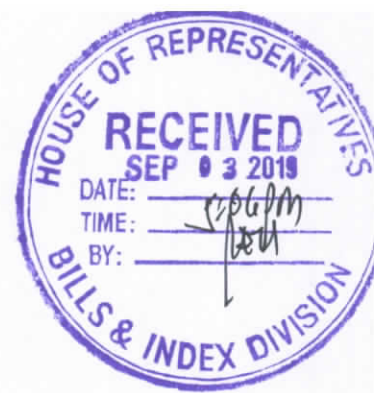


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

H. No. 4370

Introduced by Representative Vilma Santos-Recto
6th District of Batangas

AN ACT
EXCLUDING THE PERFORMANCE-BASED BONUS FROM THE
COMPUTATION OF TAXABLE INCOME AMENDING FOR THIS PURPOSE
SECTION 32 (B) (7) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997,
AS AMENDED

EXPLANATORY NOTE

Government is a machine whose parts should move in unison towards the attainment of its strategic goals as reflected in its development plans. This machinery is judged by the people through its outputs in terms of delivery of goods and services. However, the best-crafted strategic development plans will be for naught if civil servants who will implement these are not inspired and committed to achieve the plans.

To systematize monitoring, government evaluates the performance of its agencies as embodied in three monitoring tools: (1) the Organizational Performance Indicator Framework (OPIF) by the Department of Budget and Management (DBM); (2) the Strategic Performance Management System (SPMS) of the Civil Service Commission (CSC); and (3) the Results-Based Performance Monitoring System (RBPMS) as provided by Executive Order No. 80 issued on July 20, 2012.

Recognizing that the performance of each agency is the result of the service rendered by employees, the government deemed it necessary to reward exemplary work through Executive Order No. 80, Directing the Adoption of a Performance-Based Incentive System for Government Employees. It provided for the grant of the Performance-Based Bonus (PBB) on top of the Productivity Enhancement Incentive (PEI). While the PEI is granted to all government employees across-the-board at the uniform rate of Five Thousand Pesos (P5,000.00) each, the PBB depends on the rating that the agency received and the employee's

performance rating.

With the issuance of Executive Order No. 201 on February 19, 2016, the existing PBB granted to qualified government personnel, including those in local government units (LGUs), is enhanced to strengthen its results orientation, to be given in an amount equivalent to one (1) month basic salary up to two (2) months basic salary, to be implemented in two (2) phases starting in FY 2017. The PBB shall be subject to the achievement by departments or agencies, including LGUs and individual employees of their performance targets or commitments and compliance with good governance and other conditions. The grant of the enhanced PBB shall be based on a progressive rate system. As the position and responsibility in improving agency performance becomes higher, so is the amount of PBB granted.

As formulated, the PBB should be an effective reward for exemplary work. However, under the Tax Code, it shall be subject to income tax, thereby reducing its monetary value. To grant government employees full recognition and enjoyment of their reward for exemplary performance, this proposed measure seeks to exclude the PBB granted to qualified government personnel from the computation of taxable income by amending for the purpose Section 32 (B) (7) of the National Internal Revenue Code of 1997, as amended.

The PBB must be granted in its full amount and should not be subjected to income tax to serve as a meaningful reward for employees who walked the extra mile towards the attainment of agency goals and, on the other hand, as a motivational tool for agencies and employees rated "Poor" to improve their performance.

Hence, immediate passage of this bill is earnestly sought.



VILMA SANTOS-RECTO

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AS AMENDED

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

1 Section 1. Section 32 (B) (7) of the National Internal Revenue Code of 1997, as
2 amended, is hereby further amended to read as follows:

3 “Sec. 32. Gross Income. –

4 “(A) *General Definition.* – x x x

5 “(B) *Exclusions from Gross Income.* – x x x

6 “(1) x x x

7 “(2) x x x

8 “(3) x x x

9 “(4) x x x

10 “(5) x x x

11 “(6) x x x

12 “(7) *Miscellaneous items.* –

13 “(a) x x x

14 “(b) x x x

15 “(c) x x x

16 “(d) x x x

17 “(e) x x x

18 “(F) **PERFORMANCE-BASED BONUS (PBB) GRANTED TO**
19 **QUALIFIED GOVERNMENT PERSONNEL;**

1 “ ~~(F)~~ (G) x x x
2 “ ~~(g)~~ (H) x x x
3 “ ~~(h)~~ (I) x x x.”

4 Sec. 2. *Implementing Rules and Regulations.* – Within thirty (30) days from the
5 effectivity of this Act, the Department of Finance (DOF), Department of Budget and
6 Management (DBM), and the Civil Service Commission (CSC), shall promulgate the
7 necessary implementing rules and regulations for its effective implementation.

8 Sec. 3. *Repealing Clause.* – All other laws, decrees, orders, issuances and rules and
9 regulations or parts thereof inconsistent with this Act are hereby amended or repealed
10 accordingly.

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

Approved,

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