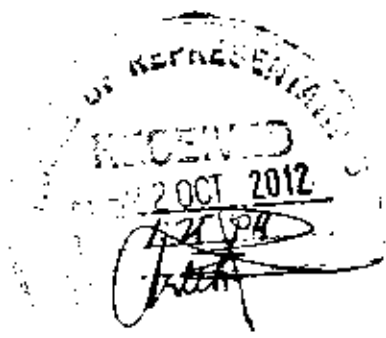


Fifteenth Congress)
Republic of the Philippines)
Third Regular Session)

House of Representatives

H.B. No. 6655

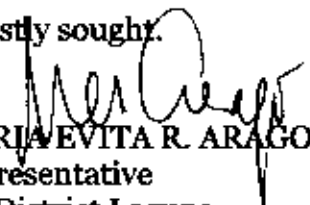


Introduced by Representative Maria Evita R. Arago

EXPLANATORY NOTE

This bill seeks to provide greater financial opportunities to the marginalized by promoting the participation of microfinance institutions in the development of our country. Microfinance can provide financial assistance and other services to the poor including, but not limited to, savings, insurance and loans. This measure will provide the qualified microfinance NGOs with tax incentives that contribute to their institutional growth. It is therefore crucial that microfinance institutions be accorded the policy support and framework that would provide them the encouragement to enhance their service to finance deserving individuals or groups.

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


MARIA EVITA R. ARAGO
Representative
3rd District Laguna

House of Representatives

H.B. No. 6655

Introduced by Representative Maria Evita R. Arago

**AN ACT TO PROMOTE AND HASTEN THE DEVELOPMENT OF MICROFINANCE
NON-GOVERNMENT ORGANIZATIONS IN THE PHILIPPINES**

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

1 **Section 1. Short Title.** – This Act shall be known as the “Microfinance NGOs
2 Development Act”.

3
4 **Section 2. Declaration of Policy.** - It is hereby declared the policy of the State to
5 prioritize the alleviation of poverty in the country. It is therefore vital that financial
6 services be made accessible to the disadvantaged in our country. A liberalized and
7 market oriented economy through entities such as non-government organizations play a
8 significant role in alleviating poverty.

9
10 **Section 3. Objectives.** – This Act aims to enhance the role of microfinance NGOs
11 in poverty alleviation efforts through the provision of tax incentives which will
12 contribute to their institutional growth and sustainability as well as support their
13 investments and cost in social intermediation and social development. Furthermore,
14 this Act seeks to rationalize the processes required of microfinance NGOs seeking donor
15 institution status.

16
17 **Section 4. Coverage.** This law shall apply to non-stock, non-profit BIR
18 accredited non-government organizations (NGOs) or foundations engaged primarily in
19 the provision of microfinance services. Provided, that these NGOs or foundations are
20 qualified to gain a donee institution status subject to Section 8 of this Act.

21
22 **Section 5. Definition of Terms.** Whenever used in this Act, the following terms
23 shall have their respective meanings:

- 24
25 a. “Microfinance” - A credit and saving mobilization program exclusively for the
26 poor to improve the asset base of households and expand the access to saving of
27 the poor. It involves the use of viable alternative credit schemes and saving
28 programs including the extension of small loans, simplified loan application
29 procedures, group character loans, collateral-free arrangements, alternative loan
30 repayments, minimum requirements for savings and small denominated saver's
31 instruments and insurance schemes;
- 32 b. “Non- government Organization” – a duly registered non-stock, non-profit
33 organization focusing on the upliftment of the basic or disadvantaged sector of
34 society by providing advocacy training, community organizing, research access to
35 resources, and other similar activities;
- 36 c. “Microfinance NGO” – A non-government organization or foundation with the
37 primary business of providing microfinance services and acts as financial
38 intermediary;
- 39 d. “Donee institution” – a non-stock, non-profit corporation or non-government
40 organization, to which donations are wholly tax deductible from gross income of
41 the donor or exempt from donor's tax in accordance with Section 34(b) and 101
42 of Republic Act 8424.
- 43
44
45

46 **Section 6. Exemption from Liability for Unremitted Taxes.** A general amnesty on all
47 taxes past due and unremitted, including penalties thereof, as of the date of approval of
48 this Act is hereby granted to non-stock, non-profit BIR accredited microfinance NGOs
49 or foundations.
50

51 **Section 7. Donee Institutions Status.** Microfinance NGOs or foundations shall
52 automatically be given a Donee Institution Status upon accreditation by the Philippines
53 Council on NGO Certification (PCNC) and the Bureau of Internal Revenue (BIR).
54

55 Donations to BIR accredited, non-stock, non-profit microfinance NGOs or
56 foundations shall be fully tax deductible from the gross income of the donor for the
57 period of ten (10) years under this tax incentives. Provided that after the 10 year period
58 any new donations shall be subject to the regular Donor's tax.
59

60 **Section 8.** The Department of Finance shall set the guidelines for screening
61 evaluation and approval of tax incentives for microfinance NGOs based on established
62 industry standards for microfinance operations. The DOF shall likewise determine
63 performance criteria which serve as conditions for withdrawing the tax incentives as
64 well as the donee institution status from microfinance NGOs. Moreover, it may deputize
65 private sector tertiary organization for assistance in carrying out its functions.
66

67 **Section 9.** The BIR shall issue a certification of donee institution status, as well as a
68 certificate of tax amnesty/exemption from liability as may be applicable, to these NGOs
69 or corporation arms.
70

71 **Section 10. Separability Clause.** If, for any reason, any part or provision of this Act
72 shall be held unconstitutional or invalid, other parts or provisions hereof which are not
73 affected thereby shall continue to be in full force and effect.
74

75 **Section 11. Repealing Clause.** All laws, decrees, Executive Orders and Republic Acts
76 inconsistent herewith are hereby deemed repealed.
77

78 **Section 12. Effectivity.** This Act shall take effect fifteen days (15) days following its
79 publication in at least two (2) newspapers of general circulation or the Official Gazette.
80

81
82 *Approved,*
83
84