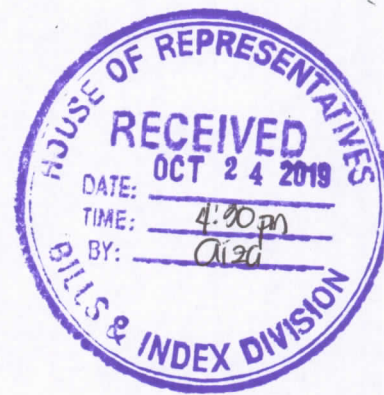


EIGHTEENTH CONGRESS )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )



HOUSE OF REPRESENTATIVES

House Bill No. 5241

Introduced by Representative VICTOR A. YAP

EXPLANATORY NOTE

Article II, Section 9 of the Constitution states 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."* (Article II, Section 9)

Following this Constitutional mandate, Presidential Decree No. 851 was enacted to require all employers to provide for an additional 13th-month Pay, equivalent to a one-month basic salary to all rank-and-file employees before the end of each calendar year.

The mandatory 13th-month Pay is intended to improve the purchasing capabilities of the working citizens who look forward to receiving it, especially for the celebration of Christmas and New Year seasons. More importantly, this measure acts as both a recognition of the struggle of the labor force, as well as an incentive for them to continue their tireless hard work for the economy and the development of society.

Under the current law<sup>1</sup>, the 13th-month Pay is excluded from gross income and is thus exempted from taxation. However, such law provides a cap for the tax exemption to the amount of ninety thousand pesos (P90,000.00). In other words, the 13th-month Pay benefit is subjected to taxation if the basic salary received by an employee is more than the mentioned qualification.

Thus, this bill seeks to exclude the 13th-month Pay from the computation of taxable income and therefore provide the full, just and equitable monetary benefit of a 13th-month pay in promotion of the well-being of all the workers in our country.

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

VICTOR A. YAP

Representative, 2nd District of Tarlac

<sup>1</sup> Republic Act No. 10963, enacted on 24 July 2017.

HOUSE OF REPRESENTATIVES

House Bill No. 5241

Introduced by Representative Victor A. Yap

AN ACT  
EXCLUDING 13<sup>TH</sup> 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

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



1           “(c)   x   x   x

2           “(d)   x   x   x

3           “(e)   13<sup>th</sup> *Month Pay [and Other Benefits]. – [Gross benefits]*

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

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

10          (ii)   Benefits received by employees pursuant to Presidential Decree No.  
11       851, as amended by Memorandum Order No. 28, dated August 13, 1986;

12          (iii)   Benefits received by officials and employees not covered by Presidential  
13       Decree No. 851, as amended by Memorandum Order No. 28, dated August 13, 1986;  
14       and

15          (iv)   Other benefits such as productivity incentives and Christmas bonus.]

16       **“(F) OTHER BENEFITS. – GROSS BENEFITS RECEIVED BY**  
17       **OFFICIALS AND EMPLOYEES OF PUBLIC AND PRIVATE ENTITIES:**  
18       ***PROVIDED, HOWEVER, THAT THE TOTAL EXCLUSION UNDER***  
19       ***THIS SUBPARAGRAPH SHALL NOT EXCEED NINETY THOUSAND***  
20       ***PESOS (P90,000) WHICH SHALL COVER:***

21           (i)   **BENEFITS RECEIVED BY OFFICIALS AND EMPLOYEES OF**  
22       **THE NATIONAL AND LOCAL GOVERNMENTS PURSUANT TO**  
23       **REPUBLIC ACT NO. 6686;**

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

27           (iii)   **OTHER BENEFITS SUCH AS PRODUCTIVITY INCENTIVES**  
28       **AND CHRISTMAS BONUS.**

29       “(G)[(f)]   x   x   x

30       “(H)[(g)]   x   x   x

31       “(I)[(h)]   x   x   x.”

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

35       **SEC. 3. *Repealing Clause.*** – All other laws, decrees, orders, issuances and  
36       rules and regulations or parts thereof inconsistent with this Act are hereby amended  
37       or repealed accordingly.

1                   **SEC. 4. *Effectivity.*** – This act shall take effect fifteen (15) days after its  
2 publication either in the *Official Gazette* or in at least two (2) newspaper of general circulation.

3                   Approved,