

Republic of the Philippines  
**House of Representatives**  
Quezon City Metro Manila

**SEVENTEENTH CONGRESS**  
*First Regular Session*

House Bill 2154

<b>HOUSE OF REPRESENTATIVES</b>	
<b>RECEIVED</b>	
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REGISTRATION UNIT BILLS AND INDEX SERVICE	

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Introduced by **REP. ENRICO A. PINEDA** and **REP. MICHAEL ODYLON L. ROMERO**

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### EXPLANATORY NOTE

To be productive and to perform at his or her best, an individual must set aside time for recuperation, relaxation and socialization. An employee who renders work beyond the usual working hours requires additional physical and mental effort to accomplish his or her tasks.

In doing so, he or she sacrifices rest and recreation in pursuit of the objectives of the organization or business establishment. As such, it is only apt that the employee receives compensation for every additional hour of work he or she rendered in full.

This bill seeks to achieve such end by amending Section 32 (B) (7) of the National Internal Revenue Code, incorporating overtime pay among the miscellaneous items that are excluded in the gross income.

This bill leaves out overtime pay in the computation of an employees' taxable income, which in turn reduces the income tax that would be withheld from his or her salary.

While such a measure will cost the government in terms of foregone revenues, it is hoped that the resulting increase in purchasing power of the employees will compensate for such losses through increased economic activity and demand for goods and services.

As it is admitted that government requires taxes to fund its operations, serve the people, and finance growth, this bill imposes a limit of P60,000 per annum in order to avail of this exemption.

In light of the foregoing, and in cognizance of the almost 40 million members of the labor force who stand to benefit from reduced tax burden, the prompt approval of this measure is earnestly sought.

  
**ENRICO A. PINEDA**  
Representative, 1PACMAN Partylist

  
**MICHAEL ODYLON L. ROMERO**  
Representative, 1PACMAN Partylist

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Introduced by **REP. ENRICO A. PINEDA and REP. MICHAEL ODYLON L. ROMERO**

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**AN ACT**

**EXCLUDING OVERTIME PAY FROM THE COMPUTATION OF TAXABLE INCOME  
AMENDING FOR THE PURPOSE SECTION 32 (8) (7) OF REPUBLIC ACT NUMBER  
8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF  
1997, AS AMENDED**

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

SECTION 1. Section 32 paragraph (B) subparagraph (7) of Republic Act No. 8424, otherwise known as 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 xx

“(B) *Exclusions from Gross Income.* - x xx

“(1) x xx

“(2) xxx

“(3) xxx

“(4) xxx

“(5) xxx

“(6) xxx

“(7) *Miscellaneous items.*

“(a) x xx

“(b) xxx

“(c) x xx

“(d) xxx

“(e) xxx

“(F) **OVERTIME PAY.** – COMPENSATION RECEIVED DUE TO  
HOURS WORKED IN EXCESS OF THE MAXIMUM NORMAL HOURS OF  
WORK. PROVIDED , THAT ANNUAL COMPENSATION RECEIVED FROM  
OVERTIME WORK SHALL NOT EXCEED SIXTY THOUSAND PESOS  
(p60,000.00)

“(G) [(f)] x xx

“(H) [(g)] x xx

“(I) [(h)] x xx.”

SEC. 2. *Implementing Rules and Regulations.* – Within sixty (60) days from the effectivity of this Act, the Bureau of Internal Revenue (BIR), the Department of Finance (DOF), the Department of Labor and Employment (DOLE) and the Civil Service Commission (CSC) shall, promulgate the necessary rules and regulations to effectively implement the provisions of this Act.

SEC. 3. *Repealing Clause.*– All laws, executive orders, presidential decrees, issuances, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 4. *Effectivity.* – This Act shall take effect fifteen (15) days following its publication in at least two (2) newspapers of general circulation or in the *Official Gazette*.

Approved,