May 9, 2018

BIR RULING NO. 792-18

Republic Act No. 6975; BIR Ruling No. 062-00; RMC No. 12-97

Bureau of Fire Protection
Agham Road, Brgy. Bagong Pag-Asa,
Diliman, Quezon City

Attention: *Supt. Jorge B. Fariñas*
Officer-in-Charge, Cash Management Division

Gentlemen :

This refers to your letter dated February 11, 2014, requesting on behalf of **BUREAU OF FIRE PROTECTION (BFP)**, a clarificatory ruling on the provisions of Revenue Memorandum Circular (RMC) No. 12-97, specifically, whether the "longevity pay" received by your personnel are subject to withholding tax or if the same is exempt by virtue of the provisions of Republic Act No. 6975 otherwise known as "An Act Establishing the Philippine National Police under a reorganized Department of the Interior and Local Government (DILG) of 1990."

RMC No. 12-97 clarifies and distinguishes the tax treatment of certain benefits granted to the members of the Philippine National Police which by law is under the supervision of the DILG and the members of the Armed Forces of the Philippines (AFP). It provides:

> "The benefits enjoyed by the ***uniformed personnel of the PNP*** are explicitly provided for under Sections 71 and 77 of R.A. 6975, otherwise known as "An Act Establishing the Philippine National Police under a reorganized Department of the Interior and Local Government (DILG) of 1990:
>
> "Pursuant to said Section 71, these ***uniformed men in the Department*** are entitled to certain benefits as quoted hereunder, *viz.*:
>
> '***SEC. 71. Longevity pay and Allowances***. — Uniformed personnel of the Department shall be entitled to a longevity pay of 10 percent (10%) of their Basic monthly salaries for every five (5) years of service, which shall be reckoned from the date of the personnel's original appointment in the AFP, or appointment in the police, fire, jail or other allied services prior to the integration of the PC and the INP: *Provided*, That the totality of such longevity pay shall not exceed fifty percent

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(50%) of the basic pay. They shall also continue to enjoy the subsistence allowance, quarters allowance, clothing allowance, cost of living allowance, hazard pay, and all other allowances as provided by existing laws.'

These enumerated benefits are exempt from tax, as expressly stated in Section 77 of the same Act, *viz.*:

'***SEC. 77. Exemption from Attachment and Taxes***. — All benefits granted by this Act, including benefits received from the Government Service Insurance System shall not be subject to attachment, levy, execution or any tax of whatever nature.'

"Thus, the exemption from the tax of certain benefits enjoyed by these uniformed men in the PNP is expressly granted by R.A. 6985. *(BIR Ruling No. 120-96)*

"On the other hand, ***military personnel, i.e., AFP*** are likewise enjoying such fringe benefits granted to the members of the PNP, whether monetary or non-monetary, which includes longevity pay, hazard pay and all kinds of allowances and benefits received as such, except allowances for quarters, clothing and subsistence are generally included as part of the taxable compensation income subject to withholding tax as provided for under paragraph 2, Section 2 of Revenue Regulations No. 12-96 and Revenue Memorandum Circular No. 15-87. These benefits, however, should not be included for purposes of determining whether or not the "other benefits" exceeds P12,000.00. *(BIR Ruling No. 143-96)*"

Thus, to distinguish, benefits granted to uniformed personnel of the DILG under Republic Act No. 6975 are exempt from income tax and consequently, withholding taxes *(BIR Ruling No. 62-2000 dated November 20, 2000)*; while benefits received by military personnel of the AFP are generally included as part of the taxable compensation income of the said personnel and is subject to withholding tax.

From the foregoing, since BFP personnel belong in the classification of uniformed personnel of the DILG, the "Longevity Pay" received by them are exempt from income tax and consequently, withholding tax.

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

Very truly yours,

(SGD.) CAESAR R. DULAY
Commissioner of Internal Revenue

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