

# Philippines Knowledgebase

## Payroll, compensation and benefits

### Salary structure

This guide provides an overview of essential payroll components, including wages, allowances, and benefits that employers in the Philippines must consider. It covers both mandatory requirements and optional perks, helping businesses understand key financial obligations and strategies to enhance employee satisfaction and compliance with local labour laws.

Basic pay is the fixed amount of money that an employer agrees to pay an employee for their services, typically calculated on a per-hour, per-day, or per-month basis. This is also the basis for their 13th month pay and other benefits like Overtime and Night Differential. Employers must ensure that the base pay meets or exceeds the minimum wage requirements set by law. Minimum wage varies depending on the region in which the employer was registered. The minimum wage is 645 PHP per day. There are no changes in the minimum wages for the Philippines for 2025.

In the Philippines, there are no specific mandatory allowances that employers are legally required to provide beyond the standard employee benefits mandated by labour laws. De Minimis Benefits are non-taxable benefits. All other allowances that are not mentioned in the De minimis are all considered taxable allowances. Regarding non-taxable allowances, each type of tax allowance has its own individual limit. The combined total for all tax allowances should not exceed 90,000 PHP per year per user. This means that each user can benefit from up to 90,000 PHP in non-taxable allowances annually. If the total sum of all allowances applied to a user exceeds 90,000 PHP, the excess amount will be subject to tax. In other words, each user can enjoy up to 90,000 PHP in non-taxable allowances. Any amount exceeding this limit will be taxable.

The available De Minimis benefits offered in the country are:

- Laundry allowance – Reaches up to PHP 300 (approx. USD 6) per month.

- Medical benefits – Reaches up to PHP 10,000 (approx. USD 200) annually.

- Gifts – These count as presents offered during Christmas, festivals, or significant circumstances during an employee's life; these include events such as marriage or a death in the family. Up to PHP 5,000 (approx. USD 100) per year.

- Employee achievement awards can arrive in forms besides cash or gift vouchers, which can go up to PHP 10,000 (approx. USD 200) per year.

- Meal allowance – is given during overtime work, which can go up to 25% of the bare minimum wage.

# Native Teams

Unused leave credits converted to cash. Maximum of 10 days per year.

Rice subsidy – Reaches up to PHP 1,500 (approx. USD 30) per year.

Medical cash allowance – Reaches up to PHP 750 (approx. USD 15) per semester or PHP 125 (USD 2.50) per month.

Uniform and clothing allowance – Can go up to PHP 5,000 (approx. USD 100) per year.

These are benefits that employers must legally provide under the Labour Code of the Philippines:

**Social Security System (SSS):** Employers and employees contribute to a fund that provides various benefits, including retirement, disability, and sickness benefits.

**PhilHealth:** This is a government health insurance program covering hospitalization and medical expenses.

**Home development mutual fund (Pag-IBIG):** A savings program that allows employees to save for housing and other needs.

**13th Month Pay:** Employers are required to provide an additional month's salary to employees by December 24 each year.

**Leave Benefits:** Employees are entitled to a minimum of five days of service incentive leave per year, along with maternity, paternity, and other statutory leaves.

The Total Employer Cost (TEC) in the Philippines encompasses all financial obligations associated with employing staff, including the base salary, mandatory contributions, and legally mandated benefits. Understanding this cost is crucial for businesses to effectively manage their budgets, ensure compliance with labour laws, and make informed decisions regarding hiring and compensation strategies.

$$\text{TEC} = \text{Gross income} + \text{Mandated benefits} + \text{13th month pay}$$

Other types of monetary benefits –

Aside from the mandatory benefits outlined in labour laws, there are various types of monetary benefits that employers may offer to enhance their compensation packages.

Here are some common types of monetary benefits:

## 1. Bonuses

**13th Month pay:** A mandatory benefit equivalent to one month's salary, given to employees at the end of the year.

**Christmas bonus:** Often provided in December, this bonus is typically equivalent to one month's salary or a prorated amount for employees who have not been with the company for a full year.

**Performance bonuses:** Additional compensation based on individual or company performance, encouraging productivity and excellence.

## 2. Allowances

# Native Teams

Meal allowances: Financial support for meals during work hours, especially for employees working overtime or in remote locations.

Transportation allowances: Compensation for commuting expenses, which can be crucial in urban areas with high transportation costs.

Rice subsidies: A common benefit in the Philippines, where employers provide allowances to help cover the cost of rice, a staple food.

## 3. Incentives

Sales commissions: Additional earnings for employees involved in sales, calculated as a percentage of sales made.

Referral bonuses: Monetary rewards for employees who successfully refer candidates that are hired by the company.

## 4. Health and wellness benefits

Medical allowances: Financial support for medical expenses not covered by PhilHealth or other insurance.

Health insurance premiums: Employers may cover a portion of health insurance premiums, providing employees with better healthcare access.

## 5. Retirement and savings plans

Retirement benefits: Contributions to retirement plans, which may include additional employer contributions to the Social Security System (SSS) or private retirement plans.

Profit-sharing plans: Employees receive a share of the company's profits, typically distributed annually based on the company's performance.

## 6. Special leave benefits

Birthday leave: Some companies offer an additional day off with pay on an employee's birthday.

Menstrual leave: An emerging benefit where companies provide leave for female employees during their menstrual cycle.

## 7. Educational assistance

Tuition reimbursement: Financial support for employees pursuing further education or training relevant to their job.

Scholarships for dependents: Some companies offer scholarships or educational allowances for employees' children.

These monetary benefits not only comply with legal requirements but also serve as tools for attracting and retaining talent in a competitive job market. By offering a comprehensive benefits package, employers can enhance employee satisfaction and loyalty.

## Salary and wages

This section provides an essential overview of compensation structures in the Philippines, covering key aspects such as salary payment schedules, foreign currency options, and legal requirements for contributions and deductions. It also includes other methods for

# Native Teams

salary calculations, as well as guidelines for overtime, holiday pay, 13th month payments to ensure compliance with local labour laws.

To receive payments in other currencies while living in the Philippines, an employee or contractor would need to follow a few steps to ensure they comply with legal requirements and have the appropriate infrastructure in place for receiving foreign currency payments.

Ceiling fee for contributions (gross salary)

Social Security System (SSS): The contribution rate of employed members for 2024 is 14%. Of this rate, 9.5% is paid by the employer, and the remaining 4.5% is deducted from the employee's pay.

Philhealth: For 2024 and 2025, PhilHealth has set the premium rate at 5% of the member's basic monthly salary. The contribution is shared equally between the employer and the employee, each bearing half the total premium.

Pag-ibig: Salary P1,500 and below Over P1,500

Contribution Rate:

- Employee - 1% / Employer (if any) 2%

- Employer - 2% / Employer (if any) 2%

There are several approaches on how we can compute the daily rate or monthly rate. It depends on the criteria that you wanted to use so you can be able to identify the rates depending on the agreement.

However, the most common computation that most employers are using is the 261 as their divisor.

For those who do not work and are not considered paid on Saturdays

and Sundays or rest days.

Applicable Daily Rate (ADR)  $\times 261$

12 months = EEMR

Where 261 days/year = 241 Ordinary working days

12 Regular holidays

8 Special non-working days (10.4 if worked)

261h Total equivalent no. of days/year

Sample computation : Monthly basic pay  $\times 12$  (Months in a year) / 261 (factor to use to identify daily rate)

# Native Teams

The standard is bi-monthly or semi-monthly payment schedules. Payment frequency and terms should be clearly specified in the employment contract or company policies. Commonly Every 15th and End of Month.

The 13th-month pay in the Philippines is mandated by Presidential Decree No. 851. 13th month pay refers to one-twelfth of the total basic salary earned by an employee within a calendar. The thirteenth-month pay shall be paid not later than December 24 of every year.

14th month payments are seen more as an optional or voluntary payment from the employers.

Article 103 of the Labour Code mandates employers to pay workers once every two weeks or twice a month. Employee paydays should fall after every 16 days. But if employers can't release salaries due to issues beyond their control, they must remit them afterward. More importantly, companies must follow the prescribed frequency for paying salaries.

Some basic computations.

Overtime (OT)  $1 \times 1.25 = 1.25$  or 125% of the hourly basic pay

Night differential (ND)  $1 \times 1.1 = 1.1$  or 10% (10PM -6AM) of the hourly basic pay in Philippines time zone.

Regular holiday pay:  $\times 2$  or 200% of the basic pay

Special (non-working) day pay:  $\times 1.3$  or 130% of the basic pay

To receive payments in other currencies while living in the Philippines, an employee or contractor would need to follow a few steps to ensure they comply with legal requirements and have the appropriate infrastructure in place for receiving foreign currency payments:

## 1. Bank account for foreign currency

- Open a foreign currency account: The employee or contractor must open a Foreign Currency Deposit Unit (FCDU) account with a local bank. These accounts allow individuals to hold, receive, and withdraw foreign currency. Common currencies supported by Philippine banks include USD, EUR, GBP, and others.
- Choose international banks: Alternatively, they may choose to open a foreign currency account with international banks that operate in the Philippines, like Citibank or HSBC.

## 2. Considerations for exchange rates

If the employee or contractor wants to receive their salary or payment in foreign currency and later convert it to Philippine Pesos (PHP), it is essential to be aware of currency exchange rates and possible bank fees for currency conversion.

### 3. Registration with the Bureau of Internal Revenue (BIR)

- Ensure proper tax filing: Both employees and contractors are still required to report their income to the Bureau of Internal Revenue (BIR), regardless of whether they are paid in PHP or foreign currency. They must declare the foreign currency income and convert it to PHP for tax purposes, based on the exchange rate provided by the BIR.

### 4. Remittance Services (Alternative Option)

- Use international payment platforms: Platforms such as PayPal, Wise (formerly TransferWise), or Payoneer allow users to receive foreign currencies and convert them to PHP. These services are also useful for freelancers and contractors.
- Fees & compliance: While convenient, these platforms typically charge transaction fees, and it is important to ensure compliance with the country's tax and banking regulations.

There are several approaches on how we can compute the daily rate or monthly rate. It depends on the criteria that you wanted to use so you can be able to identify the rates depending on the agreement.

However, the most common computation that most employers are using is the 261 as their divisor.

1. For those who do not work and are not considered paid on Saturdays and Sundays or rest days

Applicable Daily Rate (ADR) × 261

12 months = EEMR

Where 261 days/year = 241 Ordinary working days

12 Regular holidays

8 Special non-working days (10.4 if worked)

261h Total equivalent no. of days/year

Sample computation : Monthly basic pay × 12 (Months in a year) / 261 (factor to use to identify daily rate)

2. Factor 365 days in a year is used in determining the equivalent annual and monthly salary of monthly-paid employees. To compute their Estimated Equivalent Monthly Rate (EEMR), the procedure is as follows:

Applicable Daily Rate (ADR) × 365

12 months = EEMR

Where 365 days/year = 293.0 Ordinary working days

52.0 Rest days

12.0 Regular holidays

8.0 Special non-working days

# Native Teams

365.0 Total equivalent no. of days/year

Sample computation : Monthly basic pay x 12 (Months in a year) / 365 (factor to use to identify daily rate)

3. For those who do not work and are not considered paid on Sundays or rest days

Applicable Daily Rate (ADR) x 313

12 months = EEMR

Where 313 days/year = 293.0 Ordinary working days

12.0 Regular holidays

8.0 Special non-working days (10.4 if worked)

313 = Total equivalent no. of days/year

Sample computation : Monthly basic pay x 12 (months in a year) / 313 (factor to use to identify daily rate)

The standard is bi-monthly or semi-monthly payment schedules. Payment frequency and terms should be clearly specified in the employment contract or company policies.

Commonly Every 15th and End of Month.

The 13th-month pay in the Philippines is mandated by Presidential Decree No. 851. 13th month pay refers to one-twelfth of the total basic salary earned by an employee within a calendar. The thirteenth-month pay shall be paid not later than December 24 of every year.

14th month payments are seen more as an optional or voluntary payment from the employers.

Article 103 of the Labour Code mandates employers to pay workers once every two weeks or twice a month. Employee payday should fall after every 16 days. But if employers can't release salaries due to issues beyond their control, they must remit them afterward. More importantly, companies must follow the prescribed frequency for paying salaries.

Some basic computations.

Overtime (OT)  $1 \times 1.25 = 1.25$  or 125% of the hourly basic pay

Night differential (ND)  $1 \times 1.1 = 1.1$  or 10% (10PM - 6AM) of the hourly basic pay in Philippines time zone.

Regular holiday pay:  $\times 2$  or 200% of the basic pay

Special (non-working) day pay:  $\times 1.3$  or 130% of the basic pay

## Allowances and deductions

There is no mandatory allowance in the Philippines but there are mandatory benefits that are mandated by the law which are Social Security System, Philhealth, and Pagibig Fund.

In the Philippines, employers are not required to provide private pensions to their employees.

## Bonus and incentives

Performance bonuses are bonuses granted based on the performance of the employee. It is discretion by the company and not a demandable right of an employee.

Thou, in the Philippines, performance bonuses and other bonuses can indeed be granted to employees if they are specified in the Collective Bargaining Agreement (CBA) or other agreements negotiated between the employer and a union in a unionized company. This is supported by several legal frameworks.

Key legal references:

Labour code of the philippines

Article 252 (now renumbered as Article 263) of the Labour Code talks about the process of collective bargaining, which includes the negotiation of wages, hours, and other terms and conditions of employment. While bonuses (like performance bonuses) are not required by law, they can be made mandatory if included in a CBA.

Collective bargaining agreement (CBA)

CBAs are legally binding agreements between employers and a union representing the employees. These agreements typically cover wages, work hours, and other benefits, which can include performance bonuses, incentive bonuses, or any other kind of remuneration not required by law.

If a CBA includes provisions for performance or other bonuses, the employer is legally bound to honor those terms. Any violation of the CBA could result in legal consequences or labour disputes.

Aside from the mandatory benefits (e.g., 13th-month pay, SSS, PhilHealth, and Pag-IBIG) and de minimis benefits (non-taxable minimal allowances and fringe benefits), some employers in the Philippines voluntarily offer additional incentives or bonuses to attract and retain talent, improve productivity, and boost employee satisfaction.

Here are some common employer incentives offered by companies in the Philippines: (not mandatory)

1. Nth month pay and additional bonuses

# Native Teams

**14th Month Pay:** Some companies offer a 14th-month pay as an additional bonus on top of the mandatory 13th-month pay. This is often given as a loyalty reward or an additional incentive for employees who have completed a full year of service.

**15th Month Pay and Beyond:** A few companies, especially multinational firms or those in highly competitive industries, may even offer 15th-month pay or additional monthly bonuses depending on profitability or employee performance.

## 2. Performance bonuses

Employers may give performance-based bonuses to reward employees for meeting or exceeding performance targets. These are typically linked to company or individual key performance indicators (KPIs) and can vary widely in amount.

**Productivity or sales Incentives:** Some companies offer bonuses based on achieving production or sales goals, which are common in sales-driven environments or manufacturing industries.

## 3. Profit-sharing programs

Some companies implement profit-sharing schemes, wherein employees receive a portion of the company's profits, either in cash or stock options, as a reward for contributing to the company's success.

## 4. Retention and loyalty bonuses

These bonuses are offered to encourage employees to stay with the company for a longer time. They are typically given after reaching specific employment milestones (e.g., 5 or 10 years of service).

This could be in the form of cash, additional benefits, or stock options.

## 5. Stock options or equity sharing

Some companies, particularly startups or multinational corporations, offer stock options or equity sharing as part of their incentive programs. Employees are given the opportunity to own shares of the company, which increases their potential earnings if the company performs well.

## 6. Christmas or year-end bonuses

# Native Teams

Aside from the 13th-month pay, many companies in the Philippines also provide a Christmas bonus or a year-end bonus. This could be a fixed amount or based on the company's financial performance during the year.

## 7. Mid-year bonuses

In addition to year-end bonuses, some companies offer mid-year bonuses (often equivalent to one month's salary) to reward employees for their work during the first half of the year.

## 8. Allowances (Beyond De Minimis)

**Transportation Allowance:** Companies may provide additional transportation allowances to employees beyond the de minimis limits.

**Meal allowance:** Some companies provide meal subsidies or meal allowances, which can go beyond the de minimis cap.

**Housing allowance:** In some cases, companies provide housing allowances or housing loans for employees, especially for expatriates or employees in critical roles.

## 9. Health and wellness benefits

**HMO (Health Maintenance Organisation) Plans:** Many companies provide HMO coverage beyond the required PhilHealth contributions, covering medical, dental, and vision benefits.

**Life and Accident Insurance:** Additional insurance coverage, including group life insurance or accident insurance, is offered by some employers.

**Mental Health Programs:** Companies may also provide mental health services, including counseling or access to psychologists, as part of wellness programs.

## 10. Educational assistance and scholarships

Some companies offer educational assistance or scholarship programs for employees, their spouses, or their children. This could be in the form of tuition fee subsidies or support for continuing education or skills development (e.g., post-graduate courses or certifications).

## 11. Flexible working arrangements and telecommuting benefits

As a response to changing work environments, many companies now offer flexible working schedules or the option to work remotely, either full-time or part-time.

Employers may also offer home office setup allowances, providing financial support to employees for purchasing office equipment like desks, chairs, or computers for remote work.

## 12. Employee discounts and perks

Some companies offer exclusive discounts for employees on their products or services, or they partner with external vendors to provide employee discounts on goods and services such as gym memberships, travel, and gadgets.

## 13. Transportation benefits

**Car plans:** In some cases, particularly for senior employees or those in sales roles, companies may offer car plans or car loans at favorable terms.

**Company shuttle service:** Companies may provide a shuttle service to employees, especially for those working in locations with limited public transportation.

## 14. Maternity, paternity, and parental benefits

Some employers offer additional maternity leave or paternity leave benefits beyond what is mandated by law. They may also provide paid leave for adoption, surrogacy, or foster care.

## 15. Other special bonuses and incentives

**Sign-on bonuses:** Some companies offer sign-on bonuses to new employees as an incentive to join, particularly for critical roles or highly skilled positions.

**Attendance and Punctuality Bonuses:** Some companies provide bonuses for perfect attendance or punctuality during a set period.

**Referral bonuses:** Employees may receive bonuses if they refer candidates for positions and those candidates are hired.

## Employer contributions

In the Philippines, employer contributions to various mandatory social insurance programs are essential for ensuring employee benefits and coverage. Here's a breakdown of the main contributions employers are required to make:

1. PhilHealth contributions: 5% of the employee's monthly salary

2. Social Security System (SSS) Contributions: The employer's share varies according to the employee's salary bracket. For example, as of 2024, the employer's share is around 7.37% to 8.37% of the employee's monthly salary.

3. Pag-IBIG Fund (Home Development Mutual Fund) Contributions: 2% for over 1500 salary

4. Employees' Compensation Commission (ECC): The ECC contribution is included in the SSS contributions. The employer's share is already part of the overall SSS contribution, and there's no separate rate specifically for ECC.

## 13th Month pay

Requirement: While not a contribution, employers are mandated to provide 13th month pay to employees who have worked at least one month during the calendar year. This is equivalent to one-twelfth of the employee's total basic salary earned within the year.

## Benefits packages

PhilHealth provides health insurance coverage to all employed, self-employed, and indigent citizens. It is the primary health insurance provider in the country. PhilHealth provides coverage for various medical services, including hospitalization, surgeries, outpatient care, and maternity benefits. It aims to reduce the financial burden of healthcare costs for its members.

While PhilHealth provides basic coverage, many individuals and companies opt for additional private health insurance to cover services not included in the mandatory PhilHealth benefits, or to provide more comprehensive coverage.

## Private health insurance providers (Health Maintenance Organisation)

Numerous private insurance companies offer a variety of health insurance plans that can be tailored to individual or family needs. These plans often provide additional benefits beyond what is covered by PhilHealth.

Coverage: Can include hospitalization, outpatient services, maternity benefits, dental and optical care, critical illness coverage, and more.

## Types of plans:

Individual plans: Coverage for a single person.

Family plans: Coverage for the whole family.

Corporate plans: Health insurance plans offered by employers to their employees, which may include group discounts.

Benefits: May offer higher coverage limits, access to a broader network of hospitals and clinics, shorter waiting times, and more comprehensive services, including elective procedures and alternative medicine.

**Retirement Benefits:** This is not a mandated benefit, however, the PH government is giving retirement benefits as part of the government mandated benefits under SSS retirement benefits.

Summary of benefits from the Social Security System (SSS) in the Philippines. Here's a condensed overview of the key benefits covered in the document:

## 1. Sickness benefit

**Eligibility:** For members who are unable to work due to sickness or injury.

**Coverage:** Provides daily cash benefits based on the member's average daily salary credit (ADSC).

**Duration:** Up to 120 days per calendar year.

## 2. Maternity benefit

**Eligibility:** For female members who have given birth or suffered a miscarriage.

**Coverage:** Provides daily cash benefits based on the member's ADSC.

**Duration:** 105 days for live childbirth; 60 days for miscarriage.

## 3. Disability benefit

**Eligibility:** For members who are permanently disabled, either partial or total.

**Coverage:** Monthly pension or lump sum payment, depending on the severity of the disability and the member's contribution history.

## 4. Retirement benefit

**Eligibility:** For members who have reached the retirement age and have made the required number of contributions.

**Coverage:** Monthly pension or lump sum payment, based on the member's ADSC and contribution history.

**Retirement Age:** Typically, 60 years old for early retirement and 65 years old for regular retirement.

## 5. Death benefit

**Eligibility:** For the beneficiaries of a deceased member.

# Native Teams

Coverage: Provides a monthly pension or lump sum payment to the beneficiaries.

Types: Death due to natural causes or accidents.

## 6. Funeral benefit

Eligibility: For the person who paid for the funeral of a deceased SSS member.

Coverage: A lump sum payment to help cover funeral expenses.

## 7. Employee compensation program

Eligibility: For employees who are injured or become ill due to work-related causes.

Coverage: Provides benefits similar to the SSS Sickness and Disability Benefits, but specifically for work-related cases.

## 8. Salary loan program

Eligibility: For members in need of short-term financial assistance.

Coverage: A loan based on the member's contributions and salary credits, which must be paid back with interest.

As of the present there is no unemployment insurance for the Philippines, however there is an existing unemployment benefit under the program of SSS.

The Unemployment Benefit is a financial assistance program for SSS members who lose their jobs involuntarily due to retrenchment, redundancy, or closure of business.

### Eligibility criteria

#### SSS Membership:

Must be an active SSS member at the time of unemployment. Must have at least 36 months of contributions, with at least 12 months of contributions in the 18-month period immediately preceding the unemployment.

Reason for Unemployment: Loss of employment must be involuntary due to retrenchment, redundancy, or closure of business.

#### Additional requirements:

Must be registered with the Department of Labour and Employment (DOLE) or the Public Employment Service Office (PESO) for job placement services.

Must not be engaged in any self-employment or other income-generating activities.

## Benefit amount

### Daily cash benefit:

The benefit amount is equivalent to 50% of the member's average daily salary credit (ADSC).

This amount is subject to a maximum daily benefit rate set by SSS.

### Duration:

The benefit is provided for a maximum of two months.

## Application process

### File a claim:

Submit the application for unemployment benefit through the SSS website or at an SSS branch.

Provide necessary documents, including proof of involuntary unemployment, proof of SSS contributions, and other required identification.

### Supporting documents:

Certificate of involuntary separation from employer.

Proof of registration with DOLE or PESO.

Other required documents as specified by SSS.

### Important notes

#### No benefit for voluntary resignation:

The unemployment benefit is not available for members who voluntarily resign or are terminated for just causes.

**Filing Deadlines:** Applications must be filed within 12 months from the date of involuntary unemployment.

**Benefits Impact:** Receiving unemployment benefits may impact the member's eligibility for other SSS benefits.

This benefit aims to provide temporary financial support to members while they seek new employment opportunities. For further details or specific inquiries, it is advisable to contact SSS directly or visit their official website.

The ECP is a government program under the Employees' Compensation Commission (ECC) that provides financial and medical benefits to employees who suffer work-related injuries, illnesses, or disabilities.

## 1. Eligibility

Coverage: All private and public sector employees who are covered by the Social Security System (SSS) are automatically covered under the ECP.

Conditions: Employees must have suffered from an injury or illness related to their work, including occupational diseases or accidents occurring during work-related activities.

## 2. Benefits

Medical benefits: Covers hospitalization, medication, and other medical expenses related to the work-related injury or illness.

Cash benefits:

Temporary Total Disability (TTD): Provides daily cash benefits equivalent to 90% of the average daily salary credit (ADSC) if the employee is temporarily unable to work.

Permanent Partial Disability (PPD): Provides a lump sum benefit based on the degree of disability if the employee suffers permanent partial loss of function.

Permanent Total Disability (PTD): Provides monthly pension benefits if the employee is permanently and totally disabled.

Death Benefits:

Funeral benefits: A lump sum payment to cover funeral expenses.

Death Pension: Monthly pension payments to the family or dependents of the deceased employee.

## 3. Application process

Filing a claim:

Employees or their beneficiaries must file a claim with the ECC through their respective SSS offices.

Required documents include medical certificates, proof of employment, and other relevant documentation.

Claim procedure:

The claim is reviewed and processed by ECC or the appropriate SSS office. The employee or beneficiary will be notified of the decision.

## 4. Employer's responsibilities

# Native Teams

**Reporting:** Employers are required to report work-related injuries or illnesses to ECC and to provide necessary assistance to employees in filing claims.

**Record keeping:** Employers must maintain accurate records of work-related incidents and employee compensation claims.

**Contribution:** Employers must ensure that their employees are covered by the ECC and make the necessary contributions to the SSS

## 5. Important notes

**Coverage limitation:** The ECP covers only work-related injuries and illnesses.

Non-work-related medical conditions are not covered.

**Appeal process:** Employees or beneficiaries who disagree with the ECC's decision may appeal through the appropriate channels.

**Coordination with SSS/GSIS:**

Benefits under the ECP are coordinated with SSS or GSIS benefits, and employees should ensure that all required contributions are up-to-date.

There is no disability insurance in the Philippines however there is a disability benefit granted to individuals who has SSS contribution

A cash benefit granted either as a monthly pension or a lump sum amount to a member who becomes permanently disabled, either partially or totally

### Qualifying conditions

The member has paid at least 1 month of contribution before the semester of disability  
To qualify for a monthly disability pension, he/she must have paid at least 36 monthly contributions prior to the semester of disability.

If with less than 36 monthly contributions, he/she is granted a lump sum amount.

## Currency and payment considerations

### Currency requirements

In the Philippines, employees and independent contractors should be compensated in the local currency, the Philippine Peso (PHP).

Offering salaries in a foreign currency might be attractive to employees in countries where the foreign currency is stronger or more stable. Conversely, it could be less appealing if it results in lower net income due to currency fluctuations.

# Native Teams

In the Philippines, employees and independent contractors should be compensated in the local currency, the Philippine Peso (PHP).

However, some employees or contractors can also be paid in USD or other currencies as long as it will be paid from the employer (abroad) directly to the employee's bank account or via international money transfer like WISE or Paypal.

A salary package in a foreign currency, employees and employers might include clauses to address potential exchange rate fluctuations, ensuring that the salary maintains its intended value. When converting salary payments back to your home currency, exchange rate fluctuations can impact the final amount you receive. A weaker local currency means you get less when converted, affecting your overall compensation.

Currency exchange rates are based on their local banks. The one they have their personal accounts. There is really no fixed formula or exchange rate per currency/country. It will all fall down to the employee's bank where they are receiving their salaries. or if the government in that country will allow them to receive foreign currency. From my research, not all countries can have this. But with PH, we can use international bank portals like WISE, Payoneer, & Paypal.

## Taxation and compliance

### Employee and employer tax obligations

Employees should allow their employers to deduct income taxes.

Withholding tax is the amount of tax an employer deducts from an employee's salary and remits directly to the Bureau of Internal Revenue (BIR) on behalf of the employee.

Purpose: This system helps in the regular collection of income tax and ensures that employees meet their tax obligations progressively.

How it's calculated

Taxable income: The amount of income subject to withholding tax includes the employee's basic salary, allowances, bonuses, and other compensation. Some benefits might be exempt or have specific tax rules.

Withholding tax table: The BIR provides a withholding tax table (also known as the withholding tax on compensation table) that employers use to determine how much tax to

withhold from employees' salaries. The table is updated periodically, so employers need to use the most current version.

## Withholding tax table

The table shows different income ranges and the corresponding tax rates. For each income bracket, the table specifies a base tax amount and a percentage for the income exceeding a specific threshold. Employers use this table to calculate the amount to withhold from each salary payment.

New joiners must provide their latest BIR 2316 (year to date) to HR. If they did not provide the latest BIR 2316 employee must have a notarized affidavit of no income.

In the Philippines, employers have several critical tax responsibilities to ensure compliance with tax regulations and to support their employees' tax obligations. Here's a comprehensive overview of the key responsibilities:

## Withholding taxes

**Income tax withholding:** Employers must withhold the appropriate amount of income tax from their employees' salaries each month. This is based on the progressive tax rates specified by the Bureau of Internal Revenue (BIR). The withholding amount is determined by the employee's taxable income, exemptions, and deductions.

**Monthly remittance:** Employers are required to remit the withheld taxes to the BIR on a monthly basis. The payment is due on or before the 10th day of the following month. This is done using BIR Form 1601-C (Monthly Remittance Return of Income Taxes Withheld on Compensation).

## Issuance of BIR Form 2316

**Annual certificate:** By January 31 of the following year, employers must issue BIR Form 2316 (Certificate of Compensation Payment/Tax Withheld) to each employee. This form summarizes the total compensation and taxes withheld for the year and is needed by employees to file their annual income tax returns.

## Compliance with tax regulations

**Adherence to updates:** Employers must stay informed about changes in tax laws and regulations, including updates to withholding tax rates, contribution rates, and filing requirements.

Penalties: Failure to comply with tax obligations can result in penalties, interest charges, and legal consequences. Employers are responsible for ensuring timely and accurate remittance and reporting to avoid such penalties.

## Payroll declarations and reporting

Tax filing and reporting:

Monthly and quarterly reports: Employers must file various tax returns and reports with the BIR, including:

BIR Form 1601-C: Monthly remittance return of income taxes withheld on compensation from the employee.

BIR Form 1604-CF: Annual information return of income taxes withheld on compensation, which consolidates monthly returns.

Document Keeping: Employers must maintain accurate and up-to-date records of all tax-related documents, including payroll records, withholding tax computations, and remittance receipts.

## Termination and severance

The Department of Labour and Employment directs that (a) an employee's final pay be released within thirty (30) days from the date of separation or termination of employment, unless there is a more favorable company policy, individual or collective agreement.

The following items may be included in the final pay:

Backpay / final pay: The total compensation due to an employee upon termination, including all earned wages, pro-rated 13th month pay, leave conversions, tax refund (if any), and other benefits (Cash bonds or other types of deposits due for return to the employee, if any)

Last salary: The salary earned up to the final day of employment, typically included in the backpay.

Separation pay: Compensation given to employees who are involuntarily terminated due to authorized causes (e.g., retrenchment, redundancy, health issues), calculated based on tenure and the reason for termination.