REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

Sec. 32(B)(6)(f), Tax Code
BIR Ruling No. OT-172-2021 BIR Ruling No. 363-12
OT-414-2022
OCT 11 2022

LANDBANK OF THE PHILIPPINES
Landbank Plaza, 1598 M.H. Del Pilar corner Dr. J. Quintos Sts.
Malate, 1004 Manila

Attention: **Atty. Joselito B. Vallada**
First Vice President
Human Resources Management Group

Gentlemen:

This refers to your request for confirmation that the proceeds paid by the Land Bank of the Philippines ("LBP" or the "Bank") to its employees who retired from the Bank service via involuntary separation under its Separation Incentive Program (SIP) are tax exempt.

Background

1. LBP is a universal bank in the Philippines owned by the Philippine Government.

2. As part of continuing restructuring/realignment, systems improvement and automation, outsourcing of non-core functions and infusion of fresh and critical talents in the Bank, the Board approved the involuntary separation of employees through SIP Medical for employees with critical, incapacitating or debilitating medical condition and SIP Tenure for those employees who are at least fifty-five (55) years of age and have been in the government service for at least twenty-five (25) years (the last twenty (20) years of which were spent in LBP).

3. The Bank's implementation of the SIP is an incident of its continuing internal reorganization. LBP-SIP is a way of incentivizing the **involuntary** separation of tenured employees with medical conditions.

In reply, please be informed that Section 32(B)(6)(b) of the National Internal Revenue Code of 1997 (Tax Code), as amended, provides that any amount received by an official or employee or by his heirs from the employer as a consequence of separation of such official or employee from the service of the employer due to death, sickness or other physical disability or for any cause beyond the control of the said official or employee is exempt from taxes regardless of age or length of service. The phrase "for any cause beyond the control of the said official or employee" in effect connotes involuntariness on the part of the official or employee. The separation from the service of the official or employee must not be of his own making.[1]

As represented, the separation of the LBP officials and employees identified and recommended by LBP to have met the criteria for SIP is involuntary and is a consequence of the Bank's continuing efforts to rationalize its organizational structure. Therefore, any and all amounts to be received by them as a consequence of their involuntary separation from the service of LBP is not subject to income tax imposed under Section 24 (A) of the Tax Code, as amended, and consequently to the withholding tax on wages pursuant to Section 79 of the same Code.

This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be ascertained that the facts are different, then this ruling shall be considered null and void.

Very truly yours,

LILIA CATRIS GUILLERMO
Commissioner of Internal Revenue

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[1] Section 4(f), Revenue Regulations (RR) No. 1-68 and Sec. 2 (b) (2), RR No. 6-82, as amended.