

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

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SENATE

RECEIVED BY



S.B. No. 1149

Introduced by SEN. WIN GATCHALIAN

**AN ACT
PROVIDING FOR TAX INCENTIVES FOR EMPLOYEES ON A WORK-FROM-
HOME OR TELECOMMUTING PROGRAM, FURTHER AMENDING FOR THE
PURPOSE, REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE
NATIONAL INTERNAL REVENUE CODE (NIRC) OF 1997,
AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

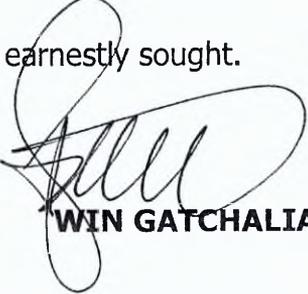
Since the emergence of the COVID-19 pandemic, the work-from-home setup has been an effective mechanism to retain or even improve productivity among employees. They get to maintain work-life-balance while still performing well in their respective job roles. In a survey conducted by Robert Walters, 8 in 9 professionals in the Philippines reflect being satisfied with their current remote working arrangements, with 9 out of 10 noting a similar increased level of productivity while at home.¹ The time they spend in traffic before, they now spend with their loved ones. However, while employees working from home save on transportation expenses, they also incur additional expenses at home due to higher power consumption and the need to install a more reliable internet connectivity. In effect, employees working from home

¹ <https://www.robertwalters.com.ph/content/dam/robert-walters/country/the-philippines/files/surveys/the-truth-about-working-from-home.pdf>

shoulder part of the operating costs which are conventionally being paid by their employers when rendering onsite work.

This bill amends the Tax Code to provide for additional deduction to the compensation income of employees working from home, consequently lowering their taxes due and increasing their take home pay. The bill also provides for a tax benefit to the employers granting allowances to cover employees' expenses necessary for telecommuting.

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



WIN GATCHALIAN

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

1 Section 1. Section 34 of Republic Act No. 8424, or the National Internal Revenue
2 Code of 1997, is hereby amended to read as follows:

3 "Sec. 34. Deductions from Gross Income. - Except for taxpayers earning
4 compensation income arising from personal services rendered under an
5 employer-employee relationship where no deductions shall be allowed under
6 this Section, **AND EXCEPT AS OTHERWISE PROVIDED FOR HEREIN IN**
7 **CASE OF WORK-FROM-HOME AND TELECOMMUTING EMPLOYEES**, in
8 computing taxable income subject to income tax under Sections 24(A); 25(A);
9 26; 27(A), (B), and (C); and 28(A)(1), there shall be allowed the following 10
10 deductions from gross income:

11 (A) Expenses -

1 (1) Ordinary and Necessary Trade, Business or Professional Expenses-

2 (a) XXX

3 (b) XXX

4 (c) XXX

5 **(D) WORK-FROM-HOME OR TELECOMMUTING EMPLOYEES.**
6 **NOTWITHSTANDING THE FIRST PARAGRAPH OF THIS SECTION,**
7 **INDIVIDUALS EARNING COMPENSATION INCOME SHALL BE**
8 **ENTITLED A DEDUCTION OF TWENTY-FIVE PESOS (P25.00) FROM**
9 **THEIR TAXABLE INCOME FOR EVERY HOUR WORKED UNDER A**
10 **WORK-FROM-HOME OR TELECOMMUTING ARRANGEMENT.**
11 ***PROVIDED,* THAT, THE EMPLOYEE SHALL CERTIFY UNDER OATH, THE**
12 **NUMBER OF HOURS SERVED UNDER THE WORK-FROM-HOME OR**
13 **TELECOMMUTING PROGRAM FOR THE YEAR, WHICH SHALL BE FILED**
14 **AS AN ATTACHMENT TO THE EMPLOYEE'S INCOME TAX RETURN.**

15
16 **ALLOWANCES OR OTHER BENEFITS GRANTED BY EMPLOYERS TO**
17 **THEIR EMPLOYEES TO COVER EXPENSES NECESSARY FOR**
18 **TELECOMMUTING, NOT EXCEEDING TWO THOUSAND PESOS (P2,000)**
19 **PER MONTH, SHALL BE CONSIDERED AS A NON-TAXABLE BENEFIT.**
20 **AMOUNTS GRANTED IN EXCESS SHALL BE SUBJECTED TO EXISTING**
21 **TAX RULES; *PROVIDED,* THAT, EMPLOYEES RECEIVING THIS BENEFIT**
22 **SHALL NO LONGER BE ENTITLED TO THE HOURLY DEDUCTION FROM**
23 **INCOME TAX PROVIDED FOR IN THE PRECEDING PARAGRAPH;**
24 ***PROVIDED FURTHER,* THAT, EMPLOYERS SHALL BE ENTITLED TO AN**
25 **ADDITIONAL FIFTY PERCENT (50%) INCOME TAX DEDUCTION FOR**
26 **ALLOWANCES GRANTED WITHIN THE SPECIFIED CEILING.**

27
28 *Sec. 2. Implementing Rules and Regulations.* — The Department of Finance,
29 together with the Bureau of Internal Revenue, shall promulgate the rules and

1 regulations to implement this Act within ninety (90) days from the effectivity of this
2 Act.

3

4 *Sec. 3. Separability Clause.* —If any provision or part thereof is held invalid or
5 unconstitutional, the remainder of the law or the provision not otherwise affected shall
6 remain valid and subsisting.

7

8 *Sec. 4. Repealing Clause.* — Any law, presidential decree or issuance, executive
9 order, letter of instruction, administrative order, rule, or regulation contrary to or
10 inconsistent with the provisions of this Act is hereby repealed, modified, or amended
11 accordingly.

12

13 *Sec. 5. Effectivity.* — This Act shall take effect fifteen (15) days after its
14 publication in at least (2) newspapers of general circulation in the Philippines.

15

Approved,