

1 Republic of the Philippines

2
3 **House of Representatives**
4 Quezon City

5
6 *SIXTEENTH CONGRESS*
7 First Regular Session

8
9 HOUSE BILL NO. 5113
10



11
12 **Introduced by Honorable Cresente C. Paez & Anthony M.**
13 **Bravo**
14

EXPLANATORY NOTE

Our 1987 Philippine Constitution is believed to be among the first of its kind in the world to recognize non-government organizations (NGOs) and people's organizations (POs) as partners in development. It goes on in stipulating and defining their roles in society. The Philippine Development Plan (2011-2016) also highlights the role of these volunteers in pursuing the vision of inclusive growth and President Benigno Aquino's vision of a Social Contract with the Filipino people.

The phenomenal contribution Civil Society Organizations (CSOs) includes its representation of the citizenry. It is the negotiating force between bureaucratic power and those who have none (poor), or between those who have the power to make decisions within the formal structure of policymaking and those who lie outside of it (Habermas). They expanded to include community empowerment-empowering through self-organization and raise public awareness on significant issues such as rape, sexual harassment and rights of women and children. They also engaged in agricultural development by helping farmers and fisherfolks obtain access to agricultural services or by participating in the crafting of policies on the countryside. They also serve as the watchdog over government agencies that implement various public services and promote public good.

One of the predestined challenges of CSOs are the funding issues. Thus, the crafting of this bill. Prominent to this bill features a discretion of individual tax payers to allocate 5% of their income tax to their preferred charitable institutions or other civil society organization that are eligible under the provisions of this bill. To clear the doubt of bogus CSOs and to make them accountable to the public, the approval of this bill is earnestly sought.


HON. CRESENTE C. PAEZ


HON. ANTHONY M. BRAVO

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15 **AN ACT PROVIDING FOR PEOPLE'S DIRECT PARTICIPATION IN FUNDING**
16 **CHARITABLE INSTITUTIONS AND OTHER DEVELOPMENT ORIENTED CIVIL**
17 **SOCIETY ORGANIZATIONS THROUGH A PERCENTAGE OF THEIR PERSONAL**
18 **INCOME TAX**
19

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

20 **Section 1. Short title.** – This Act shall be known as "People's Fund Act of 2014"

21
22 **Section 2. Declaration of Policies.** – It is the policy of the State to guarantee the
23 right of the people and their organizations to effective and reasonable participation at
24 all levels of social, political, and economic decision-making. It is moreover the policy
25 of the State to promote a just and dynamic social order through the strengthening of
26 a broad range of organizations, programs and initiatives that facilitate social welfare,
27 people's participation and national development. In furtherance of these policies, the
28 State shall provide a mechanism that empowers its citizens to directly contribute
29 public funds towards priority development programs and the strengthening of a
30 vibrant civil society sector in the Philippines.

31 **Section 3. Definition of terms.** –

- 32 a. **"Individual Tax Payer"** - refers to any individual citizen subject to tax on
33 income as provided by the Tax Reform Act (Republic Act No. 8424);

- 1 b. **“Charitable or Civil Society Organizations”** - refers to charitable
2 institutions and other non-profit and non-government organizations,
3 including foundations, civic organizations, people’s organizations,
4 community organizations, sectoral organizations, cooperatives, micro-
5 finance institutions and social enterprises, duly registered with the
6 Securities and Exchange Commission (SEC), the Cooperative
7 Development Authority (CDA), Department of Labor and Employment,
8 Housing and Land Use Regulatory Board (HLURB) or formal accrediting
9 bodies approved for the purposes of this law;

10 **Section 4. Allocation of Funds from Income Tax–**

- 11 a. Individual tax payers shall have the option to allocate five percent (5%) of their
12 annual income tax to support a charitable or civil society organizations (CSO) that
13 the tax payer shall select from a list of eligible organizations. An inter-agency
14 committee to be led by the Department of Budget and Management (DBM) shall
15 provide this list.
- 16 b. The Bureau of Internal Revenue (BIR) shall establish the mechanism for an individual
17 tax payer to allocate five percent (5%) of income tax yearly to the selected
18 charitable institution or CSO as part of the process of filing annual income tax
19 returns.
- 20 c. Should an individual tax payer decide not to allocate for any of the listed eligible
21 organizations, the whole amount of the individual’s income tax will go to the
22 government’s general fund.
- 23 d. It is prohibited for any individual tax payer to allocate funds to any eligible
24 organization if he or she is a founder, officer, member or employee of that
25 organization or if he or she is related to any of its founders, officers, members or
26 employees up to the fourth degree of consanguinity or affinity.
- 27 e. Funds received by the benefitting organizations as provided by this Act shall be
28 exempt from Donor’s tax or any other taxes.

29 **Section 5. Eligibility Requirements and Conditions.** – An inter-agency committee
30 to be led by DBM shall be established to determine the qualifications and
31 requirements for a charitable institution or CSO to be eligible for the five percent
32 (5%) allocation, and to finalize the list of eligible organizations to be submitted to BIR

1 each year. The inter-agency committee shall also set the conditions, guidelines,
2 processes and reporting requirements for the receipt and use of funds in accordance
3 with the government's development priorities and to ensure full transparency and
4 accountability.

5 **Section 6. Implementing Rules and Regulations.** – The Department of Budget
6 and Management (DBM) and the Bureau of Internal Revenue (BIR) shall promulgate
7 not later than sixty (60) days upon the effectivity of this Act the necessary rules and
8 regulations for its effective implementation; these shall include the eligibility
9 requirements, conditions, guidelines, processes and reporting requirements provided
10 for in Section 5 hereof.

11 **Section 7. Separability Clause** – If any provision of this Act is subsequently
12 declared invalid or unconstitutional, other provisions hereof which are not affected
13 thereby shall remain in full force and effect.

14 **Section 8. Repealing Clause.** – All laws, acts, presidential decrees, executive
15 orders, issuances, presidential proclamations, rules and regulations or parts thereof
16 which are contrary to or inconsistent with any provision of this Act are hereby
17 repealed, amended or modified accordingly.

18 **Section 9. Effectivity** – This Act shall take effect fifteen (15) days after its complete
19 publication either in the Official Gazette or in at least two (2) newspapers of general
20 circulation.

Adopted,