



MEMORANDUM CIRCULAR NO. **35**  
Series of 2026

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

**SUBJECT: INCREASE IN THE CEILING OF NONTAXABLE BENEFIT**

In accordance with the Bureau of Internal Revenue's Revenue Regulation No. 029-2025 which further amends the "De Minimis" Benefits Provisions of Revenue Regulations (RR) No. 2-98, as Amended, this is to inform that the ceiling for non-taxable benefits has been increased, to wit:

**SECTION 1.** Section 2.78.1 of RR No. 2-98, as amended by RR No. 004-2025, is hereby further amended to read as follows:

**"SECTION 2.78.1. Withholding of Income Tax on Compensation Income.**

(A) Compensation Income Defined. – x x x

xxx xxx xxx

- (e) Uniform and clothing allowance not exceeding **P8,000.00** 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 **P12,000.00** per annum;
- (g) Laundry allowance not exceeding **P400.00** per month;
- (h) Employee's achievement awards, e.g., for length of service or safety achievement, in any form, whether in cash, gift certificate, or any tangible personal property, with an annual monetary value not exceeding **P12,000.00** 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 **P6,000.00** per employee per annum;
- (j) Daily meal allowance for overtime work and night/graveyard shift not exceeding thirty percent (30%) of the basic minimum wage on a per region basis; and



*(k) Benefits received by an employee by virtue of a collective bargaining agreement (CBA) and productivity incentive scheme provided that the total annual monetary value received from both CBA and productivity incentive schemes combined do not exceed twelve thousand pesos (12,000.00) per employee per taxable year.*

XXX

XXX

XXX

Effective January 6, 2026, the allowable maximum amount of non-taxable benefits that may receive annually has been adjusted in compliance current tax laws. This change aims to provide employees with additional financial relief and improved compensation benefits while maintaining compliance with government regulations.

Attached is a copy of the Revenue Regulation No. 029-2025 for your reference.

For your information and guidance.

**ENGR. EDUARDO EDDIE G. GUILLEN**

Administrator

07 APR 2026



Bringing In Revenues  
for Nation-Building

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE



OCT 27 2025

REVENUE REGULATIONS NO. 029-2025

**SUBJECT :** Further Amending the "De Minimis" Benefits Provisions of Revenue Regulations (RR) No. 2-98, as Amended, Increasing the Ceiling of Non-Taxable Benefits

**TO :** All Internal Revenue Officials, Employees 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 RR No. 2-98, as last amended by RR No. 004-2025, 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 of RR No. 2-98, as amended by RR No. 004-2025, is hereby further amended to read as follows:

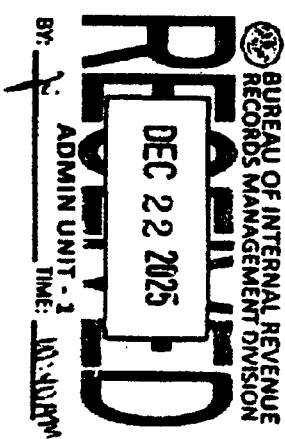
***"SECTION 2.78.1. Withholding of Income Tax on Compensation Income. -***

***(A) Compensation Income Defined. - xxx***

xxx                      xxx                      xxx

**(3) Facilities and privileges of relatively small value. - xxx**

- (a) Monetized unused vacation leave credits of private employees not exceeding **twelve (12)** 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 **P2,000.00** per employee per semester or **P333.00** per month;
- (d) Rice subsidy of **P2,500.00** or one (1) sack of 50 kg. rice per month amounting to not more than **P2,500.00**;
- (e) Uniform and clothing allowance not exceeding **P8,000.00** 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 **P12,000.00** per annum;
- (g) Laundry allowance not exceeding **P400.00** per month;




- (h) Employee's achievement awards, e.g., for length of service or safety achievement, in any form, whether in cash, gift certificate, or any tangible personal property, with an annual monetary value not exceeding P12,000.00 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 P6,000.00 per employee per annum;
- (j) Daily meal allowance for overtime work and night/graveyard shift not exceeding thirty percent (30%) of the basic minimum wage on a per region basis; and
- (k) Benefits received by an employee by virtue of a collective bargaining agreement (CBA) and productivity incentive scheme provided that the total annual monetary value received from both CBA and productivity incentive schemes combined do not exceed twelve thousand pesos (12,000.00) per employee per taxable year.


XXX XXX XXX

**SECTION 2. REPEALING CLAUSE.** – All existing rules and regulations and other issuances or parts thereof which are inconsistent with the provisions of these Regulations are hereby amended, modified or repealed accordingly.



**SECTION 3. EFFECTIVITY.** – These Regulations shall take effect after fifteen (15) days following its publication in the Official Gazette or in the BIR Official Website, whichever comes first.

  
**RALPH G. RECTO**  
 Secretary of Finance  
 NOV 18 2025

Recommending Approval:

  
**ROMEO D. LUMAGUI, JR.**  
 Commissioner of Internal Revenue

J-5

 **BUREAU OF INTERNAL REVENUE**  
**RECORDS MANAGEMENT DIVISION**  
**RECEIVED**  
 DEC 22 2025  
 BY:  ADMIN UNIT - 1 TIME: 10:40 A.M.



Bringing In Revenues  
for Nation-Building

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF INTERNAL REVENUE



OCT 27 2025

REVENUE REGULATIONS NO. 029-2025

**SUBJECT :** Further Amending the "De Minimis" Benefits Provisions of Revenue Regulations (RR) No. 2-98, as Amended, Increasing the Ceiling of Non-Taxable Benefits

**TO :** All Internal Revenue Officials, Employees 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 RR No. 2-98, as last amended by RR No. 004-2025, 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 of RR No. 2-98, as amended by RR No. 004-2025, is hereby further amended to read as follows:

**"SECTION 2.78.1. Withholding of Income Tax on Compensation Income. –**

**(A) Compensation Income Defined. – xxx**

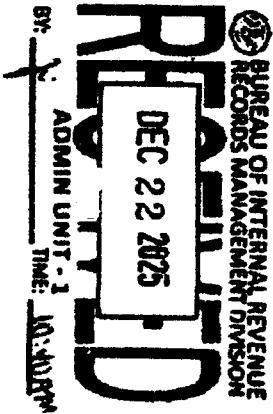
xxx                      xxx                      xxx

**(3) Facilities and privileges of relatively small value. – xxx**

- (a) Monetized unused vacation leave credits of private employees not exceeding **twelve (12)** 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 **P2,000.00** per employee per semester or **P333.00** per month;
- (d) Rice subsidy of **P2,500.00** or one (1) sack of 50 kg. rice per month amounting to not more than **P2,500.00**;
- (e) Uniform and clothing allowance not exceeding **P8,000.00** 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 **P12,000.00** per annum;
- (g) Laundry allowance not exceeding **P400.00** per month;

---

BIR National Office Bldg., Senator Miriam Defensor-Santiago Avenue, Diliman, Quezon City  
Website: [www.bir.gov.ph](http://www.bir.gov.ph)  
Trunkline: 6961-7000 ; 6929-7676

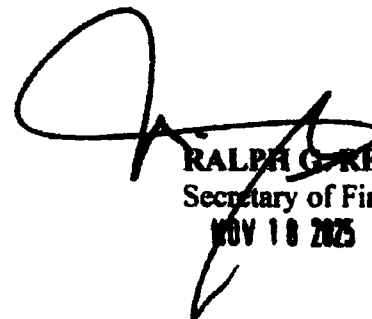


- (h) Employee's achievement awards, e.g., for length of service or safety achievement, in any form, whether in cash, gift certificate, or any tangible personal property, with an annual monetary value not exceeding P12,000.00 received by the employee under an established written plan which does not discriminate in favor of highly paid employees;
- (i) Gifts given during Christmas and major anniversary celebrations not exceeding P6,000.00 per employee per annum;
- (j) Daily meal allowance for overtime work and night/graveyard shift not exceeding thirty percent (30%) of the basic minimum wage on a per region basis; and
- (k) Benefits received by an employee by virtue of a collective bargaining agreement (CBA) and productivity incentive scheme provided that the total annual monetary value received from both CBA and productivity incentive schemes combined do not exceed twelve thousand pesos (12,000.00) per employee per taxable year.

XXX XXX XXX

**SECTION 2. REPEALING CLAUSE.** – All existing rules and regulations and other issuances or parts thereof which are inconsistent with the provisions of these Regulations are hereby amended, modified or repealed accordingly.



**SECTION 3. EFFECTIVITY.** – These Regulations shall take effect after fifteen (15) days following its publication in the Official Gazette or in the BIR Official Website, whichever comes first.

  
**RALPH G. RECTO**  
 Secretary of Finance  
 NOV 18 2025

Recommending Approval:

  
**ROMEO D. LUMAGUI, JR.**  
 Commissioner of Internal Revenue

J-5

 **BUREAU OF INTERNAL REVENUE**  
**RECORDS MANAGEMENT DIVISION**  
**RECEIVED**  
 DEC 22 2025  
 BY:  ADMIN UNIT - 1  
 TIME: 10:40 A.M.