

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 6611

Introduced by **HONORABLE STELLA LUZ A. QUIMBO**

EXPLANATORY NOTE

In the Philippine setting, senior citizens remain productive despite their age. Based on the 2018 Labor Force Survey, there are about 9 million Filipinos who are at least 60 years old. About 40 percent of these seniors are still employed, of which 23 percent are self-employed professionals, 11 percent are employed in the formal sector, and 6 percent work within family businesses or private households. Hence, a significant number of senior citizens continue to be productive and engage in economic activity.


Article XV of the 1987 Constitution provides it is the duty of the family to take care of its elderly members while the State may design programs of social security for them. In addition, Article XIII mandates the State to afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all.

In line with promoting employment opportunities for senior citizens, Congress enacted Republic Act No. 9257 or the Expanded Senior Citizen Act of 2003. This provides for a tax incentive for private entities that employ senior citizens, in the form of a deduction from gross income equivalent to fifteen percent (15%) of the total amount paid as salaries and wages to senior citizens. However, such an incentive is only available provided that the annual income of the senior citizen does not exceed the current poverty level.

This bill seeks to increase the tax deduction for private entities who hire senior citizens as employees, from fifteen percent (15%) to: (i) thirty percent (30%) of the total amount paid as salaries and health benefits to senior citizens earning minimum wage, and (ii) fifty percent (50%) of the total amount paid as salaries and health benefits to senior citizens earning above minimum wage. This is cognizant of the fact that workers with high salaries will also generate additional tax revenues for the government through individual income taxes.

Based on the author's own computations, this policy measure will be at least tax revenue neutral, and at most, tax revenue enhancing, given the estimated net changes to corporate income tax revenues and individual income tax revenues.¹

In view thereof, the expedient approval of this bill earnestly sought.



STELLA LUZ A. QUIMBO
Representative
Second District, Marikina City

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¹ See attached technical annex.

Estimated Impact of Proposed Incentives for Senior Employment	
Proposed tax deduction in the gross income of private entities who hire senior employee, equivalent to:	
30%	Percent of the amount spent on wages and health benefits of seniors that earn <u>minimum wage</u>
50%	Percent of the amount spent on wages and additional health benefits of seniors that earn <u>above minimum wage</u>

Effect on number of employed seniors

Assumption A	Proposed incentives will double the number of senior employees overall. Newly hired seniors would not have been hired without the given incentive.		
Assumption B	Assume newly hired seniors will follow the same income distribution as currently employed seniors.		
Assumption C	For simplicity, taxable income is equal to annual income.		
<i>Item</i>	<i>Formula</i>		<i>Value</i>
(a) Total number of employed seniors in private establishments 1			765,976
(b) Additional number of employed seniors, after incentives under House Bill 2	(equal to a)		765,976
(c) New total number of employed seniors, after incentives under House Bill 3	(a + b)		1,531,952

Effect on tax revenues

First, the proposed incentives will decrease corporate income tax revenues. The extent of the impact is estimated below for two types of seniors: (1) minimum wage earners, and (2) earning above minimum wage.

TYPE 1: Seniors earning minimum wage		
Assumption D(1)	Generally, firms will hire workers if the additional benefit to the firm is at least as much as the cost of hiring. Additional revenue is equal to the compensation of Type 1 seniors. Hence, change in gross income is zero.	
Item	Formula	Value
(d) Proportion of minimum wage earners among seniors 4		59%
(e) Total number of additional seniors earning minimum wage 5	(b*d)	451,926
(f) Average wage per day of seniors earning minimum wage 6		P 370
(g) Total amount spent on wages of additional Type 1 seniors 7	(e*f)	P 43,642,478,369
(h) Total amount spent on health benefits of additional Type 1 seniors 8	(20% of g)	P 8,728,495,674
(i) Change in corporate gross income 9		P 0
(j) Deduction in taxable income due to incentives 10	(30% of g+h)	P (15,711,292,213)
(k) Loss in corporate income tax revenue due to Type 1 hires 11	(30% of j)	P (4,713,387,664)

TYPE 2: Seniors earning above minimum wage		
Assumption D(2)	The revenue that firms will gain from hiring additional Type 2 seniors is 1.5x the compensation of the Type 2 seniors.	
Item	Formula	Value
(l) Proportion of seniors earning above minimum wage 12		41%
(m) Number of additional seniors earning above minimum wage 13	(b*l)	314,050
(n) Average wage per day of seniors earning above minimum wage 14		P 821
(o) Total amount spent on wages of additional Type 2 seniors 15	(m*n)	P 67,294,982,335
(p) Annual premium for health benefits of Type 2 seniors 16		P 35,000
(q) Total amount spent on health benefits of additional Type 2 seniors 17	(o*p)	P 10,991,755,600
(r) Net increase in corporate income 18	(50% of o+q)	P 39,143,368,967
(s) Deduction in taxable income due to proposed incentives 19	(30% of o+p)	P (39,143,368,967)
(t) Loss in corporate income tax revenue due to Type 2 hires 20	(30% of r)	P 0

Second, the government stands to gain revenues from the additional individual income tax to be paid by the Type 2 hires.

Tax bracket	Tax owed	Estimated number of seniors 20	Estimated total annual income 21	Estimated tax collections 22
Bracket 1	Tax exempt	635481	65,511,392,795	-
Bracket 2	20% of excess income over P250,000	73940	23,149,655,751	932,955,200
Bracket 3	P30,000 + 25% of excess income over P400,000	43834	22,498,398,165	2,556,233,231
Bracket 4	P130,000 + 30% of excess income over P800,000	11804	11,780,621,618	2,235,697,703
Bracket 5	P490,000 + 32% of excess income over P2 million	917	2,520,637,773	669,058,411
Additional individual income tax revenues due to Type 2 hires				P 6,393,944,545
NET EFFECT ON INCOME TAX REVENUES				P 1,680,556,881

Sources

1 2018 Labor Force Survey	6 2018 LFS, NWPC, Author's computations	11 NIRC as amended, Author's computations	16 Sample private insurance
2 Author's computations	7 Author's computations	12 2018 LFS	17 Author's computations
3 Author's computations	8 Study by Willis Towers Watson (WTW), Author's computations	13 Author's computations	18 Author's computations
4 2018 LFS	9 Author's computations	14 2018 LFS, Author's computations	19 Author's computations
5 Author's computations	10 Author's computations	15 Author's computations	20 Author's computations

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Introduced by **HONORABLE STELLA LUZ A. QUIMBO**

**AN ACT GRANTING TAX INCENTIVES TO PRIVATE ENTITIES WHO
EMPLOY SENIOR CITIZENS AS EMPLOYEES, AMENDING FOR THIS
PURPOSE REPUBLIC ACT NO. 7432, AS AMENDED, OTHERWISE KNOWN AS
"AN ACT TO MAXIMIZE THE CONTRIBUTION OF SENIOR CITIZENS TO
NATION BUILDING, GRANT BENEFITS AND SPECIAL PRIVILEGES AND
FOR OTHER PURPOSES**

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

SECTION 1. Section 5 of Republic Act No. 7432 is hereby further amended to read as follows:

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"Private entities that will employ senior citizens as employees, upon the effectivity of this Act, shall be entitled to an additional deduction from their gross income, equivalent to ~~fifteen~~ **THIRTY** percent ~~(15%)~~ **(30%)** of the total amount paid as salaries, ~~and wages,~~ **AND HEALTH BENEFITS** to senior citizens **WHOSE WAGES DO NOT EXCEED THE CURRENT MINIMUM WAGE, AND FIFTY PERCENT (50%) OF THE TOTAL AMOUNT PAID AS SALARIES, WAGES, AND HEALTH BENEFITS TO SENIOR CITIZENS WHOSE WAGES EXCEED THE CURRENT MINIMUM WAGE,** subject to the provision of Section 34 of the NIRC, as amended: Provided, however, That such employment shall continue for a period of at least six (6) months: ~~Provided, further, That the annual income of the senior citizen does not exceed the latest poverty threshold as determined by the National Statistical Coordination Board (NSCB) of the National Economic and Development Authority (NEDA) for that year.~~

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SECTION 2. *Eligibility.* – The rates of deduction provided in Section 1 shall apply only to seniors hired after the effectivity of the Act.

SECTION 3. *Implementing Rules and Regulations.* – Within sixty (60) days from the effectivity of this act, the Department of Labor and Employment and the Department of Trade and Industry shall formulate and adopt amendments to the existing rules and regulations implementing Republic Act No. 7432, as amended by Republic Act No. 9257 and Republic Act No. 9994, to carry out the objective of this Act.

SECTION 4. *Separability Clause.* – If any provision of this Act is declared unconstitutional or invalid, the remainder of the provisions thereof not affected shall remain in force and effect.

SECTION 5. *Repealing Clause.* – All laws, decrees, orders, rules, regulations, ordinances or parts thereof which are inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 5. *Effectivity Clause.* – This Act shall take effect fifteen (15) days upon its publication in at least two (2) newspapers of general circulation.

Approved,