

Tale of the 13th month pay

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If there is one action of then President Ferdinand Marcos during the martial law years that employees of private business establishments probably appreciated (and still do up to the present), it was Presidential Decree No. 851.

Effective Dec. 16, 1975, P.D. 851 ordered all private employers to pay their employees receiving a basic pay of not more than P1,000 a month, regardless of the nature of their employment, a 13th month pay not later than Dec. 24 of every year.

The pay shall be equivalent to one-twelfth of the basic salary of the employees within a calendar year on condition they have worked for at least one month in the said year.

The decree aimed to make up for the failure of Congress to increase the minimum wage rates since 1970 and to give the working masses the opportunity to celebrate the holidays.

At that time, the minimum daily wage in Metro Manila and the provinces was P8.00, and the exchange rate was P7.50:\$1. Thus, during those times, a monthly salary of P1,000 was considered princely. It was, by and large, the average lowest monthly compensation of supervisory or managerial employees and was deemed sufficient to cover the additional expenses for the holidays.

The intended beneficiary of the 13th month pay was low salaried rank and file employees only. The decree, however, exempted from coverage, among others, employees of government offices and government-owned and -controlled corporations (GOCCs), except those operating as private subsidiaries of the government.

For unexplained reasons, the Marcos administration did not give any explanation for discriminating against government employees whose salary rates at that time were below those of the private business sector and had the same financial (and stomach) requirements as rank and file employees of private companies.

When President Corazon Aquino came to power in 1986, she removed the P1,000 salary ceiling and made the additional pay applicable to all employees regardless of their monthly salary and employment status.

Like her predecessor, Aquino did not extend that privilege to government and GOCC employees.

The score was evened (and more) two years later. In 1988, Congress enacted Republic Act 6686 which gave all employees of the national government who have rendered at least four months of service from Jan. 1 to Oct. 31 of each year and who remain in the service as of Oct. 31 of the same year a Christmas bonus equivalent to one month basic salary and additional cash gift of P1,000.

If the government employee does not meet the required months of service, the cash gift is proportionately reduced depending on the actual months of service. For this year, the Department of Budget and Management has announced that the cash gift has been increased to P5,000.

Although the 13th month pay is being given in the spirit of the Christmas season, the Bureau of Internal Revenue still considers it income compensation that should, under existing tax regulations, be subject to the proper tax deduction.

Initially, no income tax was imposed if that pay and other forms of bonuses did not exceed P30,000 in a year. Starting 2015, the ceiling was raised to P82,000. Next year, the tax exempt privilege shall increase to P90,000.

The law sets Dec. 24 as the deadline for the payment of the 13th month pay.

Today being Christmas Day, every employee entitled to this benefit has, hopefully, received it already.

Merry Christmas!

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