Revenue Regulations No. 29-2025

Increasing the Ceiling of Non-Taxable "De Minimis" Benefits

Amending RR No. 2-98 & RR No. 004-2025

Executive Summary

These regulations further amend **RR No. 2-98**, as previously modified by **RR No. 004-2025**, to adjust the thresholds for benefits exempt from income tax and fringe benefit tax.

Legislative Basis

Promulgated pursuant to Sections 4, 33, and 244 of the National Internal Revenue Code, as amended.

Key Impact

Increased monetary ceilings for various employee allowances and medical assistance to reflect current economic conditions.

Revised Ceilings: Daily & Monthly

Rice Subsidy

₱2,500.00

Per month, or one (1) sack of 50 kg rice.

Laundry Allowance

₱400.00

Maximum per month.

Daily Meal Allowance (Overtime/Night Shift): Not exceeding 30% of the basic minimum wage on a per-region basis.

Annual & Semi-Annual Limits

Benefit Type	New Threshold
Medical Cash (Dependents)	₱2,000 per semester (or ₱333/month)
Actual Medical Assistance	₱12,000 per annum
Uniform & Clothing	₱8,000 per annum
Achievement Awards	₱12,000 per annum
Christmas & Anniversary Gifts	₱6,000 per annum

Leaves & Incentives

Vacation Leaves

Private Employees: Monetized unused credits up to 12 days/year.

Gov't Employees: Monetized value of vacation and sick leave credits (unlimited).

CBA & Productivity

Total annual combined value of CBA and productivity incentive schemes must not exceed:

₱12,000.00

Per employee per taxable year.

Comparative Limits of “De Minimis” Benefits

Benefit Type	Old Threshold	New Threshold
Rice Subsidy	₱2,000 or 1 sack/month	₱2,500 or 1 sack/month
Laundry Allowance	₱300 per month	₱400 per month
Medical Cash (Dependents)	₱1,500 per semester (or ₱250/month)	₱2,000 per semester (or ₱333/month)
Actual Medical Assistance	₱10,000 per annum	₱12,000 per annum
Uniform & Clothing	₱6,000 per annum	₱8,000 per annum
Achievement Awards	₱10,000 per annum	₱12,000 per annum
Christmas & Anniversary Gifts	₱5,000 per annum	₱6,000 per annum
CBA and Productivity Incentives	₱10,000 per annum	₱12,000 per annum

“De Minimis” Benefits that were not changed in RR 29-2025

Benefit Type	Threshold
Monetized Unused Vacation Leave (Private)	12 days / year
Monetized Unused Vacation Leave and Sick Leave (Government)	Actual
Overtime / Night Shift Meal Allowance	30% of basic minimum wage

COMPLIANCE REMINDERS

RESPONSIBILITIES OF THE EMPLOYER

Summary

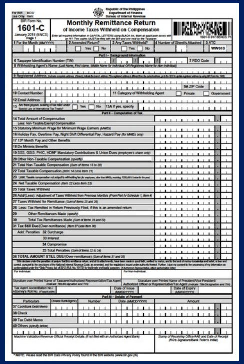
- Withhold the tax due from the employees following the prescribed manner;
- Remit the amount of tax withheld from the employee within the prescribed due dates;
- Do the year-end adjustment;
- Submit Annual Information return (BIR Form 1604-C), including the required alphabetical list of employees;
- Issue the Certificate of Compensation Payment/Tax Withheld (BIR Form No. 2316) to the employees and submit the copy thereof;
- Refund excess tax withheld.

Withhold the tax due from the employees following the prescribed manner

REVISED WITHHOLDING TAX TABLE						
Effective January 1, 2023 and onwards						
DAILY	**1**	**2**	**3**	**4**	**5**	**6**
Compensation Range	₱685 and below	₱685 -₱1,095	₱1,096 - ₱2,191	₱2,192 - ₱5,478	₱5,479 - ₱21,917	₱21,918 and above
Prescribed Withholding Tax	0.00	0.00 +15% over ₱685	₱61.65 +20% over ₱1,096	₱280.85 +25% over ₱2,192	₱1,102.60 +30% over ₱5,479	₱6,034.30 +35% over ₱21,918
WEEKLY	**1**	**2**	**3**	**4**	**5**	**6**
Compensation Range	₱4,808 and below	₱4,808 - ₱7,691	₱7,692 - ₱15,384	₱15,385 - ₱38,461	₱38,462 - ₱153,845	₱153,846 and above
Prescribed Withholding Tax	0.00	0.00 +15% over ₱4,808	₱432.60 +20% over ₱7,692	₱1,971.20 +25% over ₱15,385	₱7,740.45 +30% over ₱38,462	₱42,355.65 +35% over ₱153,846
SEMI-MONTHLY	**1**	**2**	**3**	**4**	**5**	**6**
Compensation Range	₱10,417 and below	₱10,417 - ₱16,666	₱16,667 - ₱33,332	₱33,333 - ₱83,332	₱83,333 - ₱333,332	₱333,333 and above
Prescribed Withholding Tax	0.00	0.00 +15% over ₱10,417	₱937.50 +20% over ₱16,667	₱4,270.70 +25% over ₱33,333	₱16,770.70 +30% over ₱83,333	₱91,770.70 +35% over ₱333,333
MONTHLY	**1**	**2**	**3**	**4**	**5**	**6**
Compensation Range	₱20,833 and below	₱20,833 - ₱33,332	₱33,333 - ₱66,666	₱66,667 - ₱166,666	₱166,667 - ₱666,666	₱666,667 and above
Prescribed Withholding Tax	0.00	0.00 +15% over ₱20,833	₱1,875.00 +20% over ₱33,333	₱8,541.80 +25% over ₱66,667	₱33,541.80 +30% over ₱166,667	₱183,541.80 +35% over ₱666,667

Remit the amount of tax withheld from the employee within the prescribed due dates;

BIR Form No. 1601-C - Monthly Remittance Return of Income Taxes Withheld on Compensation	
Due dates:	
• For the months of January to November	Online / Manual : eFIling and payment on or before the tenth (10th) day of the following month in which withholding was made eFPS Filing: In accordance with the schedule set forth in RR No. 26-2002. Payment : Fifteen (15) days following end of the month
• For the month of December	Online / Manual: eFIling and payment on or before January 15 of the following year eFPS Filing: In accordance with the schedule set forth in RR No. 26-2002. Payment: Fifteen (15) days following the end of the month


1601-C
Monthly Remittance Return
of Income Taxes Withheld on Compensation

Do the year-end adjustment;

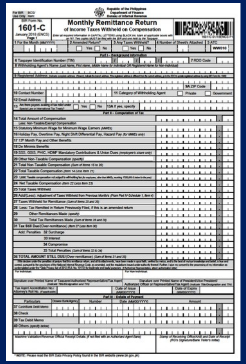
On or before the calendar year and prior to the payment of the compensation for last payroll period, the employer shall determine the sum of the taxable regular and supplementary compensation paid to each employee for the whole year and must ensure that the tax due is equal to tax withheld.		
ANNUALIZED WITHHOLDING TAX FORMULA		
Gross Compensation Income (present + previous employer)		₱ x x x x
Less: Non-Taxable/Exempt Compensation Income		
1. 13th month pay and other benefits	₱ 90,000.00	
2. SSS, GSIS, PHIC, HDMF and union dues (employee share)	x x x x x x	
3. Other Non-Taxable salaries (₱ 250,000.00)	x x x x x x	
Taxable Compensation Income		₱ x x x x
Tax Due		₱ x x x x
Less: Tax Withheld (January to November/termination date)		₱ x x x x
Tax to be withheld for December/last payroll period		₱ x x x x
Collectible : Tax Due> tax withheld - collect before payment of last salary		
Refund: Tax Due< tax withheld - refund on or before January 25th of the year/ last payment of salary		

Submit Annual Information Return including the required alphalist;

BIR Form No. 1604-C - Annual Information of Income Taxes Withheld on Compensation

Due dates:

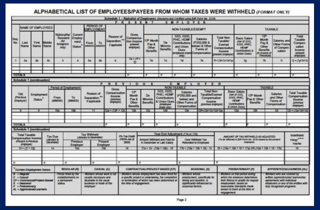
- File online on or before January 31 of the year following the calendar year in which the compensation payment and other income payments were paid or accrued.



Alphabetical List of Employees

- Revenue Memorandum Circular No. 29-2017 prescribes the use of the updated Alphalist Data Entry and Validation Module.
- Electronic submission through the BIR eSubmission Facility / email : esubmission@bir.gov.ph on or before January 31 of the year following the calendar year

  Note: taxpayer will receive an email acknowledgement for the submission and a separate email on the validation of the submitted alphalist



Certificate of Compensation Payment/Tax Withheld (BIR Form No. 2316)

Due dates:	
• Furnishing of Form 2316 to Employees	On or before January 31 of the succeeding calendar year.
• Submission of Employer's Copy of Form 2316 to the BIR	On or before February 28 of the succeeding year The employer submits the scanned copies of employees' duly signed Forms 2316 following the procedures prescribed in RR No. 16-2021 and clarified in RMC No. 117-2021
• Employees Separated During the Year	Upon separation from employment. The employer must issue Form 2316 to the employee upon termination so it can be provided to the new employer for purposes of annualization and withholding tax computation under the substituted filing rules. This requirement is covered by the withholding tax regulations under RR No. 2-98, as amended.

THANK YOU!

REVENUE REGULATIONS NO. 022 - 2025

Section 3

ADDITIONAL DEDUCTION FROM GROSS INCOME FOR PRIVATE EMPLOYERS THAT CONTRIBUTE TO PERA

Section 7(B)(II) of RR No. 17-2011, is hereby amended to read as follows:

B. Qualified Employer's Contribution to the Employee's PERA

xxx

II. On the part of the employer *– The employer can claim the actual amount of its Qualified Employer's Contribution as a deduction from its gross income, but only to the extent of the employer's contribution that would complete the maximum allowable PERA contribution of an employee.*

Capital Markets Efficiency Promotion Act
CMEPA
PER REPUBLIC ACT NO. 12214

Section 3

ADDITIONAL DEDUCTION FROM GROSS INCOME FOR PRIVATE EMPLOYERS THAT CONTRIBUTE TO PERA

Section 7(B)(II) of RR No. 17-2011, is hereby amended to read as follows:

II. On the part of the employer *–*

Further, private employers who make voluntary contributions to their employees' PERA shall be entitled to an additional deduction from their gross income equivalent to ***fifty percent (50%) of the amount contributed,*** *subject to the following conditions:*

Capital Markets Efficiency Promotion Act
CMEPA
PER REPUBLIC ACT NO. 12214

Section 3

ADDITIONAL DEDUCTION FROM GROSS INCOME FOR PRIVATE EMPLOYERS THAT CONTRIBUTE TO PERA

Section 7(B)(II) of RR No. 17-2011, is hereby amended to read as follows:

***II. On the part of the employer** –*

*(a) Private employers must contribute an amount **<u>at least equal</u>** to the contributions of their employees, subject to the maximum allowable contribution under RR No. 17-2011, as amended by RR No. 7-2023; and*

Capital Markets Efficiency Promotion Act
CMEPA
PER REPUBLIC ACT NO. 12214

Section 3

ADDITIONAL DEDUCTION FROM GROSS INCOME FOR PRIVATE EMPLOYERS THAT CONTRIBUTE TO PERA

Section 7(B)(II) of RR No. 17-2011, is hereby amended to read as follows:

II. On the part of the employer *–*

(b) *Only private employers that contribute to* ***all of their employees'*** *PERA shall be eligible to the additional allowable deduction.*

Capital Markets Efficiency Promotion Act
CMEPA
PER REPUBLIC ACT NO. 12214

Section 3

ADDITIONAL DEDUCTION FROM GROSS INCOME FOR PRIVATE EMPLOYERS THAT CONTRIBUTE TO PERA

The Qualified Employer's Contribution, to the extent that it is allowable as deduction from gross income, shall likewise be exempt from withholding tax on compensation. For this purpose, the Administrator shall issue to the employer a certificate of the actual amount of Qualified Employer's Contributions.

Capital Markets Efficiency Promotion Act
CMEPA
PER REPUBLIC ACT NO. 12214

Section 3

ADDITIONAL DEDUCTION FROM GROSS INCOME FOR PRIVATE EMPLOYERS THAT CONTRIBUTE TO PERA

For purposes of recording the employer’s contribution corresponding to its share in the qualified employee’s PERA, allowable as a deductible expense from gross income, the account shall be designated as:

‘Share in Qualified Employee’s PERA Contribution’

Capital Markets Efficiency Promotion Act
CMEPA
PER REPUBLIC ACT NO. 12214

Section 3

ADDITIONAL DEDUCTION FROM GROSS INCOME FOR PRIVATE EMPLOYERS THAT CONTRIBUTE TO PERA

Full disclosure of the details of the share of the employer to the employees' PERA Contribution shall be part of the Notes to Financial Statements."

ILLUSTRATION

Given: ABC Company has five (5) employees **enrolled with PERA**. The maximum contribution for an Employee is ₱200,000.00 per year under RR No. 17-2011, as amended by RR No. 7-2023.

Employee No.	**Employee's Own Contribution to PERA**	**Employer's Share after effectivity of CMEPA**	**Total PERA Contribution qualified for 5% Tax Credit Certificate (up to maximum allowed contribution per RR No. 7-2023)**	**Employer's Share Allowed for Deduction from Gross Income**		
				Employer's deductible share per PERA Act	Amount of Additional deduction Allowed under CMEPA	Total Allowed Deduction to Gross Income
A	B	C	D	G	H	I
1	20,000.00	50,000.00	70,000.00	50,000.00	25,000.00	75,000.00
2	100,000.00	100,000.00	200,000.00	100,000.00	50,000.00	150,000.00
3	70,000.00	50,000.00	120,000.00	50,000.00	None	50,000.00
4	180,000.00	180,000.00	200,000.00	20,000.00	10,000.00	30,000.00
5	–	50,000.00	50,000.00	50,000.00	None	50,000.00
Total	370,000.00	430,000.00	640,000.00	270,000.00	85,000.00	355,000.00

Substituted Filing

of Income Tax Returns

RR 2-98 · RR 3-2002 · RR 19-2002 · RMC 7-2014 · RR 8-2018 · RMC 116-2019 · RMC 29-2021 · RMC 29-2024

Annualized Withholding Tax (Year-End Adjustment)

PURPOSE

TAX DUE
= TAX WITHHELD

The employer adjusts each employee's withholding so the year's total exactly equals the annual income tax due — the foundation of substituted filing.

When — active employees

On or before the end of the calendar year, prior to paying the compensation for the last payroll period.

When — separated employees

On the day the last payment of compensation is made.

How

Sum the taxable regular and supplementary compensation for the whole year; compute annual tax on the graduated table; collect any shortfall in December or refund any excess (by January 25).

RR 3-2002, RR 19-2002, RMC 7-2014

Substituted Filing: The Concept

The employee files nothing. A qualified individual no longer files a personal Income Tax Return (BIR Form 1700). Instead, the employer's Annual Information Return (BIR Form 1604-C) stands as the employee's “substitute” ITR.

2001

Voluntary

Substituted filing introduced on an optional basis.

2002+

Mandatory

From taxable year 2002 onward, qualified employees are covered as a rule.

Proof

Stamped list

The employer's certified list of qualified employees, stamped “Received” by the BIR, is tantamount to the employees' substituted filing.

WHO SKIPS BIR FORM 1700

Requisites for Substituted Filing

1. Receives purely compensation income, regardless of amount
2. Compensation from only one employer in the Philippines for the calendar year
3. Income tax correctly withheld by the employer (tax due = tax withheld)
4. The employee's spouse also meets conditions 1–3
5. Also covered: individuals earning purely compensation not exceeding ₱250,000
6. Also covered: minimum wage earners (RR 8-2018)
7. Employer files BIR Form 1604-C (and 1604-F where applicable) with the alphalist
8. Employer issues each employee BIR Form 2316 (July 2018 ENCS or later version)

Not Qualified for Substituted Filing

- Compensation from two or more employers, concurrently or successively, during the year
- Income tax not correctly withheld (tax due ≠ tax withheld)
- Other non-business, non-professional income on top of compensation, not subject to final tax
- Purely compensation from one employer, correctly withheld — but the spouse falls under any of the above
- Non-resident aliens engaged in trade or business deriving compensation and/or other income

Note (RMC 116-2019): a non-resident alien engaged in trade or business earning purely compensation is treated as a local employee for withholding purposes.

BIR Form 2316: Signatures, Versions, Retention

Version & copies

Use the September 2021 version, in three copies, signed by both employer and employee.

The certification portion

The bottom certification — that the employer's 1604-C serves as the employee's substituted ITR — is signed only if the employee is qualified for substituted filing.

RMC 29-2024 disallows submission of certificates without the employee's signature

E-signature allowed

RMC 29-2021 permits electronic signatures on BIR Form 2316

Mid-year transfers

A 2316 from a previous employer is submitted to the new employer for consolidation with current-year compensation;

non-qualified employees attach the 2316 to their own Form 1700 due April 15

Retention

Employers must retain duly signed copies of BIR Form 2316 for ten (10) years (RR 11-2018).

Requirement for Deductibility

Compensation — including exempt MWE pay — is deductible from the employer's gross income only if the 2316 was issued to subject employees and the employees are in the 1604-C/F alphalists (Sec. 2.58.5, RR 2-98).

THANK YOU!!!