

**[BIR MEMORANDUM CIRCULAR NO. 36-94,
December 14, 1994]**

**PUBLISHING THE FULL TEXT OF REPUBLIC ACT NO. 7833 - AN
ACT EXCLUDING THE BENEFITS MANDATED PURSUANT TO
REPUBLIC ACT NO. 6686 AND PRESIDENTIAL DECREE NO. 851,
AS AMENDED, AND OTHER BENEFITS FROM THE COMPUTATION
OF GROSS COMPENSATION INCOME FOR PURPOSES OF
DETERMINING TAXABLE COMPENSATION INCOME, AMENDING
FOR THE PURPOSE SECTION 28 (B) (8) OF THE NATIONAL
INTERNAL REVENUE CODE, AS AMENDED**

For the information and guidance of all concerned, quoted hereunder is the full text of Republic Act No. 7833:

"Republic Act No. 7833

"An Act to Exclude the Benefits Mandated Pursuant to Republic Act No. 6686 and Presidential Decree No. 851, as Amended, and Other Benefits from the Computation of Gross Compensation Income for Purposes of Determining Taxable Compensation Income, Amending for the Purpose Section 28 (b) (8) of the National Internal Revenue Code, as Amended

"*SECTION 1.* A new sub-paragraph to be known as sub-paragraph (F) is hereby inserted at the end of Section 28 (b) (8) of the National Internal Revenue Code, as amended, which shall read as follows:

"(F) 13th month pay and other benefits.

"(i) Benefits received by officials and employees of the national and local governments pursuant to Republic Act No. 6686.

"(ii) Benefits received by employees pursuant to Presidential Decree No. 851, as amended by Memorandum Order 28, dated August 13, 1986;

"(iii) Benefits received by officials and employees not covered by Presidential Decree No. 851, as amended; and

"(iv) Other benefits such as productivity incentives and Christmas bonus in an amount not exceeding Twelve Thousand Pesos (P12,000.00) which shall be integrated in the 13th month pay solely for purposes of this Act.

"Provided, however, That the exclusion shall only apply to the first Thirty Thousand Pesos (P30,000.00).

SEC. 2. The exclusion herein provided shall cover benefits paid or accrued beginning January 1, 1994.

"For purposes of reimbursing the officials or employees who may have received the benefits covered by this Act before its effectivity, the withholding agents are hereby authorized not to deduct the withholding taxes in the immediately succeeding payroll periods corresponding to the amount previously withheld from the benefits.

SEC. 3. The Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue promulgate the necessary rules and regulations for the effective implementation of the provision of this Act.

SEC. 4. All laws, decrees, orders, rules and regulations and other issuances inconsistent with this Act are hereby repealed or amended accordingly.

SEC. 5. This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in any two (2) newspapers of general circulation, whichever comes earlier.

"APPROVED.

(SGD.) EDGARDO J. ANGARA
President of the Senate

(SGD.) JOSE DE VENECIA
*Speaker of the House
of Representatives*

"This Act which originated in the House of Representatives was finally passed by the House of Representatives and the Senate on December 6, 1994.

EDGARDO E. TUMANGAN
Secretary of the Senate

CAMILO L. SABIO
*Secretary General
House of Representatives*

"APPROVED.

"December 8, 1994

(SGD.) FIDEL V. RAMOS
President of the Philippines"

Salient Features

1. Before the amendment of Section 28 (b) (8) of the National Internal Revenue Code (NIRC) by R.A. 7833, the following benefits received by officials and employees of both public (national and local) and private offices, viz:

(F) 13th month pay and other benefits.

a. Annual Christmas bonus equivalent to one (1) month basic salary and additional cash gift of One Thousand Pesos (P1,000.00) received by National and Local Government officials and employees starting CY 1988 in accordance with R.A. No. 6686;

b. Benefits received by employees pursuant to P.D. No. 851, as amended by Presidential Memorandum Order No. 28 dated August 13, 1986