

MEMORANDUM CIRCULAR NO. 112
Series of 2025

FOR: THE SENIOR DEPUTY ADMINISTRATOR, DEPUTY ADMINISTRATORS, REGIONAL/DEPARTMENT/PROJECT MANAGERS, DIVISION MANAGERS AND ALL OTHERS CONCERNED

SUBJECT: GUIDELINES ON THE GRANT OF MEDICAL ALLOWANCE

The Governance Commission for Government Owned or Controlled Corporations (GCG) issued CPCS Circular No. 2025-01 dated 11 November 2025 relative to the grant of Medical Allowance. This allowance is intended to serve as a subsidy for Health Maintenance Organization (HMO)-type benefits to defray the medical expenses of GOCC employees and to support employee welfare. The maximum amount of the annual Medical Allowance for each qualified employee will be based on the GOCC's CPCS II Category and Tier, and the specific maximum rates are detailed in the attached Circular.

The Medical Allowance may be granted in the form of HMO-type product coverage procured either by the GOCC or by the employees' associations. Alternatively, it can be granted in cash form for those who opt to avail themselves of their own HMO, pay for or renew an existing HMO-type benefit, or for employees who paid for their own medical expenses due to difficulty in acquiring an HMO-type product. Difficulty in acquisition includes working in a Geographically Isolated and Disadvantaged Area (GIDA), having no adequate HMO branch in the locality, or being denied coverage by an HMO company.

To be eligible, an employee must have rendered a total or aggregate of at least six (6) months of service in the GOCC in a particular year. It is important to note that the allowance granted is exempt from income and withholding tax only up to the "de minimis" threshold of P10,000.00. The funding will be charged to the GOCC's approved corporate operating budget and must not be sourced from loans or asset sales.

A full copy of GCG CPCS Circular No. 2025-01, which contains the complete details on coverage, exclusions, rates, conditions, and reportorial requirements, is attached for your complete reference and guidance.

ENGR. EDUARDO EDDIE G. GUILLEN
Administrator
15 DEC 2025





CPCS CIRCULAR NO. 2025-01

SUBJECT : GUIDELINES ON THE GRANT OF MEDICAL ALLOWANCE

DATE : 11 NOV 2025

1. **LEGAL BASES.** – Executive Order (EO) No. 95, s. 2025,¹ approved the Compensation and Position Classification System (CPCS) II and Pay Grades for Government-Owned or -Controlled Corporations (GOCCs).

Section 5 of the said EO provides that “[t]he existing compensation granted by GOCCs to its officers and employees, including any approved enhancements made to the same, shall be standardized in accordance with the CPCS II approved under this Order x x x.”

Under Chapter VI(B)(1)(1.5) of the CPCS II attached to EO No. 95, s. 2025, “[t]he grant of the medical allowance shall be in accordance with the guidelines to be established by the GCG using as reference the applicable standardized procedures and issuances for National Government Agencies.”

2. **PURPOSE.** – This Circular is issued to provide the guidelines, rules and regulations on the grant of the Medical Allowance which serves as a subsidy for HMO-type benefits to defray the medical expenses of GOCC employees and to support employee welfare.
3. **COVERAGE.** – This Circular shall apply to all officers and employees, whether regular, contractual or casual in nature, of GOCCs and their subsidiaries covered under Republic Act (RA) No. 10149.²
4. **EXCLUSIONS.** – The following are excluded from the coverage of this Circular:
- 4.1. Officers and employees of GOCCs with approved dispositive actions such as merger (exclusively referring to the GOCC to be absorbed), consolidation, abolition, deactivation, privatization, or such other related action as determined by the GCG.
 - 4.2. Individuals hired by GOCCs without employer-employee relationship and/or those whose compensation is funded from non-Personnel Services (PS) appropriations/budgets of their respective GOCCs, such as:
 - (a) Consultants and experts hired to perform specific activities or services with expected outputs;
 - (b) Laborers hired through job contracts (*pakyaw*) and those paid on piecework basis;

¹ Approving the Compensation and Position Classification System (CPCS) II and Pay Grades for Government-Owned Or - Controlled Corporations, Repealing Executive Order No. 150 (S. 2021), and For Other Purposes.

² GOCC Governance Act of 2011.



- (c) Student laborers and apprentices; and
- (d) Individuals and groups of people whose services are engaged through job orders, contracts of service, or others similarly situated.
- 4.3. Members of the Governing Board, except the Chief Executive Officer (CEO) or the highest-ranking official in the GOCC.
- 4.4. Those who have been found guilty by final and executory judgment of administrative and/or criminal cases relating to acts or omissions in connection with their official duties and functions, subject to Item 9 hereof.
- 4.5. Officers and personnel who are already receiving health maintenance organization (HMO)-based health care services by virtue of special laws.
5. **DEFINITION OF TERMS.** – The following terms, as defined under Department of Budget and Management (DBM) National Budget Circular (NBC) No. 2024-6,³ are adopted herein:
- 5.1. *Geographically Isolated and Disadvantaged Areas (GIDAs)* – refer to communities/areas which are specifically disadvantaged due to the presence of both physical (refers to characteristics that limit the delivery of and/or access to basic health services to communities that are difficult to reach due to distance, weather conditions, and transportation difficulties) and socio-economic (refers to social, cultural, and economic characteristics of the community that limit access to and utilization of health services) factors.
- 5.2. *HMO Provider* – refers to a juridical entity legally organized to provide or arrange for the provision of pre-agreed or designated health care services to its enrolled members for a fixed pre-paid fee for a specific period.
- 5.3. *HMO-Type Product* – refers to an agreement issued on individual/group basis approved pursuant to Insurance Commission (IC) Circular Letter No. 2017-19⁴ and issued by duly licensed HMO companies by the IC.
6. **RATE OF ANNUAL MEDICAL ALLOWANCE.** – The Medical Allowance for each qualified employee shall be based on the GOCC's CPCS II Category and Tier, and shall not exceed the maximum allowable amounts *per annum*, starting FY 2025 and every year thereafter, as provided below:

CATEGORY	TIER	MAXIMUM AMOUNT PER EMPLOYEE
1	N/A	₱7,000.00 or the amount provided for National Government Agencies, whichever may be higher
2 AND 3	1	₱10,000.00
	2	15,000.00
	3	20,000.00
	4	27,000.00
	5	35,000.00

³ Rules and Regulations on the Grant of Medical Allowance to Civilian Government Personnel.

⁴ Guidelines on the Approval of HMO Products and Forms.

- 6.1. GOCCs that have already implemented the CPCS under EO No. 150, s. 2021,⁵ shall grant the Medical Allowance to eligible employees, not exceeding the allowable amounts provided under this Circular, upon receipt from the GCG of the Notice containing its validated Category/Tier.
- 6.2. GOCCs that have not yet implemented the CPCS under EO No. 150, s. 2021, may, in the interim, apply to the GCG for authority to grant the Medical Allowance to eligible employees in an amount not exceeding ₱7,000.00 *per annum*. However, the GOCC shall not be allowed to grant a higher amount of Medical Allowance within the same year that the interim amount is granted, even if the GCG's evaluation of the GOCC's complete documentary requirements results in a higher Category/Tier.

7. GRANT OF MEDICAL ALLOWANCE. – The Medical Allowance shall be used in any of the following forms:

- 7.1. **In the form of HMO-type product coverage** which could be availed by either: (i) the GOCCs concerned; or (ii) their respective GOCC employees' associations/organizations.

Such arrangement, however, is without prejudice to the preference of the employees to opt out from such group purchase, and individually avail themselves of another HMO product.

- 7.2. **In cash form for:**

- 7.2.1. Those who will (i) avail themselves of their own HMO or (ii) pay/renew their existing HMO-type benefit, subject to the following:

- 7.2.1.1. In cases where an employee opts to continue his/her existing HMO-type product, the Medical Allowance shall be spent therefor, provided that the coverage includes the fiscal year (FY), in whole or in part, when the allowance was granted.

- 7.2.1.2. In cases where the HMO-type product availed is below the rate allowed in Item 6 of this Circular, the employee shall not be obliged to refund the excess amount to the GOCC.

- 7.2.2. Those who paid for their own medical expenses, such as but not limited to hospitalization, emergency care, diagnostic tests, and medicines, due to the difficulty in acquiring HMO-type product, in view of the following:

- 7.2.2.1. Their localities/communities are identified as GIDA, as certified by the Head of the GOCC;

- 7.2.2.2. Their localities have no adequate HMO branch or office of a licensed HMO company, as certified by the Head of the GOCC; or

⁵ *Approving the Compensation and Position Classification System (CPCS) and Index of Occupational Services, Position Titles, And Job Grades for GOCCs (IOS-G) Framework, Repealing Executive Order No. 203 (S. 2016), and For Other Purposes.*

7.2.2.3. Application of the personnel concerned in acquiring HMO coverage has been denied by an HMO company.

8. CONDITIONS ON THE ENTITLEMENT AND GRANT OF MEDICAL ALLOWANCE. – The grant of Medical Allowance shall be subject to the following conditions:

- 8.1. The employee must have rendered services in the GOCC for at least a total or an aggregate of six (6) months of service in a particular year, inclusive of leaves of absence with pay, as well as those services rendered under any of the alternative work arrangements prescribed by the Civil Service Commission (CSC) or any other applicable laws, rules, regulations, and issuances.
- 8.2. A newly hired employee may qualify for the grant of the Medical Allowance after rendering six (6) months of service. Employees who have not rendered the minimum six (6) months of service within the year shall not be entitled to a pro-rated Medical Allowance.
- 8.3. For Transferred Employees:
 - 8.3.1. An employee who transferred from another Government Agency/GOCC and was not granted Medical Allowance by the former employer shall be entitled to the grant of Medical Allowance, subject to the six-month service period and the submission of a certification to the effect.
 - 8.3.2. An employee who transferred from and was previously granted Medical Allowance by another Government Agency/GOCC within the same year shall not be entitled to receive Medical Allowance by the GOCC for that particular year.
- 8.4. The Medical Allowance of an officer or employee on detail to another Government Agency/GOCC shall be paid by the Mother GOCC.
- 8.5. The Medical Allowance for an officer or employee on Secondment shall be borne by the Recipient Agency/GOCC, unless otherwise provided in the Memorandum of Agreement (MOA) on the Secondment.
- 8.6. A compulsory retiree, whose services have been extended, may be granted the Medical Allowance, subject to the pertinent conditions and guidelines under this Circular.
- 8.7. An employee who is formally charged with administrative and/or criminal case that is still pending resolution shall be entitled to the Medical Allowance until found guilty by final and executory judgment, provided that:
 - 8.7.1. The employee who is found guilty shall not be entitled to the Medical Allowance in the year the decision became final and executory. The employee shall refund the Medical Allowance received for that year.
 - 8.7.2. If the penalty imposed is only a reprimand, the employee shall be entitled to the Medical Allowance.

8.7.3. The period of preventive suspension served by an employee shall not be credited as part of the total or aggregate service for purposes of determining eligibility for the Medical Allowance. However, if such preventive suspension is declared invalid by competent authority, the said period shall be counted in determining the employee's eligibility for the Medical Allowance.

8.8. For employees on Study Leave or Study/Training/Scholarship Grant:

8.8.1. An employee on study leave or on study/training/scholarship grant, whether locally or abroad, shall be entitled to the Medical Allowance for the year if he/she renders at least six (6) months of service in the same year, including leaves of absence with pay, prior to and/or after the study leave or study/training/scholarship grant.

8.8.2. An employee who is on study/training/scholarship grant for the entire year, whether locally or abroad, is not entitled to the Medical Allowance.

9. REPORTORIAL REQUIREMENTS.

9.1. Each GOCC shall require the submission of the following documents by all personnel who have been granted the Medical Allowance, based on the form of allowance availed:

FORM OF MEDICAL ALLOWANCE		SUPPORTING DOCUMENTS
HMO-TYPE PRODUCT COVERAGE	Group-Procured	Proof of enrollment with an HMO provider, such as but not limited to:
CASH	Employees who: a. Availed of another HMO of their own choice; or b. Paid/renewed their existing HMO-type coverage/ benefit.	<ul style="list-style-type: none"> • Certified copy of HMO agreement or identification card issued by the HMO provider; • Certification of membership issued by the HMO provider; or • Invoice⁶ for the payment of membership fee for the HMO product acquired.
	Employees who paid for their own medical expenses, such as but not limited to hospitalization, emergency care, diagnostic tests, and medicines within the year.	Documents to support the use of the Medical Allowance for medical expenses (e.g., invoice of medical services undertaken for the applicable year, medical report, diagnostic results), subject to the internal guidelines to be issued by the GOCC concerned.

The GOCC shall submit to the GCG an annual report on the grant of Medical Allowance, in both hard and soft copies, using the prescribed template under **Annex A** of this Circular. The report shall be submitted together with the CPCS Reportorial Requirements every 31 January of the succeeding year, pursuant to

⁶ BIR Revenue Memorandum Circular (RMC) No. 77-2024.

Item 4.2 of the General Procedural Guidelines of CPCS Implementing Guidelines No. 2025-01.⁷

- 10. TAXABILITY OF MEDICAL ALLOWANCE.** – The Medical Allowance granted to employees not exceeding ₱10,000.00 shall fall under the “*de minimis*” benefit contemplated in Section 2.78.1 (A) (3) of the Bureau of Internal Revenue (BIR) Revenue Regulations (RR) No. 2-98,⁸ as amended, and shall be exempt from income and withholding tax. Medical allowance granted in excess of the “*de minimis*” threshold shall be subject to the applicable income and withholding taxes on compensation pursuant to Section 9 of RA No. 10963.⁹
- 11. FUNDING SOURCES.** – The funding for the payment of the Medical Allowance shall be charged by GOCCs to their respective approved corporate operating budgets (COBs). It shall be prohibited to source the payment of the said grant from the following:
- (a) Loans;
 - (b) Sale of the GOCC's asset(s) for the purpose of paying the Medical Allowance; and
 - (c) Other schemes analogous to the foregoing.

GOCCs shall not increase their service fees for the purpose of augmenting any deficiencies in the amounts prescribed herein, and neither shall the grant of Medical Allowance adversely affect the implementation of programs/projects, as well as the attainment of performance targets.

Furthermore, in no case shall GOCCs subsidized by the National Government require additional subsidy or equity from the National Treasury for the grant of the Medical Allowance to their employees.

Should the GOCC's COB prove to be insufficient to cover the full amount of the Medical Allowance, the GOCC may grant a lower but uniform amount of Medical Allowance to all qualified and eligible employees.

- 12. RESPONSIBILITY OF THE GOCC.** – To ensure the achievement of the objectives of the allowance, as well as the judicious and prudent use of funds, the GOCC, acting through the Governing Board, shall be responsible for the proper implementation of this Circular, without prejudice to the refund by the employees concerned of any excess or unauthorized payments.

Further, the GOCC shall establish and issue the respective internal implementing rules, guidelines, and/or procedures on the release, use, and monitoring of the Medical Allowance, subject to the scope and limitations provided in this Circular.


- 13. REPEALING CLAUSE.** – All other GCG orders, circulars, issuances, decisions, and resolutions, or parts thereof, which are inconsistent with this Circular are hereby repealed or modified accordingly.

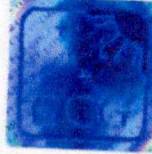
⁷ Implementing Guidelines of Executive Order No. 95, s. 2025.


⁸ Implementing Republic Act No. 8424, “An Act Amending The National Internal Revenue Code, as amended” relative to the Withholding on Income subject to the Expanded Withholding Tax and Final Withholding Tax, Withholding of Income Tax on Compensation, Withholding of Creditable Value-Added Tax and Other Percentage Taxes.

⁹ Tax Reform for Acceleration and Inclusion (TRAIN).

- 14. **CLARIFICATIONS.** – GOCCs shall submit written requests to the GCG for clarification on issues not covered by the provisions of this Circular.
- 15. **SEPARABILITY CLAUSE.** – Should any part or provision of this Circular be held unconstitutional or invalid, the other parts or provisions not affected thereby shall continue to be in full force and effect.
- 16. **EFFECTIVITY.** – This Circular shall take effect immediately upon its publication in the GCG website.


ATTY. MARIUS P. CORPUS
Chairperson




DOF Secretary RALPH G. RECTO
Ex-Officio Member
NOV 11 2025



VACANT
Commissioner


DBM Secretary AMENAH F. PANGANDAMAN
Ex-Officio Member




ATTY. GERALDINE MARIE B. BERBERABE-MARTINEZ
Commissioner

ANNEX A

GOCC Name

Report on the Grant of the Medical Allowance for FY ____

I. Total Amount Paid for the Medical Allowance

A. Number of Qualified Personnel

- i. Regular _____
- ii. Contractual _____
- iii. Casual _____
- Total No. of Qualified Personnel _____

B. Rate of Medical Allowance _____

C. Total Amount Paid _____

II. Form of Medical Allowance

Procurement by the GOCC

Name of HMO-Provider: _____

Unit Price of HMO-Type Benefit: _____

No. of Qualified Personnel who have availed of this form:

- i. Regular _____
- ii. Contractual _____
- iii. Casual _____
- Total _____

Procurement by Employees' Organization/Group

Name of HMO-Provider: _____

Unit Price of HMO-Type Benefit: _____

No. of Qualified Personnel who have availed of this form:

- i. Regular _____
- ii. Contractual _____
- iii. Casual _____
- Total _____

In Cash Form

Availed New HMO-type benefit

No. of Qualified Personnel who have availed of this form:

- i. Regular _____
- ii. Contractual _____
- iii. Casual _____
- Total _____

Payment of existing or renewed HMO-type benefit
No. of Qualified Personnel who have availed of this form:

i. Regular _____
ii. Contractual _____
iii. Casual _____
Total _____

Localities identified as Geographically Isolated and Disadvantaged Areas (GIDAs)
No. of Qualified Personnel who have availed of this form:

i. Regular _____
ii. Contractual _____
iii. Casual _____
Total _____

Localities which have no adequate HMO Branch or Office
No. of Qualified Personnel who have availed of this form:

i. Regular _____
ii. Contractual _____
iii. Casual _____
Total _____

Application of Personnel denied by HMO Company
No. of Qualified Personnel who have availed of this form:

i. Regular _____
ii. Contractual _____
iii. Casual _____
Total _____

Submitted by:

Certified Correct:

Head, Finance/Administrative Unit/Department

GOCC Head