

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

Sixteenth Congress
Second Regular Session

House Bill No. **5091**



Introduced by Honorable Roy M. Loyola

EXPLANATORY NOTE

Nothing gives a person a sense of stability and security than having a place to call his or her own home. A family home provides an atmosphere of permanence, and serves as one's sanctuary from the outside world. Unfortunately, due to the high cost of acquiring one's own residence, more Filipinos are opting to rent instead. According to an initial study conducted by the *Statistical Research and Training Center* of the National Economic and Development Authority (NEDA), there are approximately 1.5 million households or 7.2% renters out of the total 21.5 million households nationwide.¹ While they can invest in and eventually acquire a property which they can consider their own home, they instead use their finances to pay for their monthly rents. Home ownership therefore remains unattainable for them.

At present, more and more developers are offering affordable housing options through low down payments and easy payment schemes for potential home buyers. However, despite this, less buyers are lured into buying their own homes. They are being deterred from doing so by the financing aspect, more specifically, the interest rates imposed by banking institutions and by these developers themselves. This is where the government should step in by providing an incentive to those who would be purchasing their first family home.

Along this line, this bill aims to aid Filipino families in acquiring their first family home by providing for a *Home Mortgage Interest Relief*, an individual income tax incentive.

This tax incentive makes any interest accruing within a taxable year from any loan obtained for the purpose of acquiring or constructing a family home deductible from the gross income of a qualified taxpayer. By removing interest rates in the equation, potential homeowners will only have to pay the principal amount of the property, and thus avoid the stress of dealing with

¹ Retrieved from <http://newsinfo.inquirer.net/548597/rent-control-act-of-2009-extended-for-2-more-years>
Accessed on 23 January 2014.

ballooning interest payments. Moreover, this relief will provide tax savings for the individual which he/she can use for other things.

With the passage of this bill, it is hoped that the shortage of decent housing would be addressed and our countrymen would have the opportunity to have a place of their own to call home.

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



ROY M. LOYOLA

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AN ACT
PROVIDING FOR HOME MORTGAGE INTEREST RELIEF FOR THE FIRST
FAMILY HOME, AMENDING FOR THE PURPOSE SECTION 34 OF THE
NATIONAL INTERNAL REVENUE CODE OF THE PHILIPPINES, AS AMENDED.

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

SECTION 1. Title. – This Act shall be known as the “Home Mortgage Interest Relief Act of 2014”.

Sec. 2. Declaration of State Policy. – It shall be the policy of the State to encourage home ownership and to provide financial assistance to Filipino families desiring to have their first family homes.

Sec. 3. Definition of Terms. – For purposes of this Act, the following terms or phrases shall mean or be understood as follows:

- a. *Family Home* – shall refer to the dwelling house constituted jointly by the husband and wife, or by an unmarried head of the family, including the land on which it is situated, as defined under Articles 152 and 153 of Executive Order No. 209 or the Family Code of the Philippines, as amended.
- b. *First Family Home* – shall refer to the first dwelling house, either bought or constructed, and used as the primary residence of a family or by an unmarried head of the family.
- c. *Unmarried Head of the Family* – shall refer to any person, regardless of civil status, who has one or more dependent/s who rely upon him/her for chief support.
- d. *Dependent* – shall refer to any, or a combination of two or more of the following persons:
 - i. A father or a mother or both;
 - ii. One or more brothers or sisters who are unmarried, not gainfully employed, and less than twenty one (21) years of age;

- iii. One or more legitimate, illegitimate, adopted or foster children provided that such children are unmarried, not gainfully employed, and less than twenty one (21) years of age;
 - iv. One or more siblings or children, regardless of age, who suffers from a mental or physical defect.
- e. *Solo Parent* – shall refer to any person qualified as such pursuant to Section 3(a) of Republic Act No. 8972 or the "Solo Parents' Welfare Act of 2000".
- f. *Qualified Mortgage Loan* – shall refer to a housing loan from any reputable bank operating in the Philippines, obtained for the purpose of purchasing or constructing a family home, and whose loan amount ranges from four hundred thousand pesos (P400,000) to two million and five hundred thousand pesos (P2,500,000).
- g. *Mortgage Interest Relief* – shall refer to an itemized tax deduction that allows homeowners to deduct the interest they pay on a qualified mortgage loan used for the purchase or construction of their first family home.
- h. *Qualified Taxpayer* – shall refer to a taxpayer who is in good standing and has obtained a housing loan for the purpose of acquiring or constructing his family home.

Sec. 4. Qualified Residence. – In order to be considered as the "*first family home*" as provided for under this Act, the following requisites must concur:

- a. The residence being claimed as a first family home must meet the requirements set forth under Articles 152 – 162 of the Family Code or under Articles 224 – 251 of the Civil Code, as the case may be;
- b. This must be the "first" family home of the taxpayer and be proven as such;
- c. The value of the subject family home must not be lower than Four Hundred Thousand Pesos (P400,000) nor more than Two Million Five Hundred Pesos (P2,500,000); and
- d. The claimant, to qualify under this proposal, must submit all the requisite documents such as, but not limited to, the notarized deed of sale, tax declaration, bank assessment, loan documents, Income Tax Returns (ITR) and/or Sworn Statement of Assets, Liabilities and Networth (SALN) proving the constitution of the structure as his/her family home and his/her ownership of the same and such other documents as may be required under the implementing rules and regulations to be promulgated in relation thereto.

Sec. 5. Exceptional Circumstances. – The qualified taxpayer may likewise claim the privilege provided for under this Act if his/her situation falls under any of the following instances:

- a. If the qualified taxpayer is a *solo parent* as defined under Section 3(a) of Republic Act No. 8972, otherwise known as "Solo Parents' Welfare Act of 2000";

- b. If the original family home was destroyed, either completely or substantially, due to force majeure or an act of God such as but not limited to storms, floods, earthquake, volcanic eruption, fire, and other forms of natural calamities, and the taxpayer constructs or purchases a new residential unit;
- c. If the original family home was lost due to a valid expropriation by the Government.

Sec. 6. Home Mortgage Interest Relief. – Section 34 of the National Internal Revenue Code (NIRC), as amended, is hereby further amended to read as follows::

“SEC. 34. Deductions from Gross Income. - Except for taxpayers earning compensation income arising from personal services rendered under an employer-employee relationship where no deductions shall be allowed under this Section other than under Subsection (M) hereof, in computing taxable income subject to income tax under Sections 24(A); 26; 27(A), (B), and (C); and 28(A)(1), there shall be allowed the following deductions from gross income:

(A) Expenses. –

XXX.

(M) Premium Payments on Health and/or Hospitalization Insurance of an Individual Taxpayer. -
XXX.

(N) HOME MORTGAGE INTEREST RELIEF. - ANY INTEREST TO BE PAID OR ACCRUING WITHIN A TAXABLE YEAR FROM ANY LOAN OBTAINED FOR THE PURPOSE OF ACQUIRING OR CONSTRUCTING A QUALIFIED TAXPAYER'S FIRST FAMILY HOME, AS MAY BE DEFINED BY EXISTING LAWS AND/OR RULES AND REGULATIONS TO BE ISSUED FOR THE PROPER IMPLEMENTATION OF THIS ACT.”

Sec.7. The necessary implementing rules and regulations (IRR) for purposes of this Act shall be jointly issued by the Department of Finance (DOF), the Housing and Land Use Regulatory Board (HLURB), and the Bureau of Internal Revenue (BIR), within sixty (60) days from the effectivity of this Act.

Sec. 8. All laws, decrees, executive orders or any other issuances or parts thereof which are inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

Sec. 9. If any provision of this Act is held invalid or unconstitutional, any other provision not affected shall continue to be in full force and effect.

Sec. 10. This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,