

REPUBLIC OF THE PHILIPPINES }  
CONGRESS OF THE PHILIPPINES }  
    *Third Regular Session*

H. No. 3380  
S. No. 2048

REPUBLIC ACT NO. 9040

AN ACT EXEMPTING FROM TAX CERTAIN ALLOWANCES  
AND BENEFITS GRANTED TO THE MEMBERS OF THE  
ARMED FORCES OF THE PHILIPPINES

*Be it enacted by the Senate and House of Representatives of the  
Philippines in Congress assembled:*

SECTION 1. *Short Title.* – This Act shall be referred to as  
"The AFP Tax Exemption for Pay and Allowances Act of 2001."

SEC. 2. *Statement of Policy.* – (a) Section 5, Article XVI of  
the 1987 Constitution provides that "Professionalism in the Armed  
Forces of the Philippines and adequate remuneration and benefits  
of its members shall be a prime concern of the State." The  
government shall provide adequate support and incentives to the  
members of the Armed Forces.

(b) Tax exemption shall be granted on AFP personnel's  
longevity pay, mandatory allowances, collateral pay and collateral  
allowances, as well as other benefits as provided for by law.

SEC. 3. *Exclusions from Gross Income.* – The following  
pay and allowances of AFP personnel shall not be included in  
gross income and shall be exempt from taxation under Title II of  
Republic Act No. 8424, otherwise known as the "Tax Reform Act  
of 1997."

(a) Longevity pay;

(b) Mandatory allowances, namely (1) Cost of Living  
Allowance; (2) Personnel Economic Relief Allowance; and (3)  
Hazardous Allowance;

(c) Collateral Pay, namely (1) Specialist Pay; (2) Combat Pay; (3) Flying Pay; (4) Air Mechanic's Pay; (5) Sea Duty Pay; (6) Hazardous Duty Pay; (7) Instructor's Duty Pay; (8) Parachutist's Pay; and (9) Hardship Pay; and

(d) Collateral Allowances, namely (1) Special Clothing Allowance; (2) Cold Winter's Clothing Allowance and Cold Weather Clothing Maintenance Allowance; (3) Winter Clothing Allowance; (4) Initial Enlistment and Reenlistment Allowance; and (5) Laundry Allowance.

*SEC. 4. Retirement Benefits, Pensions, Death and Disability Benefits.* – Benefits received from and enjoyed under the Armed Forces of the Philippines Retirement and Separation Benefits System (AFP-RSBS) in accordance with the provisions of Presidential Decree No. 361, as amended by Presidential Decree No. 1909, as well as death and disability benefits enjoyed by AFP personnel as provided by law, shall likewise be exempted from any tax of whatever nature.

*SEC. 5. Exemption from Attachment, Levy, and Execution.* – All benefits, pay and allowances mentioned herein shall likewise not be subject to attachment, levy and execution.

*SEC. 6. Rules and Regulations.* – The Secretary of Finance in consultation with the Commissioner of Internal Revenue is hereby authorized to promulgate such rules and regulations as may be necessary to implement the provisions of this Act.

*SEC. 7. Repealing Clause.* – All laws, decrees, executive orders, letters of instruction, letter of implementation, rules and regulations and other issuances inconsistent with any provisions of this Act are hereby repealed, modified, superseded or amended accordingly.

*SEC. 8. Separability Clause.* – If any provision of this Act or the application of such provision to any person or circumstances is held invalid for any reason, the remainder of this Act or the application of such provisions to other persons or circumstances shall not be affected thereby.

SEC. 9. *Effectivity.* – The effectivity of this Act shall retroact to January 1, 2001.

Approved, March 22, 2001.