

**[BIR REVENUE MEMORANDUM ORDER NO. 25-91,
July 18, 1991]**

**GUIDELINES FOR THE DETERMINATION OF THE TAX TREATMENT
OF SEPARATION BENEFITS RECEIVED BY OFFICIALS AND
EMPLOYEES ON ACCOUNT OF THEIR SEPARATION FROM THE
SERVICE OF GOVERNMENT AND PRIVATE ENTITIES DUE TO
SICKNESS OR OTHER PHYSICAL DISABILITY**

It has come to the attention of this Office that officials/employees of government and private entities who resign/retire from their service of the employers allegedly for reasons of ill-health or sickness, submit medical certification from their physicians in order to avail of the tax exemption of their separation benefits, pursuant to Section 28 (b) 7 (B) of the National Internal Revenue Code. As to whether or not the certification issued by attending physician truly reflects the seriousness of the disease suffered by the employee concerned, and in order to erase doubts on the representation that the retiring or resigning official or employee is actually suffering from any disease, such that to continue working would be detrimental to his life, the following guidelines are hereby set to facilitate the processing of the request.

Pursuant to Section 28 (b) 7 (B) of the National Internal Revenue Code, as amended, any amount received by an official or employee or by his heirs from the employer (whether government or private) as a consequence of separation by such official or employee from the service of the employer, due to death, *sickness or other physical disability*, or for any cause beyond the control of said official or employee is exempt from taxes regardless of age or length of service.

In order to facilitate the processing of requests for tax exemption of separation benefits received by officials and employees as a result of their separation from the service of their employers due to health reasons, the following documents are required to be submitted to the Legislative, Ruling & Research Division to support such requests:

1. Sworn Affidavits to be executed by the Employer's physician and the Head of Office/Entity, attesting to the fact that the retiring/separated official or employee is suffering from a serious illness that affects the performance of his duties and endangers his life, if he continues working; and
2. Clinical Record of the employee/official concerned indicating the history of illness and initial diagnosis; and
3. Laboratory examination confirming the illness suffered by such employee/official.

Submission of the foregoing documents shall be without prejudice to further medical examination as may be necessary, to be conducted by the BIR Medical Officers in