. No. 111

RECEIVED BY: _____

Introduced by Senator Maria Lourdes Nancy S. Binay

AN ACT EXCLUDING 13th MONTH PAY FROM THE COMPUTATION OF TAXABLE INCOME, AMENDING FOR THIS PURPOSE SECTION 32 (B)(7)(e) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED

EXPLANATORY NOTE

The 13th month pay is a mandatory benefit given to employees at the end of year. It was introduced under Presidential Decree 851 to further protect the level of real wages from the ravage of worldwide inflation, as well as for the working masses to properly celebrate Christmas and New Year.

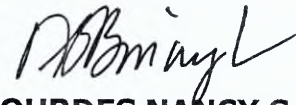
The Constitution provides that the State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all.

In line with the above State policy and the intent of the law in providing for 13th month pay to all employees, this bill seeks to exclude the 13th month pay from the computation of taxable income amending for the purpose Section 32 (B)(7)(e) of the National Internal Revenue Code of 1997, as amended. This would help cushion the diminishing purchasing power of employees and workers both in the private and public sector thereby increasing their disposable income.

The amount to be excluded from the computation of taxable income would mean greater financial flexibility for employees and would put more food on the table and help ensure their children's education.

In these turbulent times of health crisis and exponential rise in oil prices and basic commodities, every peso counts to the working masses. The considerable amount spared from taxes would mean they will have more to spend for the necessities of their families.

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

A handwritten signature in black ink, appearing to read 'MLNB' followed by a stylized flourish.

MARIA LOURDES NANCY S. BINAY



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

SECTION 1. Section 32 (B) (7) (e) of the National Internal Revenue Code of 1997, as amended is hereby further amended to read as follows:

"Sec. 32. Gross Income. -

"(A) *General Definition.* - x x x

"(B) *Exclusions from Gross Income.* - x x x

"(1) x x x

"(2) x x x

"(3) x x x

"(4) x x x

"(5) x x x

"(6) x x x

"(7) *Miscellaneous items.* -

"(a) x x x

"(b) x x x

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1 “(c) x x x

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3 “(d) x x x

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5 “(e) 13th Month Pay [and Other Benefits]. – [Gross benefits]

6 **THIRTEENTH MONTH PAY** received by officials and employees of public
7 and private entities **PURSUANT TO EXISTING LAWS, RULES AND**
8 **REGULATIONS.** [: *Provided, however,* That the total exclusion under this
9 subparagraph shall not exceed ninety thousand pesos (P90,000) which shall
10 cover:

11
12 (i) Benefits received by officials and employees of the national and
13 local governments pursuant to Republic Act No. 6686;

14
15 (ii) Benefits received by employees pursuant to Presidential Decree No.
16 851, as amended by Memorandum Order No. 28, dated August 13, 1986;

17
18 (iii) Benefits received by officials and employees not covered by
19 Presidential Decree No. 851, as amended by Memorandum Order No. 28, dated
20 3 August 13, 1986; and

21
22 (iv) Other benefits such as productivity incentives and Christmas
23 bonus.]

24
25 **“(F) OTHER BENEFITS. - GROSS BENEFITS RECEIVED BY**
26 **OFFICIALS AND EMPLOYEES OF PUBLIC AND PRIVATE ENTITIES:**
27 **PROVIDED, HOWEVER, THAT THE TOTAL EXCLUSION UNDER THIS**
28 **SUBPARAGRAPH SHALL NOT EXCEED NINETY THOUSAND PESOS**
29 **(P90,000) WHICH SHALL COVER:**

30
31 **(i) BENEFITS RECEIVED BY OFFICIALS AND EMPLOYEES OF THE**
32 **NATIONAL AND LOCAL GOVERNMENTS PURSUANT TO REPUBLIC ACT**
33 **NO. 6686;**

34
35 **(ii) BENEFITS RECEIVED BY OFFICIALS AND EMPLOYEES NOT**
36 **COVERED BY PRESIDENTIAL DECREE NO. 851, AS AMENDED BY**
37 **MEMORANDUM ORDER NO. 28, DATED AUGUST 13, 1986; AND**

38
39 **(iii) OTHER BENEFITS SUCH AS PRODUCTIVITY INCENTIVES**
40 **AND CHRISTMAS BONUS.**

41
42 **“(G)[(f)] x x x**

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44 **“(H)[(g)] x x x**

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46 **“(I)[(h)] x x x.”**

1 SEC. 2. *Implementing Rules and Regulations.* - Within thirty (30) days from the
2 effectivity of this Act, the Secretary of Finance shall promulgate the necessary
3 implementing rules and regulations for its effective implementation.

4
5 SEC. 3. *Repealing Clause.* - All other laws, decrees, orders, issuances and rules
6 26 and regulations or parts thereof inconsistent with this Act are hereby amended or
7 repealed 27 accordingly.

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

Approved,