

[BIR REVENUE REGULATIONS NO. 8-2000, August 21, 2000]

AMENDING SECTIONS 2.78.1(A)(1), (A)(6), (A)(7), AND (B)(11) (B) OF REVENUE REGULATIONS NO. 2-98, AS AMENDED, AND SECTION 2.33(C) OF REVENUE REGULATIONS NO. 3-98, WITH RESPECT TO "DE MINIMIS" BENEFITS, ADDITIONAL COMPENSATION ALLOWANCE (ACA), REPRESENTATION AND TRANSPORTATION ALLOWANCE (RATA) AND PERSONAL ECONOMIC RELIEF ALLOWANCE (PERA)

Section 1. Scope - Pursuant to Section 244 of the 1997 Tax Code, in relation to Section 78 thereof pertaining to the withholding of income tax on compensation income, these Regulations are hereby promulgated amending Sections 2.78.1 (A) (1), (A)(3), (A)(6), (A)(7), and (B)(11)(b) of Revenue Regulations No. 2-98, as amended, to further clarify certain benefits/privileges received by the employees which are not considered as items of income and therefore not subject to income tax and consequently, to the withholding tax. Likewise amended is the enumeration of the items of de-minimis benefits which are exempt from fringe benefits tax as appearing under Sec. 2.33(C) of Revenue Regulations No. 3-98.

Sec. 2. Amendments-Sec. 2.78.1 (A)(1),(A)(3), (A)(6),(A)(7),(B)(11)(b) and (B) (13) are hereby amended to read as follows:

"Sec. 2.78.1. Withholding of Income Tax on Compensation income

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"(A) xxx xxx xxx

"(1) *Compensation paid in kind, xxx xxx*

"Where compensation is paid in property other than money, the employer shall make necessary arrangements to ensure that the amount of the tax required to be withheld is available for payment to the Commissioner.

"(3) *Facilities and privileges of relatively small value* - Ordinarily, facilities and privileges (such as entertainment, medical services, or so-called "courtesy discounts" on purchases), otherwise known as "de minimis benefits," furnished or offered by an employer to his employees, are not considered as compensation subject to INCOME TAX AND CONSEQUENTLY TO withholding tax, if such facilities are offered or furnished by the employer merely as means of promoting the health, goodwill, contentment, or efficiency of his employees.

"THE FOLLOWING SHALL BE CONSIDERED AS UDE MINIMIS"

BENEFITS NOT SUBJECT TO WITHHOLDING TAX ON COMPENSATION INCOME OF BOTH MANAGERIAL AND RANK AND FILE EMPLOYEES:

(a) MONETIZED UNUSED VACATION LEAVE CREDITS OF EMPLOYEES NOT EXCEEDING TEN (10) DAYS DURING THE YEAR;

(b) MEDICAL CASH ALLOWANCE TO DEPENDENTS OF EMPLOYEES NOT EXCEEDING P750.00 PER EMPLOYEE PER SEMESTER OR P125 PER MONTH;

(c) RICE SUBSIDY OF P1,000.00 OR ONE (1) SACK OF 50-KG. RICE PER MONTH AMOUNTING TO NOT MORE THAN P1,000.00;

(d) UNIFORMS AND CLOTHING ALLOWANCE NOT EXCEEDING P3,000 PER ANNUM;

(e) ACTUAL YEARLY MEDICAL BENEFITS NOT EXCEEDING P10,000 PER ANNUM;

(f) LAUNDRY ALLOWANCE NOT EXCEEDING P300 PER MONTH;

(g) EMPLOYEES ACHIEVEMENT AWARDS, E.G., FOR LENGTH OF SERVICE OR SAFETY ACHIEVEMENT, WHICH MUST BE IN THE FORM OF A TANGIBLE PERSONAL PROPERTY OTHER THAN CASH OR GIFT CERTIFICATE, WITH AN ANNUAL MONETARY VALUE NOT EXCEEDING P10,000.00 RECEIVED BY THE EMPLOYEE UNDER AN ESTABLISHED WRITTEN PLAN WHICH DOES NOT DISCRIMINATE IN FAVOR OF HIGHLY PAID EMPLOYEES;

(h) GIFTS GIVEN DURING CHRISTMAS AND MAJOR ANNIVERSARY CELEBRATIONS NOT EXCEEDING P5,000 PER EMPLOYEE PER ANNUM;

(i) FLOWERS, FRUITS, BOOKS, OR SIMILAR ITEMS GIVEN TO EMPLOYEES UNDER SPECIAL CIRCUMSTANCES, E.G., ON ACCOUNT OF ILLNESS, MARRIAGE, BIRTH OF A BABY, ETC.; AND

(j) DAILY MEAL ALLOWANCE FOR OVERTIME WORK NOT EXCEEDING TWENTY FIVE PERCENT (25%) OF THE BASIC MINIMUM WAGE."

THE AMOUNT OF UDE MINIMIS" BENEFITS CONFORMING TO THE CEILING HEREIN PRESCRIBED SHALL NOT BE CONSIDERED IN DETERMINING THE P30,000 CEILING OF "OTHER BENEFITS" PROVIDED UNDER SECTION 32(B)(7)(e) OF THE CODE. HOWEVER, IF THE EMPLOYER PAYS MORE THAN

THE CEILING PRESCRIBED BY THESE REGULATIONS, THE EXCESS SHALL BE TAXABLE TO THE EMPLOYEE RECEIVING THE BENEFITS ONLY IF SUCH EXCESS IS BEYOND THE P30,000.00 CEILING. PROVIDED, FURTHER, THAT ANY AMOUNT GIVEN BY THE EMPLOYER AS BENEFITS TO ITS