REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

OCT 15 2020
September ___, 2020

REVENUE REGULATIONS NO. 29-2020

SUBJECT : **Implementing the Provisions of Republic Act (RA) No. 11494 or the "Bayanihan to Recover as One Act" Relative to the Tax Exemption of Certain Income Payments**

TO : **To All Internal Revenue Officers and Others Concerned**

SECTION 1. Scope. Pursuant to the provisions of Section 244 of the National Internal Revenue Code (NIRC) of 1997, as amended, and the provisions of RA No. 11494, "An Act Providing for COVID-19 Response and Recovery Interventions and Providing Mechanisms to Accelerate the Recovery and Bolster the Resiliency of the Philippine Economy, Providing Funds Therefor, and For Other Purposes", also known as the "Bayanihan To Recover as One Act", these regulations are hereby promulgated to implement the exemption from tax of certain income payments.

SECTION 2. Definition of Terms. For purposes of these regulations, the following terms shall be defined as follows:

A. **COVID-19 Special Risk Allowance** – it is an allowance paid to both private and public health workers directly catering to or in contact with COVID-19 patients for every month that they are serving during the state of national emergency due to COVID-19 as declared by the President.

B. **Actual Hazard Duty Pay** – is a compensation given to temporary Human Resources for Health (HRH) serving in the front line during the state of emergency due to COVID-19.

C. **Public/Private Health Workers** - all persons who are engaged in health and health-related work, and all persons employed in all hospitals, sanitaria, health infirmaries, health centers, rural health units, barangay health stations, clinics and other health-related establishments, owned and operated by the Government or its political subdivisions with original charters and shall include medical, allied health professional, administrative and support personnel employed regardless of their employment status.

D. **Human Resources for Health (HRH)** - Any person temporarily hired or employed to complement or supplement the current health workforce.

SECTION 3. Tax Exemption. The following income payments shall be excluded from gross income and shall not be subject to income tax:

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A. **Retirement benefits** received by officials and employees of private firms, whether individual or corporate, from June 5, 2020 to December 31, 2020, provided that the amount received is in accordance with a retirement plan duly-registered with the Bureau of Internal Revenue (BIR). Provided further, that any re-employment of such official or employee in the same firm and its related parties as discussed under Section 4 of Revenue Regulations 19-2020, within the succeeding twelve (12) -month period shall be considered as proof of non-retirement. Note, however, that the abovementioned conditions do not cover the retirement benefits of employees under Section 2.78.1(B)(1) of Revenue Regulations 02-98, as amended.

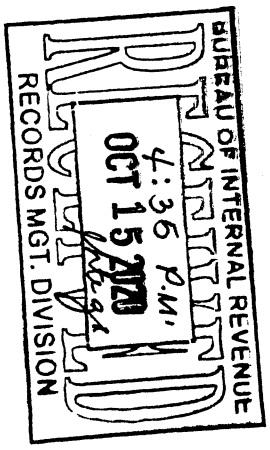
If the re-employment happens within calendar year 2020, the employer shall include the said retirement benefits in the gross income of the concerned official or employee for 2020. However, if the re-employment will occur in 2021 and within the twelve-month period, the concerned employee shall pay the taxes due on the retirement benefits received within thirty (30) days from date of re-employment, or on the due date for the payment of the second installment payment of 2020 income tax, whichever comes later, without penalties.

Illustration: Employee A retired from Company B on June 15, 2020. Retirement benefits was paid in the amount of P 500,000. Income tax in the amount of P 150,000 was deducted from the said retirement benefits.

Question 1: *What shall be done by Company B after the release of these regulations which says that retirement benefits given to employee from June 5, 2020 to December 31, 2020 is not subject to income tax?*

Answer 1: The taxes withheld from the said retirement benefits shall be refunded by Company B to Employee A, subject to the year-end adjustment being done by the employer. The amount of refund may not necessarily be the amount withheld since the employer has to re-compute the employee's taxable income and tax due.

Question 2*. What shall Employee A do in case he/she was re-employed on March 1, 2021 by Company B if the firm already refunded the amount of taxes withheld?*



Answer 2. Employee A shall include in the Annual Income Tax Return (AITR) to be filed on or before April 15, 2021 the retirement benefits received and pays the corresponding tax due thereon. He/she shall not be qualified to avail of the substituted filing of AITR.

Question 3*. If the re-employment will happen on May 15, 2021, which is eleven (11) months from the date of termination (deemed retirement), will the tax that shall be paid by Employee A in the AITR to be filed be subject to penalties?*

Answer 3. If the tax to be paid is due only on the result of the inclusion of the retirement benefits to his/her other taxable compensation income, then the tax to be paid shall not be subject to penalties, if the same shall be done not later than October 15, 2021.

Question 4. When should Employee A pay the tax due on the retirement benefits given if the same was given on December 31, 2020 but was re-employed on October 31, 2021?

Answer 4. Employee A shall pay the tax due not later than November 30, 2021.

Question 5. What will happen if Employee A did not file the AITR and pay the taxes due to the retirement benefits received despite re-employment to the same firm/employer within the twelve-month period?

Answer 5. Employee A shall be liable to taxes due thereon, including administrative penalties and/or criminal liability under Section 255 of the Tax Code, as amended.

B. COVID-19 Special Risk Allowance as defined hereof given to public and private health workers under the definition and conditions set forth in Section 2(A) hereof.

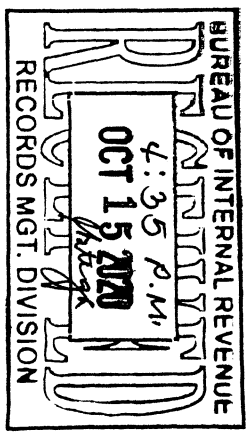
C. Actual Hazard Duty Pay as defined hereof given to HRH under the definition and conditions set forth in Section 2(B) and (D) hereof.

D. Compensation paid to private and public health workers who have contracted COVID-19 in the line of duty or dies while fighting COVID 19, amounting to:

1. One million pesos (P 1,000,000.00) in case of death; or

2. One hundred thousand pesos (P 100,000.00) in case of severe or critical sickness; or

3. Fifteen thousand pesos (P 15,000.00) in case of mild or moderate sickness.



Provided that, such amount is given or to be given from February 1, 2020 and during state of national emergency due to COVID 19 as declared by the President; *Provided further*, that the compensation provided herein shall be given to the beneficiaries not later than three (3) months after the date of confinement or death; *Provided finally*, that the required supporting documents are submitted.

For compensation in case of death, the said amount shall not also be included as part of the gross estate of the decedent subject to estate tax.

SECTION 4. Administrative Requirements. The abovementioned income payments shall be included in the Alphabetical List of Employees/Payees being submitted annually by employers pursuant to existing regulations. In addition, a one-time list of recipients shall be provided not later than **January 15, 2021**, to the Revenue District Office/concerned Office under the Large Taxpayers Service having jurisdiction over the employer/implementing government agency. Such list must indicate the names of the recipient with corresponding Taxpayer Identification Number (TIN), the nature of income or compensation paid, the amount and date of payment and attested to by the authorized official of the employer/implementing agency. Concerned employers shall also submit quarterly list of

employees who received retirement benefits but are re-employed during the twelve-month period. The said list shall be submitted within thirty (30) days from the close of all quarters in 2021 only.

SECTION 5. Transitory Provisions. In the event that taxes were withheld from the retirement benefits under Section 3 (A) hereof by private employers, whether individual or corporate, the same shall be refunded to the concerned employees.

Concerned employers of the public or private health workers and HRHs shall likewise refund the income tax withheld from the said income payments after the year-end adjustment by the employer for purposes of determining the taxable compensation and the corresponding tax due of the employees. The said adjustment will determine which employee has been withheld with more or less than the tax due. If the adjustment resulted to excess tax remittance, such excess shall be deducted or applied as deduction in the succeeding withholding tax remittance.

SECTION 6. Effectivity. These Regulations shall take effect immediately after publication in the Official Gazette or in a newspaper of general circulation, whichever comes first.

CARLOS G. DOMINGUEZ
Secretary of Finance

SEP 30 2020

Recommending Approval:

CAESAR R. DULAY
Commissioner of Internal Revenue

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