

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

HOUSE OF REPRESENTATIVES

H. B. No. 4359



Introduced by Rep. Vilma Santos-Recto  
6<sup>th</sup> District of Batangas

**AN ACT**  
**PROVIDING TAX RELIEF TO THE LABOR SECTOR BY EXPANDING THE**  
**COVERAGE OF EXCLUSIONS FROM GROSS INCOME AND INCREASING THE**  
**AMOUNTS OF *DE MINIMIS* BENEFITS EXEMPT FROM TAX AMENDING FOR**  
**THE PURPOSE SECTIONS 32(B) AND 33 OF THE NATIONAL INTERNAL**  
**REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

Explanatory Note

This bill seeks to amend Sections 32 and 33 of the National Internal Revenue Code (NIRC) of 1997, as amended, as follows:

- (a) Excluding from gross income the amounts received by natural and juridical persons as indemnity for any loss or injury suffered;
- (b) Incorporating a proviso on *de minimis* benefits into the NIRC of 1997; and
- (c) Removing the tax advantage of managerial employees over rank-and-file employees on fringe benefits.

The role of human capital in developing the economy has been widely acknowledged. This is one of the reasons that Congress has enacted pro-labor laws such as Republic Act No. 9504 which increased the basic personal exemption and exempted minimum wage earners from the payment of income tax. While our current tax system provides for some relief to our workers by reducing their income tax burden, it still needs to be enhanced to address other issues and concerns besetting the labor sector.

Workers are sometimes compensated in the form of back wages, allowances and benefits by virtue of a labor dispute award. While it is clearly stated in Revenue Memorandum Circular No. 39-2012 that such remunerations are taxable, other amounts

received by the worker as part of recoveries for physical and nonphysical injuries or damages obtained due to the dispute should not be treated as part of those remunerations. Moreover, other types of damages awarded by courts should also be explicitly included in the list of exclusions from gross income since these do not constitute part of the worker's rendered service to his employer.

The incorporation of the provision on *de minimis* benefits lifted from Revenue Regulations No. 5-2011 secures its continued implementation by institutionalizing it in the Tax Code. The ceiling amounts therein provided, however, are proposed to be adjusted every three years based on their current Consumer Price Index (CPI) values.

The proposed removal of the tax advantage of managerial employees over rank-and-file employees with respect to fringe benefits is a move that would reduce the income divide between these groups of employees. More than ever, the words of President Ramon Magsaysay that *those who have less in life should have more in law* ring true.

We owe it to our labor force to craft laws that ensure they get effectively what are due them by expanding and strengthening the mechanisms through which they can find relief from the taxes that take off significant amounts from their meager monthly take home pay.

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



VILMA SANTOS-RECTO

HOUSE OF REPRESENTATIVES

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6<sup>th</sup> District of Batangas

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AN ACT

**PROVIDING TAX RELIEF TO THE LABOR SECTOR BY EXPANDING THE COVERAGE OF EXCLUSIONS FROM GROSS INCOME AND INCREASING THE AMOUNTS OF *DE MINIMIS* BENEFITS EXEMPT FROM TAX AMENDING FOR THE PURPOSE SECTIONS 32(B) AND 33 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES**

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

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

3           “Sec. 32. Gross Income. –

4           “(A) xxx

5           “(B) Exclusions from Gross Income. – The following items shall not be  
6 included in gross income and shall be exempt from tax under this Title:

7           “(1) xxx

8           “(2) xxx

9           “(3) xxx

10          “(4) xxx

11          “(5) **DAMAGES AWARDED BY COURTS, BOARDS OR**  
12               **OFFICERS EXERCISING JUDICIAL OR QUASI-**  
13               **JUDICIAL FUNCTIONS. – AMOUNTS RECEIVED AS**  
14               **INDEMNITY BY NATURAL OR JURIDICAL PERSONS**  
15               **FOR ANY LOSS OR INJURY SUFFERED, SUCH AS,**  
16               **BUT NOT LIMITED TO:**

17               **(A) DAMAGES RECEIVED BY EMPLOYEES AS**  
18               **COMPENSATION FOR PHYSICAL AND**



NONPHYSICAL INJURIES ACQUIRED DURING  
LABOR DISPUTES;

(B) DAMAGES TO PERSONAL OR FAMILY  
RIGHTS;

(C) DAMAGES FOR SLANDER AND LIBEL;

(D) AWARD FOR LOSS OF LIFE; AND

(E) DAMAGES FOR INJURIES TO THE GOODWILL  
OF A TAXPAYER'S BUSINESS, UNLESS THE  
AMOUNT AWARDED EXCEEDS THE VALUE OF  
GOODWILL.

~~"(5)"~~ (6) xxx

~~"(6)"~~ (7) xxx

~~"(7)"~~ (8) Miscellaneous Items. –

“(a) xxx

“(b) xxx

“(c) xxx

“(d) xxx

“(e) xxx

“(f) xxx

“(g) xxx

“(h) xxx

(I) *DE MINIMIS* BENEFITS. – THESE SHALL BE  
LIMITED TO FACILITIES OR PRIVILEGES  
FURNISHED OR OFFERED BY AN EMPLOYER  
TO HIS EMPLOYEES, BOTH MANAGERIAL  
AND RANK-AND-FILE, THAT ARE OF  
RELATIVELY SMALL VALUE AND ARE  
OFFERED OR FURNISHED BY THE  
EMPLOYER MERELY AS A MEANS OF  
PROMOTING THE HEALTH, GOODWILL,  
CONTENTMENT, OR EFFICIENCY OF HIS  
EMPLOYEES, SUCH AS, BUT NOT LIMITED  
TO, THE FOLLOWING:

1                   “(I) MONETIZED VALUE OF VACATION  
2                   AND SICK LEAVE CREDITS PAID TO  
3                   PRIVATE       EMPLOYEES       NOT  
4                   EXCEEDING TEN (10) DAYS DURING  
5                   THE YEAR;

6                   “(II) MONETIZED VALUE OF VACATION  
7                   AND SICK LEAVE CREDITS PAID TO  
8                   GOVERNMENT   OFFICIALS   AND  
9                   EMPLOYEES;

10                  “(III) MEDICAL CASH ALLOWANCE TO  
11                  DEPENDENTS OF EMPLOYEES NOT  
12                  EXCEEDING ONE THOUSAND FIVE  
13                  HUNDRED PESOS (P1,500) PER  
14                  SEMESTER OR TWO HUNDRED FIFTY  
15                  PESOS (P250) PER MONTH;

16                  “(IV)    RICE    SUBSIDY    OF    TWO  
17                  THOUSAND PESOS (P2,000) OR ONE (1)  
18                  SACK OF 50-KG. RICE PER MONTH  
19                  AMOUNTING TO NOT MORE THAN  
20                  P2,000;

21                  “(V)    UNIFORM       AND       CLOTHING  
22                  ALLOWANCE NOT EXCEEDING SIX  
23                  THOUSAND PESOS (P6,000) PER  
24                  ANNUM;

25                  “(VI)    ACTUAL MEDICAL ASSISTANCE  
26                  TO COVER MEDICAL AND HEALTH  
27                  CARE NEEDS, ANNUAL MEDICAL/  
28                  EXECUTIVE CHECK UP, MATERNITY  
29                  ASSISTANCE,       AND       ROUTINE  
30                  CONSULTATIONS, NOT EXCEEDING  
31                  TWENTY-FIVE THOUSAND PESOS  
32                  (P25,000) PER ANNUM;

1                   “(VII) LAUNDRY ALLOWANCE NOT  
2                   EXCEEDING SIX HUNDRED PESOS  
3                   (P600) PER MONTH;

4                   “(VIII) EMPLOYEE ACHIEVEMENT  
5                   AWARDS FOR LENGTH OF SERVICE  
6                   OR SAFETY ACHIEVEMENT, WHICH  
7                   MUST BE IN THE FORM OF A  
8                   TANGIBLE PERSONAL PROPERTY  
9                   OTHER THAN CASH OR GIFT  
10                  CERTIFICATE, WITH AN ANNUAL  
11                  MONETARY VALUE NOT EXCEEDING  
12                  TWENTY THOUSAND PESOS (P20,000)  
13                  RECEIVED BY THE EMPLOYEE UNDER  
14                  AN ESTABLISHED WRITTEN PLAN  
15                  WHICH DOES NOT DISCRIMINATE IN  
16                  FAVOR OF HIGHLY PAID EMPLOYEES;

17                  “(IX) GIFTS OR PRIZES GIVEN DURING  
18                  CHRISTMAS AND MAJOR  
19                  ANNIVERSARY CELEBRATIONS NOT  
20                  EXCEEDING TEN THOUSAND PESOS  
21                  (P10,000) PER EMPLOYEE PER ANNUM;

22                  “(X) DAILY MEAL ALLOWANCE FOR  
23                  OVERTIME WORK NOT EXCEEDING  
24                  TWENTY-FIVE PERCENT (25%) OF THE  
25                  BASIC MINIMUM WAGE.”

26                  ***PROVIDED***, THAT NOT LATER THAN THREE (3)  
27                  YEARS AFTER THE EFFECTIVITY OF THIS ACT  
28                  AND EVERY THREE (3) YEARS THEREAFTER, THE  
29                  AMOUNTS STATED UNDER SUBSECTIONS (III), (IV),  
30                  (V), (VI), (VII), (VIII), AND (IX) HEREIN SHALL BE  
31                  ADJUSTED TO THEIR PRESENT VALUE USING THE  
32                  CONSUMER PRICE INDEX (CPI) AS PUBLISHED BY  
33                  THE PHILIPPINE STATISTICS AUTHORITY (PSA)

1                   **WITHIN THIRTY (30) DAYS FROM THE**  
2                   **EFFECTIVITY THEREOF.**

3                   **“(J) FRINGE BENEFITS TO RANK-AND-FILE**  
4                   **EMPLOYEES – BENEFITS GIVEN TO THE RANK-**  
5                   **AND-FILE EMPLOYEES, WHETHER GRANTED**  
6                   **UNDER A COLLECTIVE BARGAINING**  
7                   **AGREEMENT OR NOT.”**

8                   Sec. 2. Section 33 of the National Internal Revenue Code of 1997, as amended, is  
9 hereby further amended to read as follows:

10                   “SEC. 33. Special Treatment of Fringe Benefits. –

11                   “(A) xxx

12                   “(B) Fringe Benefit Defined. – For purposes of this Section, the term ‘fringe  
13 benefit’ means any good, service or other benefit furnished or granted in  
14 cash or in kind by the employer to an individual employee ~~{{except rank-~~  
15 ~~and file employees as defined herein}}~~ such as, but not limited to, the  
16 following:

17                   “(1) Housing;

18                   “(2) Expense account;

19                   “(3) Vehicle of any kind;

20                   “(4) Household personnel, such as maid, driver and others;

21                   “(5) Interest on loan at less than market rate to the extent of the  
22 difference between the market rate and actual rate granted;

23                   “(6) Membership fees, dues and other expenses borne by the  
24 employer for the employee in social and athletic clubs or other  
25 similar organizations;

26                   “(7) Expenses for foreign travel;

27                   “(8) Holiday and vacation expenses;

28                   “(9) Educational assistance to the employee or his dependents; and

29                   “(10) Life or health insurance and other non-life insurance premiums  
30 or similar amounts in excess of what the law allows.

31                   “(C) Fringe Benefits Not Taxable. – The following fringe benefits are not  
32 taxable under this Section:

33                   “(1) Fringe benefits which are authorized and exempted from tax  
34 under special laws;



1 “(2) Contributions of the employer for the benefit of the employee to  
2 retirement, insurance and hospitalization benefit plans;

3 “(3) Benefits given to the rank-and-file employees, whether granted  
4 under a collective bargaining agreement or not; and

5 “(4) *De minimis* benefits as defined in ~~{the rules and regulations to be~~  
6 ~~promulgated by the Secretary of Finance, upon recommendation~~  
7 ~~of the Commissioner}~~ **SECTION 32 (B)(8)(I) HEREOF.**

8 “The Secretary of Finance is hereby authorized to promulgate, upon  
9 recommendation of the Commissioner, such rules and regulations as are  
10 necessary to carry out efficiently and fairly the provisions of this Section,  
11 taking into account the peculiar nature and special need of the trade, business  
12 or profession of the employer.”

13 SEC. 3. *Implementing Rules and Regulations (IRR).* – Within sixty (60) days upon  
14 approval of this Act, the Secretary of Finance shall issue the IRR for the effective  
15 implementation of this Act.

16 Sec. 4. *Separability Clause.* – If any provision of this Act is declared unconstitutional  
17 or invalid, other parts or provisions hereof not affected thereby shall continue to be in full  
18 force and effect.

19 Sec. 5. *Repealing Clause.* – All laws, orders, issuances, circulars, rules and  
20 regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby  
21 repealed or modified accordingly.

22 Sec. 6. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in  
23 the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,