

Sixteenth Congress of the Republic of the Philippines
Second Regular Session

House of Representatives

House Bill No. **5246**



Introduced by: Hon. Teddy BrawnerBaguilat, Jr.

EXPLANATORY NOTE

Our 1987 Constitution provides that the State shall encourage civil society organizations (CSOs) and that the State shall respect the role of CSOs to enable the people to pursue their legitimate and collective interests.

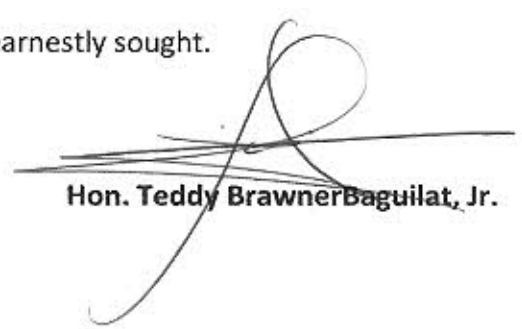
Philippine civil society organizations are acknowledged by many to be among the most vibrant in the whole world. Still, many of these non-profit organizations survive on a year-to-year or even month-to-month basis and rely on donations and grants to fund their programs and projects. Unfortunately, international funding for local CSOs have declined since the 1990s due to shifts in their priorities and other reasons. Local as well as "diaspora" philanthropy, which were expected to compensate for this, have not developed as quickly and as robustly as needed.

Efforts by government to provide financial support to legitimate CSOs have been hampered by the "pork barrel scandal", which included the use of fake NGOs in their scheme to steal public funds.

This bill seeks to establish the People's Fund, a way for taxpayers to decide for themselves which CSOs they deem worthy of support. This bill will provide for a mechanism that will allow individual taxpayers to allocate 5% of their annual income tax to a CSO of their choice.

The People's Fund is modeled after successful practices in several European countries, including Hungary, Poland and Romania.

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


Hon. Teddy BrawnerBaguilat, Jr.

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**An Act Providing for People's Direct Participation in Funding Charitable Institutions
and other Development Oriented Civil Society Organizations
Through a Percentage of Their Personal Income Tax**

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

SECTION 1. Short Title. – This Act shall be known as the People's Fund Act of 2014.

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

SECTION 3. Definition of Terms. –

- a. *Individual Tax Payer* – refers to any individual citizen subject to tax on income as provided by the Tax Reform Act (Republic Act No. 8424);
- b. *Charitable or Civil Society Organizations* – refers to charitable institutions and other non-profit and non-government organizations, including foundations, civic organizations, people's organizations, community organizations, sectoral organizations, cooperatives, micro-finance institutions and social enterprises, duly registered with the Securities and Exchange Commission (SEC), the Cooperative Development Authority (CDA), Department of Labor and Employment, Housing and Land Use Regulatory Board (HLURB) or formal accrediting bodies approved for the purposes of this law;

SECTION 4. Allocation of Funds from Income Tax. –

- a. Individual tax payers shall have the option to allocate five percent (5%) of their annual income tax to support a charitable or civil society organization (CSO) that the tax payer shall select from a list of eligible organizations. An inter-agency committee to be led by the Department of Budget and Management (DBM) shall provide this list.
- b. The Bureau of Internal Revenue (BIR) shall establish the mechanism for an individual tax payer to allocate five percent (5%) of income tax yearly to the selected charitable institution or CSO as part of the process of filing annual income tax returns.
- c. Should an individual tax payer decide not to allocate for any of the listed eligible organizations, the whole amount of the individual's income tax will go to the government's general fund.
- d. Any eligible organization can receive a maximum of only Fifty Million Pesos (P50,000,000.00) per year of public funds allocated under this Act. Funds allocated by tax payers to any organization in excess of this amount shall go to the government's general fund.
- e. It is prohibited for any individual tax payer to allocate funds to any eligible organization if he or she is a founder, officer, member or employee of that organization or if he or she is related to any of its founders, officers, members or employees up to the fourth degree of consanguinity or affinity.
- f. Funds received by the benefitting organizations as provided by this Act shall be exempt from Donor's tax or any other taxes.

SECTION 5. Eligibility Requirements and Conditions. – An inter-agency committee to be led by DBM shall be established to determine the qualifications and requirements for a charitable institution or CSO to be eligible for the five percent (5%) allocation, and to finalize the list of eligible organizations to be submitted to BIR each year. The inter-agency committee shall also set the conditions, guidelines, processes and reporting requirements for the receipt and use of funds in accordance with the government's development priorities and to ensure full transparency and accountability.

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

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

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

SECTION 9. Effectivity.—This Act shall take effect fifteen (15) days after its complete publication either in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,