Republic of the Philippines
Department of Finance
BUREAU OF INTERNAL REVENUE
National Office Building
Quezon City

Bringing in Revenues
For Nation-building

SEP 16 2024

REVENUE MEMORANDUM CIRCULAR No. 107-2024

SUBJECT: Clarification on the Taxability of the Medical Allowance Granted to Qualified Government Civilian Personnel under Executive Order No. 64, series of 2024.

TO: All Internal Revenue Officers, Employees, and Others concerned

I. BACKGROUND

Under Executive Order (EO) No. 64, series of 2024,[1] medical allowance in an amount not exceeding seven thousand pesos (PhP7,000.00) per annum shall be granted to each qualified government civilian personnel as a subsidy for the availment of health maintenance organization (HMO)-type benefits beginning FY 2025. The medical allowance benefit shall be categorized under Standard Allowances and Benefits component of the Total Compensation Framework embodied in Joint Resolution No. 4, series of 2019 and Republic Act No. 11466, otherwise known as the "Salary Standardization Law of 2019."

The above medical allowance benefit applies to all civilian government personnel in the Executive, Legislative and Judicial Branches, Constitutional Commissions and other Constitutional Offices, government-owned or -controlled corporations not covered by Republic Act No. 10149, and local government units, regardless of appointment status, whether regular, contractual or casual, appointive or elective, and on full-time or part-time basis. Excluded from the grant of the medical allowance benefit are the government officials and employees who are already receiving HMO-based health care services by virtue of special laws and officials and employees in the legislative and judicial branches and other offices vested with fiscal autonomy.

II. TAXABILITY OF MEDICAL ALLOWANCE

Section 2.78.1(A)(3) of Revenue Regulations (RR) No. 2-98, as amended, provides that *de minimis* benefits furnished or offered by an employer to his employees for the promotion of their health, goodwill, contentment, or efficiency are not considered as compensation subject to income tax and, consequently, to withholding tax.

Among the *de minimis* benefits under RR No. 2-98, as amended, is the actual medical assistance, e.g. medical allowance to cover medical and healthcare needs, annual medical/executive check-up, maternity assistance, and routine consultations, not exceeding PhP10,000.00 per annum.

To prevent any ambiguity, the medical allowance benefit granted under EO No. 64, series of 2024, falls under the *de minimis* benefit contemplated under Section 2.78.1(A)(3) of RR No. 2-98, as amended.

[1] August 2, 2024.

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Such being the case, the actual premium paid to HMO providers in compliance with EO No. 64, series of 2024, is exempt from income tax, and, consequently, to withholding tax pursuant to Section 2.78.1(A)(3) of RR No. 2-98, as amended. However, medical allowance benefits given in excess of PhP10,000.00 (the maximum amount allowed as *de minimis* benefits for medical assistance) shall be included as part of "other benefits" which is subject to the PhP90,000.00 ceiling.[2] Any amount in excess of the PhP90,000.00 threshold shall be subject to income tax, and, consequently, to the withholding tax on compensation.

III. REPEALING CLAUSE

All revenue circulars inconsistent herewith are hereby considered amended, modified or revoked accordingly.

All internal revenue officers, employees and others concerned are hereby enjoined to strictly implement the provision of this Circular.

This Circular takes effect immediately.



ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

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[2] Revenue Regulations No. 11-2018, January 31, 2018; Revenue Memorandum Circular No. 50-2018, May 11, 2018.