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

March 16, 2011

REVENUE REGULATIONS NO. 5-2011

SUBJECT : Further Amendments to Revenue Regulations Nos. 2-98 and 3-98, as Last Amended by Revenue Regulations No. 5-2008, 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) No. 2-98, as last amended by RR No. 5-2008, 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 5-2008, is hereby further amended to read as follows:

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

(A) . . .

(1) . . .

xxx *xxx* *xxx*

(3) Facilities and privileges of relatively small value. — . . .

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) Monetized unused vacation leave credits of private employees not exceeding ten (10) days during the year;

*b) Monetized value of **vacation and sick** leave credits paid to government officials and employees;*

c) Medical cash allowance to dependents of employees, not exceeding P750 per employee per semester or P125 per month;

d) Rice subsidy of P1,500 or one (1) sack of 50 kg. rice per month amounting to not more than P1,500;

e) Uniform and Clothing allowance not exceeding P4,000 per annum;

f) 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 P10,000.00 per annum;

g) Laundry allowance not exceeding P300 per month;

h) Employees achievement awards, e.g., for length of service or safety achievement, which must be in the form of a tangible personal property other than cash or gift certificate, with an annual monetary value not exceeding P10,000 received by the employee under an established written plan which does not discriminate in favor of highly paid employees;

i) Gifts given during Christmas and major anniversary celebrations not exceeding P5,000 per employee per annum;

j) Daily meal allowance for overtime work and night/graveyard shift not exceeding twenty-five percent (25%) of the basic minimum wage on a per region basis;

All other benefits given by employers which are not included in the above enumeration shall not be considered as "de minimis" benefits, and hence, shall be subject to income tax as well as withholding tax on compensation income.

xxx xxx xxx"

SECTION 2. Section 2.33 (C) of RR 3-98, as last amended by RR 5-2008, 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

(B) Definition of Fringe Benefit — . . .

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. The following are considered as "de minimis" benefits granted to each employee:

a) Monetized unused vacation leave credits of private employees not exceeding ten (10) days during the year;

b) Monetized value of ***vacation and sick*** *leave credits paid to government officials and employees;*

c) Medical cash allowance to dependents of employees, not exceeding P750 per employee per semester or P125 per month;

d) Rice subsidy of P1,500 or one (1) sack of 50 kg. rice per month amounting to not more than P1,500;

e) Uniform and Clothing allowance not exceeding P4,000 per annum;

f) 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 P10,000.00 per annum;

g) Laundry allowance not exceeding P300 per month;

h) Employees achievement awards, e.g., for length of service or safety achievement, which must be in the form of a tangible personal property other than cash or gift certificate, with an annual monetary value not exceeding P10,000 received by the employee

under an established written plan which does not discriminate in favor of highly paid employees;

i) Gifts given during Christmas and major anniversary celebrations not exceeding P5,000 per employee per annum;

j) Daily meal allowance for overtime work and night/graveyard shift not exceeding twenty-five percent (25%) of the basic minimum wage on a per region basis.

All other benefits given by employers which are not included in the above enumeration shall not be considered as "de minimis" benefits, and hence, shall be subject to income tax as well as withholding tax on compensation income.

xxx xxx xxx"

SECTION 3. Transitory Provisions. — The benefits herein provided shall apply to income earned starting the year 2011.

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)
CESAR V. PURISMA
Secretary of Finance

Recommending Approval:

(Original Signed)
KIM S. JACINTO-HENARES
Commissioner of Internal Revenue