



Republic of the Philippines
Department of Education
REGION X
SCHOOLS DIVISION OF MISAMIS ORIENTAL

Office of the Schools Division
Superintendent

05 JANUARY 2022

DIVISION MEMORANDUM

**WITHHOLDING TAX OF PERSONNEL ON COMPENSATION, BENEFITS,
ALLOWANCES, INCENTIVES AND BONUSES**

To: Assistant Schools Division Superintendent
Chief, Curriculum Implementation Division (CID)
Chief, Schools Governance and Operation Division (SGOD)
Education Program Supervisors
Public Schools District Supervisors
Program Coordinators/Implementers
Section Heads
Elementary and Secondary School Heads
Elementary and Secondary School Teachers
All Non-Teaching Personnel
All Others Concerned
This Division

1. Pursuant under Section 2.78.1(A)(6)(a) of Revenue Regulations (RR) No. 2-98, which provides that "all employed individuals whether citizens or aliens, deriving income from compensation for services rendered fixed or variable, representation and other allowances received by a public officer or employee or officer, in addition to the regular compensation fixed for his position or office, is compensation subject to **withholding**." As a general rule, any cash payment received by employees on account of their employment is considered compensation subject to income tax, regardless of how companies call them, whether as utilities allowance, grocery allowance, COVID-19 allowance, etc. The fact that these payments represent additional disposable income to the employees only means they are taxable.
2. This Division advises that Withholding Tax on bonuses, benefits and allowances will be implemented and deducted to those personnel who have an excess income beyond the ceiling amount or starting January 2022 by the Division Office.
 - a. *As provided in the list of **DE MINIMIS benefits** per **RR 2-98 SECTION 1. Section 2.78.1 (A) (3)** "(k) Benefits received by an employee by virtue of a collective bargaining agreement (CBA) and productivity incentive schemes provided that the total annual monetary value received from both CBA and productivity incentive schemes combined do not exceed 10,000 per employee per year;"*

The total of Productivity Enhancement Incentive (PEI) + Productivity-Based Bonus (PBB) + Collective Negotiation Agreement Incentive (CNA) + Service Recognition Incentive (SRI) + World Teachers' Day Incentive of Government Employees' Org. up to 10,000 is treated as DE MINIMIS; Excess of 10,000 is added to Other Benefits subject to 90,000 threshold.



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- b. As provided in the list of **DE MINIMIS benefits** per **RR 2-98 SECTION 1. Section 2.78.1 (A) (3)** “(i) Gifts given during Christmas and major anniversary celebrations not exceeding P5,000 per employee per annum;”

The total of Cash Gift + Anniversary Bonus up to 5,000 is treated as DE MINIMIS; Excess of 5,000 is added to Other Benefits subject to 90,000 threshold.

- c. Further, total of Midyear Bonus and Year-End Bonuses added to Other Benefits subject to 90,000 threshold shall be subject to the Income Tax Rates.
- d. Graduated Income Tax Rates under Section 24(A)(2) of the Tax Code of 1997, as amended by Republic Act No. 10963

| Amount of Net Taxable Income | | Rate |
|------------------------------|--------------|--|
| Over | But Not Over | |
| - | P250,000 | 0% |
| P250,000 | P400,000 | 20% of the excess over P250,000 |
| P400,000 | P800,000 | P30,000 + 25% of the excess over P400,000 |
| P800,000 | P2,000,000 | P130,000 + 30% of the excess over P800,000 |
| P2,000,000 | P8,000,000 | P490,000 + 32% of the excess over P2,000,000 |
| P8,000,000 | | P2,410,000 + 35% of the excess over P8,000,000 |

3. Strict compliance to this Memorandum is directed.

JONATHAN S. DELA PEÑA, PhD, CESO V
 Schools Division Superintendent

References:

RR 2-98 SECTION 1. Section 2.78.1

To be indicated in the Perpetual Index under the following subjects:

FINANCE
 SCHOOLS
 POLICY
 TAX
 RULES AND REGULATIONS

FINANCE | ega/ggd



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