

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Philippines

SIXTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2125



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 placed 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 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 actions. 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.

Micro-finance 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 micro-finance 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 have access to micro-finance 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 micro-finance non-government organizations.

In view of the foregoing, immediate passage of this bill is hereby sought.

MARCELINO "MARCY" R. TEODORO
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AN ACT
TO PROMOTE AND HASTEN THE DEVELOPMENT OF MICRO-FINANCE NGOS IN
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 known as the "Micro-finance NGOs Development Act of 2013."

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to prioritize poverty alleviation 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 alleviation efforts.

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

SEC. 4. *Coverage.* – This law shall apply to non-stock, non-profit BIR accredited NGOs or foundations engaged primarily in the provision of micro-finance services. *Provided,* That these NGOs or foundations are qualified to gain a donee institution status subject to Section 8 of this Act.

SEC. 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 a 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 micro-finance 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 the gross income of the donor or exempt from donor's tax in accordance with Sections 34 (h) and 101 of Republic Act No. 8424.

SEC. 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, non-profit BIR accredited micro-finance NGOs or foundations.

SEC. 7. Donee Institution Status. – Micro-finance NGOs or foundations shall automatically be given a Donee Institution Status upon accreditation by the Philippine Council on NGO Certification (PCNC) and the Bureau of Internal Revenue (BIR).

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

SEC. 8. Evaluation and Approval of Tax Incentives. -The Department of Finance (DOF) shall set the guidelines for screening evaluation and approval of tax incentives for micro-finance NGOs based on established industry standards for micro-finance 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 micro-finance NGOs. Moreover, it may deputize private sector tertiary organizations for assistance in carrying out its functions.

SEC. 9. Certification. - 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.

SEC. 10. Separability Clause. – If any provisions or part hereof, is declared invalid or unconstitutional, the remainder of the law not otherwise affected shall remain valid and subsisting.

SEC. 11. Repealing Clause. – The pertinent provisions of Republic Act No. 8425, and all other laws, decrees, executive orders, rules and regulations or parts thereof which are inconsistent with the provisions of this Act are hereby repealed, modified or amended accordingly.

SEC. 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,