

FURTHER AMENDMENTS TO REVENUE REGULATIONS NO. 2-98 AND 3-98, AS LAST AMENDED BY REVENUE REGULATIONS NO. 8-2000

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Pursuant to Sections 244 and 4 of the Tax Code of 1997, in relation to the provisions of Executive Order No. 291, these Regulations are hereby promulgated to further amend Revenue Regulations No. 2-98 and Revenue Regulations No. 3-98, as last amended by Revenue Regulations No. 8-2000, with respect to the exemption of Monetized Leave Credits of Government Officials and Employees and the enumeration of "De Minimis" benefits which are exempt from the income tax on compensation as well as from the fringe benefits tax.

Section 1. Section 2.78.1(A)(3), (6)(b)(ii) and (7) of Revenue Regulations No. 2-98, as last amended by Revenue Regulations NO. 8-200, is hereby further amended to read as follows:

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

"(A) xxx xxx xxx xxx

"(1) Compensation paid in kind - xxx xxx"xxx xxx xxx xxx

"(3) Facilities and privileges of relatively small value -
xxx xxx xxx xxx

"The following shall be considered as "de minimis" benefits not subject to INCOME TAX AS WELL AS withholding tax on compensation income of both managerial and rank and file employees:

(a) Monetized unused vacation leave credits of PRIVATE employees not exceeding ten (10) days during the year AND THE MONETIZED VALUE OF LEAVE CREDITS PAID TO GOVERNMENT OFFICIALS AND EMPLOYEES;

(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) Uniform 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 received by the employee under an established written plan which does not incriminate 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."

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"(6) Fixed or variable transportation, representation and other allowances -

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"(b) xxx xxx xxx xxx

"(l) xxx xxx xxx xxx

"(ii) The employee is required to account/liquidate for the expenses in accordance with the specific requirements of substantiation for each category of ex-penses pursuant to Sec. 34 of the Code. The excess of ADVANCES MADE over ACTUAL EXPENSES shall constitute taxable income if such amount is not returned to the employer. Reasonable amount of reimbursements/advances for travelling and entertainment expenses which are pre-computed on a daily basis and are paid to an employee while he is on an assignment or duty need not be subject to the requirements of substantiation and to withholding."

"(ii)xxx xxx xxx xxx

"(7) Vacation and sick leave allowances. Amounts of "vacation allowances or sick leave credits" which are paid to an employee constitute compensation. Thus, the salary of an employee on vacation or on sick leave, which IS paid notwithstanding his absence from work, constitutes compensation. However, the monetized value of unutilized vacation leave credits of ten (10) days or less which ARE paid to PR! VA TE employees during the year AND THE MONETIZED VALUE OF LEAVE CREDITS PAID TO GOVERNMENT OFFICIALS AND EMPLOYEES SHALL NOT BE SUBJECT TO INCOME TAX AND CONSEQUENTLY TO WITHHOLDING TAX."

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Section 2. Section 2.33(C) of Revenue Regulations No. 3-98, as last amended by Revenue Regulations No. 8-2000, is hereby further amended to read as follows:

"Sec. 2.33. Special Treatment of Fringe Benefits

(A) Imposition of Fringe Benefits Tax -

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(B) Definition of Fringe Benefit –

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(C) Fringe Benefits Not Subject to Fringe Benefits Tax -In general, the fringe benefits tax shall not be imposed on the following fringe benefits:

(1) xxx xxx xxx xxx

(2) xxx xxx xxx xxx

(3) xxx xxx xxx xxx

(4) De minimis benefits as defined in these Regulations;

(5) xxx xxx xxx xxx

(6) xxx xxx xxx xxx

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The term "DE MINIMIS" benefits which are exempt from the fringe benefits tax shall, in general, be limited to facilities or privileges furnished or offered by an employer to his employees that are of relatively small value and are offered or furnished by the employer merely as a means of promoting the health, goodwill, contentment, or efficiency of his employees such as the following:

(a) Monetized unused vacation leave credits of PRIVATE employees not exceeding ten (10) days during the year AND THE MONETIZED VALUE OF LEAVE CREDITS PAID TO GOVERNMENT OFFICIALS AND EMPLOYEES;

(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) Uniform 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 form of a tangible personal property other than cash or gift certificate, with an annual monetary value not exceeding P10,000 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 employer 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."

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Sec. 3. Transitory provision - The benefits under Executive Order No. 291 as incorporated in these regulations shall apply to income earned for the year 2000.

Sec. 4 Repealing Clause - All existing rules and regulations or parts thereof which are inconsistent with the

provisions of these Regulations are hereby revoked, repealed or modified accordingly.

Sec. 5. Effectivity Clause - These Regulations shall take effect immediately upon approval.

Adopted: 14 Dec. 2000

(SGD.) JOSET. PARDO

Secretary of Finance

RECOMMENDING APPROVAL:

(SGD.) DAKiLA B. FONACIER

Commissioner of Internal Revenue

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