



Republic of the Philippines
Department of Education
Region VI – Western Visayas
SCHOOLS DIVISION OFFICE - CAPIZ

28 December 2023

DIVISION MEMORANDUM
NO. 662 s. 2023

**SERVICE RECOGNITION INCENTIVE AND GRATUITY PAY
TAX DEDUCTION**

To: OIC, Assistant Schools Division Superintendent
Chief Education Supervisor
Curriculum Implementation Division
OIC, Chief Education Supervisor
School Governance and Operations Division
Public Schools District Supervisors
Heads of Public Secondary and Integrated Schools

1. Attached is ODFS-2023-0337 dated December 20, 2023 from Ana Marie C. Calapit, Director IV, Finance Service, with subject “*Service Recognition Incentive and Gratuity Pay Tax Deduction*”.
2. Immediate dissemination of this Memorandum is desired.

MIGUEL MAC D. APOSIN EdD, CESO V
Schools Division Superintendent

Encl.: As stated
Reference: As stated
To be included in the Perpetual Index
under the following subjects:

DEDUCTIONS
EMPLOYEES
INCENTIVE
TAX



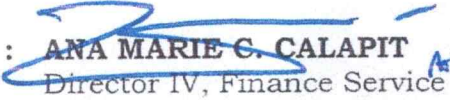
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Republic of the Philippines
Department of Education
OFFICE OF THE DIRECTOR FOR FINANCE SERVICE

MEMORANDUM
ODFS-2023-0337

FOR : UNDERSECRETARIES
ASSISTANT SECRETARIES
BUREAU AND SERVICE DIRECTORS
REGIONAL DIRECTORS
ASSISTANT REGIONAL DIRECTORS
SCHOOLS DIVISION SUPERINTENDENTS
ASSISTANT SCHOOLS DIVISION SUPERINTENDENTS
ALL FINANCE OFFICERS
ALL OTHERS CONCERNED

FROM : 
Director IV, Finance Service

SUBJECT : SERVICE RECOGNITION INCENTIVE AND GRATUITY PAY TAX
DEDUCTION

DATE : DECEMBER 20, 2023

Pursuant to the National Internal Revenue Code and its Implementing Rules and Regulations on the payment of 13th month pay and other benefits to the government employees and Professional Fees to self-employed individual and professionals (including COS Personnel) should be subjected to withholding tax depending on the nature/sources of income earned by the individual recipient.

In Section 2.79 of Revenue Regulation(RR) No. 2-98, as amended, sub-bullet C, the computation of withholding tax on Compensation and Benefits Received by Employees other than Rank and File employees on the thirteenth month pay and other benefits received by officials and employees of public and private entities shall be exempted from withholding tax; provided that the amount of other benefits does not exceed ninety thousand pesos (P90,000). In excess to the 90,000, shall be included in the taxable income and thus, taxable.

The Tax Rate to be used for the excess of the 90,000 ceiling of Other Benefits will be based depending on the amount of the total taxable income for the whole year which may fall under the tax bracket below.

RANGE OF ANNUAL TAXABLE INCOME	TAX DUE
Not over PHP250,000.00	Exempted from personal income tax
Over PHP250,000.00 but not over PHP400,000.00	15% of the excess over PHP250,000.00
Over PHP400,000.00 but not over PHP800,000.00	PHP22,500.00 + 20% of the excess over PHP400,000.00
Over PHP800,000.00 but not over PHP2,000,000.00	PHP102,500.00 + 25% of the excess over PHP800,000.00
Over PHP2,000,000.00 but not over PHP8,000,000.00	PHP402,500.00 + 30% of the excess over PHP2,000,000.00
Over PHP8,000,000.00	PHP2,202,500.00 + 35% of the excess over PHP8,000,000.00

For COS Personnel, under section 2.57.2 of the same RR, professionals who are paid for the services they render are subject to withholding tax. All other benefits (including Gratuity Pay) received by a COS Personnel is also subject to withholding tax unless the law explicitly indicated the exemption of the said benefits.

The COS Personnel may opt to avail either of the following upon their registration:

a. Graduated Income Tax

Withholding Tax Rate

If with Sworn Declaration - 5% EWT (in excess of 250K) and 3% GMP

If without Sworn Declaration - 10% EWT and 3% GMP

b. Eight Percent (8%) Income Tax

Withholding Tax Rate

If with Sworn Declaration - 5% EWT (in excess of 250K)

If without Sworn Declaration - 10% EWT

Provided that the gross receipts of the COS Personnel or self-employed individual does not exceed the 3,000,000.00 threshold. Otherwise, the rate to be used will be 5% WVAT and 10% EWT.

For information and strict compliance.

Thank you.