

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City

SEVENTEENTH CONGRESS  
First Regular Session

HOUSE BILL NO. 3668



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Introduced by **HON. GUS S. TAMBUNTING**

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### EXPLANATORY NOTE

This bill aims to amend the National Internal Revenue Code of 1997, as amended, to exclude from taxation the wage or compensation derived from working overtime.

Most Filipinos do overtime work to meet management goals. Companies and government agencies allow overtime if there are work to be done that cannot be finished or accomplished during regular working hours, especially if there are deadlines that have to be met. An employee agrees to do additional working hours because they have to get the job done and to add more income and to increase their take home pay. Working eight (8) straight hours is tiring enough and adding more to that is really a sacrifice on the part of the employee. They sacrifice time, which can otherwise be spent with their families or used for rest and relaxation, not to mention the additional stress that they get to get the job done.

If we are going to exempt overtime pay from regular taxation, this would mean more income for the employee which he/she can use to provide for their family's various needs. It is also a way of rewarding our hardworking workers for the sacrifices that they are making.

It is for these reasons that the passage of this bill is earnestly sought.

**GUS S. TAMBUNTING**

A handwritten signature in black ink, appearing to be "GUS S. TAMBUNTING", written over the printed name.

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**AN ACT**  
**EXCLUDING OVERTIME PAY FROM THE COMPUTATION OF TAXABLE INCOME**  
**AMENDING FOR THE PURPOSE SECTION 32 (B) (7) OF REPUBLIC ACT NO. 8424**  
**OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS**  
**AMENDED**

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

SECTION 1. Section 32 (B) (7) of Republic Act No. 8424, otherwise known as the "National Internal Revenue Code of 1997", as amended, is hereby further amended to read as follows:

"Sec. 32. Gross Income. –

"(A) General Definition. – x x x

"(B) Exclusions from Gross Income. – x x x

"(1) x x x

"(2) x x x

"(3) x x x

"(4) x x x

"(5) x x x

"(6) x x x

"(7) Miscellaneous Items -

"(a) x x x

"(b) x x x

"(c) x x x

"(d) x x x

"(e) x x x

"(f) **Overtime Pay – Compensation due to hours worked  
in excess of the required maximum  
working hours.**

"(g) [f] x x x  
"(h) [g] x x x  
"(i) [h] x x x."

SECTION 2. *Implementing Rules and Regulations.* – The Bureau of Internal Revenue (BIR), the Department of Finance (DoF), the Department of Labor and Employment (DOLE) and the Civil Service Commission (CSC) shall promulgate within 45 days upon effectivity of this Act the necessary rules and regulations for its proper and effective implementation.

SECTION 3. *Repealing Clause.* – All laws, decrees, executive orders, issuances, regulations or parts or provisions of this Act, which are inconsistent herewith are hereby deemed repealed, amended or modified.

SECTION 4. *Effectivity Clause.* – This Act shall take effect fifteen (15) days from the date of its publication in the Official Gazette and one (1) newspaper of general circulation.

Approved,