REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Quezon City

April 17, 2008

REVENUE REGULATIONS NO. 5-2008

SUBJECT: Further Amendments to Revenue Regulations Nos. 2-98 and 3-98, as Last Amended by Revenue Regulations No. 10-2000, With Respect to "De Minimis Benefits".

TO: All Internal Revenue Officials and Others Concerned

Pursuant to Sections 4 and 244 in relation to Section 33 of the Tax Code of 1997, these Regulations are hereby promulgated to further amend Revenue Regulations (RR) Nos. 2-98 and 3-98, as last amended by RR No. 10-2000, with respect to "*De Minimis* " benefits which are exempt from income tax on compensation as well as from fringe benefit tax.

Section 1. Section 2.78.1 (A)(3)(c) and (d) of RR 2-98, as last amended by RR 10-2000, is hereby further amended to read as follows:

"Sec. 2.78.1 Withholding of Income Tax on Compensation Income.-

(A) *xxx* *xxx* *xxx*

(1) *xxx* *xxx* *xxx*

xxx *xxx* *xxx*

(3) Facilities and privileges of relatively small value. - *xxx*

xxx *xxx* *xxx*

The following shall be considered as "de minimis" benefits not subject to income tax as well as withholding tax on compensation income of both managerial and rank and file employees:

(a) *xxx* *xxx* *xxx*

xxx *xxx* *xxx*

(c) Rice subsidy of ***P1,500.00*** *or one (1) sack of 50 kg. rice per month amounting to not more than* ***P1,500.00****;*

(d) Uniform and Clothing allowance not exceeding ***P4,000.00*** *per annum;*

xxx xxx xxx"

Section 2. Section 2.33(C) of RR 3-98, as last amended by RR 10-2000, is hereby further amended to read as follows:

"Sec. 2.33. Special Treatment of Fringe Benefits.

(A) Imposition of Fringe Benefits Tax – xxx xxx

xxx xxx xxx

(B) Definition of Fringe Benefit – xxx xxx

xxx xxx xxx

(C) ***Fringe Benefits Not Subject to Fringe Benefit Tax*** *– In general, the fringe benefit tax shall not be imposed on the following fringe benefits:*

xxx xxx xxx

The term "DE MINIMIS" benefits which are exempt from the fringe benefit tax shall, in general, be limited to facilities or privileges furnished or offered by an employer to his employees that are of relatively small value and are offered or furnished by the employer merely as a means of promoting the health, goodwill, contentment, or efficiency of his employees such as the following:

(a) xxx xxx xxx

xxx xxx xxx

(c) Rice subsidy of ***P1,500.00*** *or one (1) sack of 50 kg. rice per month amounting to not more than* ***P1,500.00****;*

(d) Uniform and Clothing allowance not exceeding ***P4,000.00*** *per annum;*

xxx xxx xxx"

Section 3. Transitory Provisions. – The benefits herein provided shall apply to income earned starting the year 2008.

Section 4. Repealing Clause. - All existing rules and regulations or parts thereof which are inconsistent with the provisions of these regulations are hereby revoked, repealed or modified accordingly.

Section 5. Effectivity Clause. – These Regulations shall take effect after fifteen (15) days following its publication in any newspaper of general circulation.

(Original Signed)
MARGARITO B. TEVES
Secretary of Finance

Recommending Approval:

(Original Signed)
LILIAN B. HEFTI
Commissioner of Internal Revenue