

## **RATIONALE**

It is the aim of top management to improve quality of life of employees by implementing a balanced package of monetary and non-monetary incentives. These incentives will cover both long-term and short-term schemes.

#### **OBJECTIVE**

To optimize allowable tax deductions from the company through the implementation of corporate credit cards for managers resulting to additional purchasing power.

#### **DEFINITION OF TERMS**

- 1. Managers' Corporate Credit Card (MCCC) a charge card in partnership with one of AHI's main banks, issued to managers and executives to cover pre-identified expenses
- 2. Cardholder Employee issued with MCCC

#### COVERAGE

All managers, from Job Level M1 and up, including identified full time Consultants

#### **GENERAL POLICIES**

#### A. Credit Limit

1. Amount per job level

Job Level	Credit Limit
M1	5k – 10k
M2	10k – 15k
M3 and up	15k – 20 k

1.1 A manager may request a lower or higher limit. Increase in credit limits shall apply only in cases of promotions



Policy Title		Managers' Corporate Credit Cards (MCCC)
Approved by	:	CEO
Effective Date	:	01 August 2017

1.2 Minimum take home pay (net from government mandated benefits, existing loan deductions etc.) shall be the basis for monthly credit limits and requests for exemptions.

The basic principle for minimum take home pay: the employee should still be receiving at least 25% net pay after credit card limit and all salary deductions. Any exception to this principle shall require the COO's endorsement and the VP-ECS clearance.

- 2. An "Authority to Deduct" shall be initiated by the company for acknowledgement of cardholder.
  - 2.1 Annex A: Samples / Illustration 1 and 2
  - 2.2 Annex B: Authority to Deduct
- 3. Credit card shall be strictly utilized for the following
  - 3.1 Gasoline expenses
  - 3.2 Minor Repairs & Maintenance of company-issued or personal vehicles
  - 3.3 Food expenses (meals / grocery)
  - 3.4 Representation (e.g. travel / restaurant / airfare / hotel accommodation)

#### B. Implications of Credit Card to Salaries / Taxable income

- 1. Each cardholder is expected to use or maximize the monthly credit limits because this was already deducted from their monthly basic pay.
  - 1.1 Accumulated credit limit for each cardholder shall not form part of taxable income, thus not using or "accumulating" monthly credit limits is highly discouraged.
  - 1.2 During the last payroll of calendar year, equivalent withholding taxes from unused or accumulated credit limits (as of November cut off) shall be deducted from salary of cardholder. See Annex A: Illustration 3



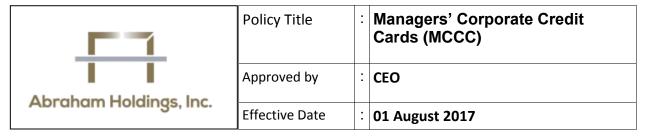
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- 1.3 Any accumulated credit limit may be used as long as MCCC is active.
- 2. Credit Card company automatically declines transactions that will exceed monthly limit.
- 3. Should there be <u>unauthorized purchases</u>, HRD shall immediately inform the cardholder and corresponding tax shall be charged.
  - 3.1 HRD shall submit to Payroll a monthly summary of accumulated unauthorized purchases.
  - 3.2 Taxes from accumulated unauthorized purchases shall be computed by Payroll.
  - 3.3 The resulting amount or "taxes" shall be deducted on the forthcoming payroll. See Annex A: Sample / Illustration 4
- 4. Credit limit is deducted from regular payroll of cardholder; it is actually part of cardholder's basic pay. Thus, gross basic pay (Basic pay and de minimis allowances) as indicated in Employee Movement Reports (EMR) shall continue to be the basis of government and company-sponsored benefits.

#### **C. Employee Movements**

- 1. Hiring
  - 1.1 Newly hired managers (cardholder) shall have MCCCs as part of their compensation package. A separate agreement (with authority to deduct, See Annex B) will specify details of the arrangement.
- 2. MCCC Issuance during Promotions

Job Levels	Issuance	
Supervisory to Managerial	within 2-3 weeks after serving of EMR	
M1 to M2 and onwards	upgraded on the following month after cut-off	



#### D. Leave of absences and MCCC monthly credit

1. Payroll shall implement the following based on previous month's absence without pay:

15 days	only 50% of monthly credit limit shall apply
16 days or more	no monthly credit

- 1.1 In cases of prolonged absences without pay, CT / Payroll shall formally notify bank to block the respective MCCC.
- 1.2 In case there was any usage after absences without pay (15-26 days), the said amount shall be charged to the cardholder in the next payroll.

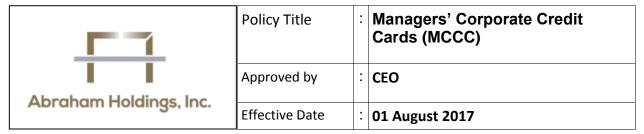
### E. Lost / Misplaced Cards

- 1. Cardholder shall notify bank's customer care hotline ASAP for lost or misplaced cards.
- 2. Cardholder shall also notify HRD and CT/Payroll who in turn shall prepare necessary documentations (including protest letters if needed).
- 3. Replacement fees shall be on account of cardholder, cash basis.

#### F. Responsibility Centers (See Annex C)

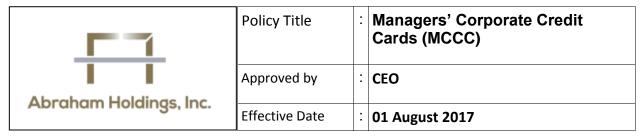
### G. Others

- 1. MCCCs shall not have credit or cash advance facility.
- 2. Annual membership fees shall be charged to cardholder, cash basis. This fee is waived by the bank only for the first year of membership.



- 3. Any abuse in the usage of the MCCC shall be dealt with accordingly; suspension or revoking of MCCCs shall be sanctioned subject to due process.
- 4. Any exception shall be subject to approval of VP-ECS and CEO.

Prepared by:	Reviewed:	Approved by	44	
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HRD Manager	VP-Enterprise Core Services	CEO	/	



## **Annex A: Sample Breakdown**

# Illustration 1: Monthly Payroll

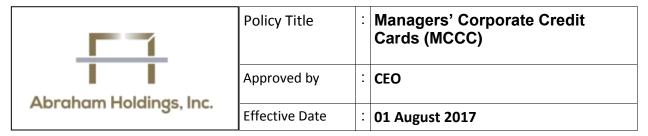
	Monthly Pay	MCCC Limit	Payroll Breakdown
Basic Pay (Taxable)	30,000	8,000 (non taxable)	22,000
De minimis Allowance (non-taxable)	2,600		2,600
COLA / Others (Taxable)	391		391
Total	32,991	8,000	24,991

# Illustration 2: Monthly Net Pay

Salary Details	Monthly Pay	Net Pay without MCCC	Net Pay with MCCC
Basic Pay (Taxable)	30,000	27,207 (tax code assumed at	22,151 tax code assumed at Single/Married
De minimis Allow. (non Taxable)	2,600	Single/Married no n dependent; 30% b tax deduction based on 30,391 taxable income	no dependent; 25% tax deduction based on 22,391 taxable income bracket)
COLA / Others (Taxable)	391		Sidencely
Total	32,991	bracket)	plus 8,000 through MCCC = 30,151 or increase of 2,944 take home pay

## Illustration 3: Unused / Accumulated credit limit

Amount of accumulated unused credit limit	
Corresponding Amount of Tax to be deducted from Cardholder's December payroll (estimated at 32%)	1,600



# Illustration 4: Unauthorized purchases

Amount of accumulated unauthorized purchase	
Corresponding Amount of Tax to be deducted from Cardholder's December payroll (estimated at 32%)	1,760

# Annex B: Issuance of MCCC and Authority to Deduct

Pursuant to the implementation of managers' corporate credit cards (MCCC), the Company adapts the following policies and guidelines:

## A. General Policies

	Policy Title	:	Managers' Corporate Credit Cards (MCCC)
Abraham Holdings, Inc.	Approved by	:	CEO
Abraham Holdings, Inc.	Effective Date	:	01 August 2017

- 1. Each manager shall be issued an MCCC in which you are the cardholder.
- 2. The monthly credit limit shall be deducted from your basic pay:

MCCC Limit / Month	Prescribed Amount
Job Level M1	P5,000 – P10,000
Job Level M2	P10,000 - P15,000
Job Level M3 and up	P15,000 – P20,000

Note: any request higher than the prescribed amount is subject for approval by immediate superior / COO / Chairman (whichever is applicable)

- 3. Accordingly, you **voluntarily** authorize the company to deduct the corresponding monthly credit card limit from your basic pay.
- 4. Annual membership fee for the first year has been waived; for the succeeding years, membership fee shall be charged to cardholder on cash basis.
- 5. Your gross basic pay (Basic Pay and De minimis Allowances) as indicated in your Employee Movement Report (EMR) shall continue to be the basis of your government and company-sponsored benefits
- 6. BIR form 2316 shall indicate the amount of taxable income as released through regular payroll; corresponding amount through MCCC shall not be covered in the said form.
- 7. The MCCC policies, systems and procedures (PSPs) as authorized by the office of the VP-Enterprise Core Services, shall provide other administrative details.

#### **ACKNOWLEDGEMENT / CONFORME:**

Monthly Corp. Credit Card Limit; Amount to be deducted from Monthly Payroll	P
Employee's Signature above Printed Name	
Date:	

#### **Annex C: Responsibility Centers**

Activities / Responsibilities	HRD	СТ	Accounting	Card holder	Payroll
1. Enrollment of new MCCCs (hiring / promotions)					



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Providing application form	٧			
Submission of application form to HRD			٧	
Submission of application form to accredited bank (through CT)	٧			
Release of MCCC to cardholder	٧			
2 Upgrades / Cancellations				
Secure superior's endorsement				
Validate at least 25% net pay				
Coordination with accredited bank on modification of card holders' monthly limit		,		
Coordination with accredited bank on cancellation of membership / resigned / separated cardholders				
Effect credit limits (edit in payroll system)	٧			
3 Payments/Recording/Audit				
Receiving of mo billing statements (MBS) and billing summary	٧			
Monitoring / Reports on unauthorized usage to Payroll	٧			
Effect deduction on corresponding taxes for unauthorized usage				٧
Transmittal of Billing Summary to CT	٧			
Transmittal of MBS to Acctg	٧			



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Preparation and transmittal of check request to Acctg for disbursement					
Disbursement			٧		
Release of payment to bank					
Monitoring of credit line availability				٧	
Monitoring / reports on excess / and or unused accumulated credit limit	٧				
Accurate BIR form 2316 based on payroll and MCCs			٧		
Implement deductions in credit limit in case of prolonged absences without pay		٧			
Payment of annual membership fees		٧			
Notice to block mccc	٧				
4 Lost / Damaged MCCCs					
Reporting of lost /damaged cards to accredited bank customer care center				٧	
Reporting of lost /damaged cards to HRD (after report with accredited bank customer care center)				٧	
5 Review of PSPs	٧				