

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
Second Regular Session

House Bill No. 5827



Introduced by REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

Natural calamities such as earthquakes, typhoons, volcanic eruptions and massive floods often cause massive and widespread economic losses to their victims. This is as a result of destruction of, or damage to their properties. To alleviate the sufferings of the victims of calamities, there is a need to grant them a reasonable relief from their tax liabilities on their real properties affected by the calamity within a specified period of time to accelerate their pace of economic recovery.

Under our current tax laws, relief for losses as a result of calamities is granted only to individuals or corporations engaged in trade or business or practice of profession. Losses of property used in trade or business, resulting from fires, storms or other casualties, that are actually sustained during the taxable year and not compensated for by insurance or other forms of indemnity can be claimed as deductions for income tax purposes. The amount of the deductible casualty loss is limited to the difference between the value of the property immediately preceding the casualty and its value thereafter

This bill seeks to grant additional tax relief to victims of calamities in the form of real property tax moratorium in the affected areas for two (2) fiscal years from the date of declaration of a state of calamity by the proper local sanggunian. Real properties covered by the moratorium are residential lands and buildings, commercial and industrial buildings, agricultural lands together with the plants and growing fruit trees thereon, and permanently installed machineries intended by the owners of the buildings or structures for an industry or business which may be carried on therein.

In the case of donations, foreign assistance pouring in for victims of calamities are exempt from taxes and import duties if channeled through certain government agencies and state-accredited groups under Section 18 of Republic Act No. 10121 or the Philippine Disaster Risk Reduction and Management Act of 2010, in conjunction with Section 105 of the Tariff and Customs Code of the Philippines as amended. The Value-Added Tax (VAT) on the foreign aid would instead be shouldered by the Philippine government through budget reports and the tax expenditure fund from the General Appropriations Act. Meanwhile, local donations are also exempt from

donor tax and deductible as an expense if properly accredited by the DSWD.

This bill seeks to liberalize the requirements for the grant of donations, whether foreign or local, by simply requiring the declaration of a state of calamity by the proper sanggunian of the areas affected by calamities for the donations to be exempt from all types of taxes. To ensure proper monitoring by the government, it will only be required that said donations be properly certified by the DSWD. Tax exemptions on donations and assistance given to victims of calamities will further encourage donors and ensure a steady flow of donations to the victims.

While the government depends upon taxation to serve the people for whose benefit taxes are collected, the government must also be sensitive to the needs of victims of natural calamities and assist in the alleviation of their serious economic dislocations.

In view of the foregoing, the immediate consideration and passage of this bill is earnestly requested.

A handwritten signature in black ink, appearing to be 'Arthur C. Yap', written in a cursive style.

ARTHUR C. YAP
Representative

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AN ACT
PROVIDING FOR TAX RELIEF DURING TIMES OF
CALAMITY AND FOR OTHER PURPOSES

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

1 **SECTION 1. Title.** - This Act shall also be known as the
2 'Calamity Tax Relief Act of 2015'.

3 **SECTION 2. Declaration of Policy.** - It shall be the policy of the
4 State to assist taxpayers in areas affected by natural calamities, through tax
5 relief, to reasonably recover from the financial burden caused upon them by
6 such natural disasters. In such cases of severe suffering of the people, there
7 is a need to balance the government's primordial need for funds and the
8 people's right to life, liberty, and property. Likewise, it shall also be the
9 policy of the State to provide tax exemption to donations and assistance
10 given to victims of calamities in order to encourage donors and for the
11 maximum utilization of the donations extended.

12 **SECTION 3. Calamity Defined.** - For purposes of this Act,
13 'calamity' shall mean a state of extreme distress or misfortune, produced by
14 some adverse circumstance or event caused by natural forces such as, but
15 not limited to, typhoons, earthquakes, volcanic eruptions or similar natural
16 disasters.

17 **SECTION 4. Effects of Declaration of Calamity-** A declaration of
18 a state of calamity by the proper local *sanggunian* shall make effective the
19 following tax reliefs:

- 20 a) The real property tax in the affected areas shall not be assessed and
21 collected for two (2) fiscal years, starting from the date of declaration of
22 a state of calamity: *Provided*, That real property shall refer only to
23 residential lands and buildings, commercial and industrial buildings,
24 agricultural lands together with the plants and growing fruit trees
25 thereon, and permanently installed machineries intended by the owners

1 of the buildings or structures for an industry or business which may
2 be carried on therein.

3 b) Any donation in the name of any organization that declares that the
4 funds donated shall be in favor of the victims of the calamity shall be
5 exempt from donor's tax: *Provided*, That the donation is certified by the
6 Department of Social Welfare and Development (DSWD): *Provided*,
7 *further*, That no more than ten percent (10%) of the said donation shall
8 be used by the donee organization for administration purposes.

9 **SECTION 5. *Implementing Rules and Regulations.*** - The
10 Commissioner of the Bureau of Internal Revenue (BIR) shall, within thirty
11 (30) days from the effectivity of this Act, promulgate the rules and
12 regulations necessary for the effective implementation of
13 this Act.

14 **SECTION 6. *Separability Clause.*** - If, for any reason, any
15 provision of this Act is declared unconstitutional or invalid, the other
16 sections or provisions hereof which are not affected thereby shall continue to
17 be in full force and effect.

18 **SECTION 7. *Repealing Clause*** - All laws, decrees, orders, rules
19 and regulations, or parts thereof, inconsistent with the provisions of
20 this Act are hereby repealed, amended or modified accordingly.

21 **SECTION 8. *Effectivity Clause*** - This Act shall take effect after
22 fifteen (15) days following its complete publication in the
23 Official Gazette or in at least two (2) newspapers of general circulation.

Approved.