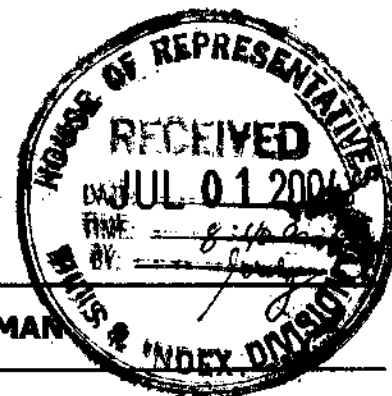


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

THIRTEENTH CONGRESS
FIRST REGULAR SESSION

HOUSE BILL NO. 13



Introduced by Honorable **EDCEL C. LAGMAN**

EXPLANATORY NOTE

Statistics from the Department of Education (DepEd) show that the cohort survival rate for school year 2001-2002 for elementary and high school levels are 67.13% and 73.16%, respectively. This means that out of every one hundred (100) students who enter Grade 1 only seven (7) finish Grade 6. And of these seven (7), only five (5) graduate from high school.

Despite government's provision for free tuition in the public schools, parents can still hardly shoulder their children's other educational expenses. As a consequence, close to 5 million or 15% of Filipino youth aged 7-18 are out of school.

The soaring cost of living (P538.00 in Metro Manila) has constricted the family budget for education. Thus, there has been a marked increase in enrollment in the less expensive public schools. Enrollment in public elementary schools nationwide rose from 11,832,611 in the school year 2000-2001 to 11,916,686 in the school year 2001-2002 or an increase of 84,075 students. On the other hand, enrollment in private elementary schools fell from 927,289 in the school year 2000-2001 to 909,532 in the school year 2001-2002 or a decrease of 17,757 students.

The rising costs of education amid the declining value of real wages weigh heavily on the shoulders of Filipino parents. One efficacious way of easing the burden of education on poor families is through scholarship grants. However, government, non-government organizations or foundations are hard-pressed to raise scholarship funds. The total number of government scholars in AY 2001-2002 decreased to 40,294 from 44,876 in AY 2000-2001.

In AY 2001-2002, a total of P374,842,000.00 was allocated for the scholarship/study grant/loan programs of the Commission on Higher Education (CHED). Of this amount P69,347,990.00 was sourced from the General Appropriations Act (GAA) and P305,494,210.00 from the Higher Education Development Fund (HEDF). This amount benefited only 38,644 scholars and is far from sufficient to meet the growing need for scholarship by poor but deserving students. Thus, it is imperative for the private sector to complement the scholarship programs of the government. Private individuals, corporations, partnerships or instrumentalities must also be encouraged to donate to scholarship foundations.

As an incentive to donors to scholarship foundations, this bill seeks to exempt any individual, corporation, partnership or instrumentality donating to a scholarship foundation from paying donor's tax. It further provides that the total amount or sum of the amounts donated shall be deducted from the personal or corporate tax imposed on the donor.

In support of the constitutional mandate for the State to "establish and maintain a system of scholarship grants... to deserving students in both public and private schools, especially to the underprivileged," immediate approval of this measure is earnestly sought.


EDCEL C. LAGMAN

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

THIRTEENTH CONGRESS
FIRST REGULAR SESSION

HOUSE BILL NO. 13

Introduced by **HONORABLE EDCCEL C. LAGMAN**

AN ACT
GRANTING TAX BENEFITS TO PRIVATE INDIVIDUALS, CORPORATIONS,
PARTNERSHIPS OR INSTRUMENTALITIES DONATING TO A SCHOLARSHIP
FOUNDATION AMENDING FOR THE PURPOSE THE TAX REFORM ACT OF 1997.

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

SECTION 1. Section 101 of Republic Act No. 8424 otherwise known as the "Tax Reform Act of 1997" is hereby amended to read as follows:

SEC. 101. *Exemption of Certain Gifts.* - The following gifts or donations shall be exempt from the tax provided for in this Chapter:

"(A) *In the Case of gifts Made by a Resident.* -

" (1) X X X

" (2) X X X

"(3) Gifts in favor of an educational and/or charitable, religious, cultural and social welfare corporation, institution, accredited nongovernment organization, trust or philanthropic organization, **SCHOLARSHIP FOUNDATION** or research institution or organization: *Provided, however,* That not more than thirty percent (30%) of said gifts shall be used by such donee for administration purposes. For the purpose of this exemption, 'a non-profit educational and/or charitable corporation, institution, accredited nongovernment organization, trust or philanthropic organization, **SCHOLARSHIP FOUNDATION** and/or research institution or organization' is a school, college or university and/or charitable corporation, accredited nongovernment, trust or philanthropic organization, **SCHOLARSHIP FOUNDATION** and/or research institution or organization, incorporated as a nonstock entity, paying no dividends, governed by trustees who received no compensation, and devoting all its income, whether student's fees or gifts, donations, subsidies or other forms of philanthropy, to the accomplishment and promotion of the purposes enumerated in the Articles of Incorporation: **PROVIDED, FURTHER, THAT THE TOTAL AMOUNT OR THE SUM OF THE AMOUNTS DONATED BY ANY INDIVIDUAL, CORPORATION, PARTNERSHIP OR INSTRUMENTALITY TO A SCHOLARSHIP FOUNDATION SHALL BE DEDUCTED FROM THE AMOUNT OF PERSONAL OR CORPORATE TAX IMPOSED ON THE DONOR.**

X x x

Sec. 2. This Act shall take effect upon its approval.

Approved.