REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

Section 32(B)(6)(b), 1997 NIRC
BIR Ruling No. 192-2016 BIR Ruling No. 479-2014
OT-016-2020
JAN 2 2 2020

Kforce Global Solutions Inc.
4th Floor, Sm Makati Cyberzone Bldg.
373 Sen Gil Puyat Ave.
Bel-Air Village, Makati City

Attention : Ms. Ma. Salvacion N. Luneta
Senior Accounting Manager

Gentlemen:

This refers to your letters requesting for tax exemption on the separation pay to be given to the employees of Kforce Global Solutions Inc. (KGSI) who have been separated from service due to the implementation of a redundancy program.

Documents submitted show that KGSI (formerly Provident Computer Consultants Inc.) is a foreign corporation duly organized and existing under the laws of Trevorse, Pennsylvania, U.S.A. The principal place of business of KGSI in the Philippines is located at 4th Floor, SM Makati Cyberzone Bldg., 373 Sen. Gil Puyat Ave., Bel-Air Village, Makati City. It is duly licensed with the Securities and Exchange Commission (SEC) under Amended Licensed No. dated June 20, 2007 and was issued Taxpayer's Identification No. The clients of KGSI, such as Willis in Nashville, Tennessee, U.S.A. and Manila Service Center in Tampa, Florida, U.S.A., after thorough review of lowering its costs of operations had opted to reduce their workforce. As a result of their evaluation, the positions of the herein listed employees of KGSI will be considered as in excess of their client's operational requirements, and as such, are deemed to be redundant.

Full Name	Position
Ariel Aguilar	Collections Support
Bayani Alimarcan, Jr.	Collections Support
Ma. Teresa Benigno	Collections Support
Marc Laurence Bioc	Collections Support
Andrew de Guzman	Billing Specialist
Meriann de Ocampo	Collections Support
Jessa Fabular	Collections Support
Maureen Faraon	VMS Account Coordinator
Ana Grace Guadalupe	VMS Account Coordinator

CT-016-2020
JAN 2 2 2020

Virgie Layon	Resume Specialist
Rochelle Anne Malano	Operations Lead
Jay-R Navarro	Time Entry Auditor
Janine Ragotero	Time Entry Auditor
Digna Sural	Collections Support
Marita Jaradal	Collections Support
Mark Anthony Esteban	Lead Recruiting Specialist
Fernan Dayson Manahan	Client Services Director
Paulo Santana	Corporate Helpdesk Support
Edmar Mangahas	Quality Assurance Analyst
Jason Laurence Tenebro	Project Manager
Alexeev Tamares	Cash Application Specialist
Messiah Lyndon Pili	Cash Application and Credit Research Specialist
Mary Joy Ybera	Strategic Accounts Specialist
Milliecent Ramos	Strategic Accounts Placement Entry Service Coordinator
Marinell Mayol	Operations Lead

In reply, please be informed that pursuant to Section 32(B)(6)(b) of the Tax Code of 1997, as amended, any amount received by an official or employee or by his heirs from the employer as a consequence of separation of 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 the said official or employee shall not be included in the gross income and shall be exempt from taxation under Title II of the same Tax Code. (BIR Ruling No. 416-2012 dated June 25, 2012)

The above-mentioned law requires the presence of two (2) conditions in order that the employee benefits may be granted tax exemption, namely (1) the employee is separated from the service of the employer due to death, sickness or other physical disability or for any cause beyond the control of the said official or employee, and (2) the employer pays benefits to the official or employee or his heirs as a consequence of such separation.

Submitted documents show that KGSI has already informed the Department of Labor and Employment (DOLE-NCR Makati/Pasay Field Office) thru Establishment Termination Reports stating that the above-enumerated employees have been separated from employment due to redundancy and that they have been duly notified of their termination.

Accordingly, the separation pay to be received by the retrenched employees as a result of their separation from the service is exempt from income tax and consequently from the withholding tax prescribed by Section 79 of the 1997 Tax Code, as implemented by Revenue Regulations (RR) No. 2-98, as amended by RR Nos. 6-2001 and 12-2001.

Moreover, pursuant to Section 2.78.1 (A)(7) of RR 2-98, as amended, the terminal pay, i.e., commutation and payment of monetized unused vacation leave credits not exceeding ten (10) days during the year are not subject to income tax and consequently to

01-016-2020
JAN 22 2020

the withholding tax. Conversely, the cash equivalent of vacation leave exceeding ten (10) days is subject to tax. However, this same principle cannot apply to sick leave credits since an employee must actually go on sick leave to be able to avail of said leave credits.

It is, however, understood that this exemption does not include the payment of the separated employees' salaries and the payment of the 13th month pay and other benefits in excess of the Php82,000.00[1] threshold under Section 2.78.1 (A)(3)(a) and (A)(7) of RR 2-98, as amended. (BIR Ruling No. 192-2016 dated May 16, 2016)

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained that the facts are different, then this ruling shall be considered as null and void.

Very truly yours,

CAESAR R. DULAY
Commissioner of Internal Revenue

031798

K-1-RFR
\kforce

[1] As amended by Revenue Regulations No. 3-2015 dated March 13, 2015