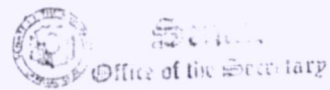



EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



SENATE

S. No. 592

'19 JUL 17 P 6:03

Introduced by Senator Ralph G. Recto 

**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.

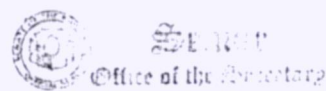
We owe it to our labor force to craft laws that ensure they get effectively what are due them by expanding and strengthening the mechanisms through which they can find relief from the taxes that take off significant amounts from their meager monthly take home pay.

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



RALPH G. RECTO

/ejcv



SENATE

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Introduced by Senator Ralph G. Recto RECEIVED BY: [Signature]

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PROVIDING TAX RELIEF TO THE LABOR SECTOR BY EXPANDING THE
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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:*

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

"Sec. 32. Gross Income. –

"(A) xxx

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

"(1) xxx

"(2) xxx

"(3) xxx

"(4) xxx

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

- 1 (A) DAMAGES RECEIVED BY EMPLOYEES AS
2 COMPENSATION FOR PHYSICAL AND
3 NONPHYSICAL INJURIES ACQUIRED DURING
4 LABOR DISPUTES;
5 (B) DAMAGES TO PERSONAL OR FAMILY RIGHTS;
6 (C) DAMAGES FOR SLANDER AND LIBEL;
7 (D) AWARD FOR LOSS OF LIFE; AND
8 (E) DAMAGES FOR INJURIES TO THE GOODWILL
9 OF A TAXPAYER'S BUSINESS, UNLESS THE
10 AMOUNT AWARDED EXCEEDS THE VALUE OF
11 GOODWILL.

12 "~~{(5)}~~(6) xxx

13 "~~{(6)}~~(7) xxx

14 "~~{(7)}~~ (8) Miscellaneous Items. –

15 "(a) xxx

16 "(b) xxx

17 "(c) xxx

18 "(d) xxx

19 "(e) xxx

20 "(f) xxx

21 "(g) xxx

22 "(h) xxx

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

1 "(I) MONETIZED VALUE OF VACATION AND
2 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
18 (1) 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 OR
6 SAFETY ACHIEVEMENT, WHICH MUST
7 BE IN THE FORM OF A TANGIBLE
8 PERSONAL PROPERTY OTHER THAN
9 CASH OR GIFT CERTIFICATE, WITH AN
10 ANNUAL MONETARY VALUE NOT
11 EXCEEDING TWENTY THOUSAND
12 PESOS (P20,000) RECEIVED BY THE
13 EMPLOYEE UNDER AN ESTABLISHED
14 WRITTEN PLAN WHICH DOES NOT
15 DISCRIMINATE IN FAVOR OF HIGHLY
16 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
22 ANNUM;

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

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

1 **PUBLISHED BY THE PHILIPPINE STATISTICS**
2 **AUTHORITY (PSA) WITHIN THIRTY (30) DAYS**
3 **FROM THE EFFECTIVITY THEREOF.**

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

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

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

12 “(A) xxx

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

- 18 “(1) Housing;
- 19 “(2) Expense account;
- 20 “(3) Vehicle of any kind;
- 21 “(4) Household personnel, such as maid, driver and others;
- 22 “(5) Interest on loan at less than market rate to the extent of
23 the difference between the market rate and actual rate
24 granted;
- 25 “(6) Membership fees, dues and other expenses borne by the
26 employer for the employee in social and athletic clubs or
27 other similar organizations;
- 28 “(7) Expenses for foreign travel;
- 29 “(8) Holiday and vacation expenses;
- 30 “(9) Educational assistance to the employee or his dependents;
- 31 and

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

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

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

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

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

14 “(4) *De minimis* benefits as defined in ~~the rules and regulations~~
15 ~~to be promulgated by the Secretary of Finance, upon~~
16 ~~recommendation of the Commissioner]~~ **SECTION 32**

17 **(B)(8)(I) HEREOF.**

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

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

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

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

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

Approved,