

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

FIFTEENTH CONGRESS
First Regular Session

House Bill No. 1200

INTRODUCED BY HON. MARCELINO "MARCY" R. TEODORO

EXPLANATORY NOTE

In the year 2001, a new poverty reduction thrust was initiated by the government. In sum, the country's new national strategy directly put poverty alleviation at the center of governance and development work.

This direction was solidly founded on the lessons of the past and built on the legacy of gains as well as gaps of previous poverty programs. Aptly, the said poverty reduction framework considers poverty as a multi-dimensional problem and requires a multi-dimensional approach, and that it is linked to and determined largely by inequitable asset distribution.

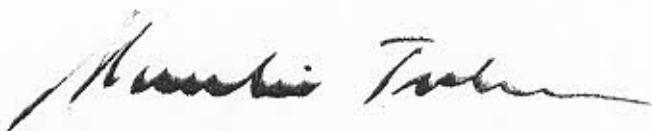
To achieve the goal of poverty reduction, therefore, the government must mobilize innovative and significant means. Among these, micro finance can play a crucial role because it helps the poor to look beyond mere survival and build a future of dignity. Thus, the government has declared micro finance as the cornerstone in the Philippines' fight against poverty.

Microfinance means providing poor families with a broad range of services including savings, loans and micro-insurance to help them engage in productive activities or grow their small businesses.

However, millions of poor households in the Philippines still do not have access to microfinance services, and rely on self-finance or informal sources of finance, limiting their ability to participate in and benefit from development opportunities and income-generating activities. Of the 4.2 million poor households in the Philippines, only 2.5 million have access to microfinance services.

This measure seeks to provide greater financial services to marginalized sectors of the economy and encourage private entities to play a major role in poverty alleviation efforts through the promotion and development of microfinance non-government organizations.

In view of the foregoing, approval of this bill is earnestly sought.



MARCELINO "MARCY" R. TEODORO
Representative, 1st District
City of Marikina

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

FIFTEENTH CONGRESS
First Regular Session

House Bill No. 1200

INTRODUCED BY HON. MARCELINO "MARCY" R. TEODORO

AN ACT
TO PROMOTE AND HASTEN THE DEVELOPMENT OF MICROFINANCE
NGOs IN THE PHILIPPINES

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

Section 1. Title. This Act shall be known as the "Microfinance NGOs Development Act of 2010".

Section 2. Declaration of Policy. It is hereby declared the policy of the State to put priority on the alleviation of poverty in the country. In view hereof, providing greater access to financial services is a vital instrument in improving the living conditions of the disadvantaged sectors of the economy. The government shall, therefore, continue to pursue a liberalized and market-oriented economy where private entities such as non-government organizations (NGOs) play a major role and where the government provides the enabling environment to these entities for them to contribute more effectively to poverty to poverty alleviation efforts.

Section 3. Objectives. – This Act aims to enhance the role of microfinance NGOs in poverty alleviation efforts through the provision of tax incentives which will contribution to their institutional growth and sustainability as well as support their investments and cost in social intermediation and social development. Furthermore, this Act seeks to rationalize the processes required microfinance NGOs seeking a donor institution status.

Section 4. Coverage. This law shall apply to non-stock, non-profit BIR accredited non-government organizations (NGOs) or foundations engaged primarily in the provision of microfinance services. Provided, that these NGOs for foundations are qualified to gain a donee institution status subject to Section 8 of this Act.

Section 5. Definition of Terms. Whenever used in this Act, the following terms shall have their respective meanings;

a) "Microfinance" – A credit and saving mobilization program exclusively for the poor to improve the asset base of households and expand the access to saving of the poor. It involves the use of viable alternative credit schemes and saving programs including the extension of small loans, simplified loan application procedures, group character loans, collateral-free arrangements, alternative loan repayments, minimum requirements for savings and small denominated savers' instruments and insurance schemes;

b) "Non-government Organization"- Refers to duly registered non-stock , non-profit organization focusing on the upliftment of the basic or disadvantaged sector of society by providing advocacy training, community organizing, research , access to resources, and other similar activities;

c) "Microfinance NGO"- A non-government organization or foundation with the primary business of providing microfinance services and acts as financial intermediary.

d) "Donee institution" – a non-stock, non-profit corporation or non-government organization, to which donations are wholly tax deductible from gross income of the donor or exempt from donor's tax in accordance with Section 34(h) and 101 of Republic Act 8424.

Section 6. Exemption from Liability for Unremitted Taxes. A general amnesty on all taxes past due and unremitted, including penalties thereof, as of the date of approval of this Act is hereby granted to non-stock, nonprofit BIR accredited microfinance NGOs or foundations.

Section 7. Donee Institutions Status. Microfinance NGOs or foundations shall automatically be given a Donee Institution Status upon accreditation by the Philippines Council on NGO Certification (PCNC) and the Bureau of Internal Revenue (BIR).

Donations to BIR-accredited, non-stock, non-profit microfinance NGOs or foundations shall be fully tax deductible from the gross income of the donor for the period of ten (10) years under this tax incentives. Provided that after the 10-year period, any new donations shall be subject to the regular Donor's tax.

Section 8. The Department of Finance shall set the guidelines for screening evaluation and approval of tax incentives for microfinance NGOs based on established industry standards for microfinance operations. The DOF shall likewise determine performance criteria which serve as conditions for withdrawing the tax incentives as well as the donee institution status from microfinance NGOs. Moreover, it may deputize private sector tertiary organizations for assistance in carrying out its functions.

Section 9. The Bureau of Internal Revenue (BIR) shall issue a certification of donee institution status, as well as a certificate of tax amnesty/exemption from liability as may be applicable, to these NGOs or corporation arms.

Section 10. Separability Clause. The provisions of this act are hereby declared separable and in the event any such provision is declared unconstitutional invalid or unenforceable the other provisions will remain in force and effect.

Section 11. Repealing Clause. The pertinent provisions of Republic Act 8425, and all other laws, decrees, rules and regulations or parts thereof which are inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

Section 12. Effectivity Clause. This Act shall take effect immediately within 30 days after its publication in the Official Gazette or in at least two (2) national newspapers of general circulation.

Approved,